

Public consultation

8 December 2011

Public consultation by the French Energy Regulatory Commission (CRE) regarding the marketing of long-notice transmission capacities

1. Context and purpose

The steering committee of the gas consultation body (Concertation Gas) has asked the "capacities allocation" working group to work on developing multi-annual reservable long-notice capacities, currently proposed to the market on a "First Come, First Served" basis of allocation.

With the European network code *Capacity Allocation Management* (hereinafter CAM) coming into force around 2014, a generalised way of allocating capacities by a bidding process shall be imposed. Taking into account these coming changes, applying the "first come, first served" method of allocation during the transitional period up to the entry into force of future regulations regarding allocation is not satisfactory in as far as it allows a substantial part of capacities to be pre-empted in the long term solely based on reactivity.

During the consultation process, GRTgaz proposed to the CRE new marketing procedures for long-notice transmission capacities. The aim of this public consultation is to consult the market stakeholders regarding this proposition as well as those put forward by TIGF.

2. Proposal of the TSOs.

2.1. GRTgaz's proposal

i) Products concerned

The changes proposed by GRTgaz concern long-notice reservable firm capacities and releasable capacities at the following interconnection points on the network (PIR): PIR Dunkirk, PIR Taisnières B, PIR Taisnières H, PIR Obergailbach and PIR Oltingue.

ii) Marketing timetable

GRTgaz proposes to open two marketing windows ("Open Subscription Period" or OSP), the first from 10 to 20 October in year y-1, the second from 10 to 20 February in year y, each one regarding capacities commencing on the first day of the month of October in year n.

iii) Allocation rules

GRTgaz proposes two possible means of allocation, between which it has expressed no preference:

- allocation by duration: applications for a duration equal to or greater than 5 years shall be allocated first. Applications for durations of less than 5 years shall be allocated successively in decreasing order of duration (4, 3 and 2 years). A pro-rata rule shall be applied, for each duration, where demand exceeds supply;
- year-by-year allocation: applications should be allocated on a year-by-year basis with no rule regarding priority. A pro-rata rule shall be applied, for each year, where demand exceeds supply.

Furthermore, GRTgaz envisages leaving it to the shippers to choose between two options: "band" or "maximisation". The profile of capacities allocated to the shipper shall be determined in accordance with the option selected. In the first case the shipper shall benefit from a flat capacity profile, in the second the capacity profiles may vary from one year to the next.

iv) Integration of releasable capacities

GRTgaz envisages integrating releasable capacities with the new allocation mechanism for long-notice capacities.

v) Proposal to include a 5-day application correction window following closure of the OSP

GRTgaz is proposing to offer shippers the possibility to subsequently amend their application between the 20th and 25th day of the month where the application is not in accordance. As such, only information regarding the following elements may be amended: conformity of the level of capacity, conformity of the duration, statement of option selected.

2.2. TIGF proposition

At this stage, TIGF does not envisage any changes with regard to the marketing of long-notice transmission capacities. TIGF states that all long-notice capacities were already sold at the Larrau PIR during the last OSP. Such a change would only affect the Biriadou PIR, with a limited capacity of 2 GWh/d, and would therefore receive little interest.

3. CRE preliminary analysis

3.1. Means of marketing, product and timetable

The CRE believes that replacing the current "first come, first served" (FCFS) basis of allocation with allocations by OSP represents a significant advance and would allow the transition to be prepared in view of the CAM network code.

Furthermore, the CRE believes that the frequency of marketing (two sessions per year) and the proposed duration (2 to 15 years) are in line with the European framework.

<i>Q1 Are you in favour of abolishing the FCFS mechanism for marketing long-notice capacities at the PIRs?</i>
--

3.2. Integration of long-notice releasable capacities with the proposed mechanism.

The CRE points out that releasable capacities, introduced by the decision of 27 December 2006, had been created as a response to congestion noted at certain points on the network. In view of the increase in availability of capacity noted recently at some of these points, the CRE may need to abolish releasable capacities under ATRT 5, effective as of 1 April 2013.

The effect of integrating releasable capacities into the proposed mechanism would be to reduce their frequency of availability. Furthermore, this integration could complicate the model as proposed by GRTgaz.

At the moment, the CRE is canvassing interest regarding integrating releasable capacities into the proposed mechanism.

Q2. Are you in favour of organising OSPs by linking long-notice capacities with releasable capacities?

3.3. Allocation rules for duration v. year-by-year capacities.

The CRE notes that the method of allocating by duration would have the advantage of providing increased transparency, both for the shippers with regard to availability of long-term capacities, and for the TSOs with regard to stability of their revenue. Furthermore, the 5-year threshold proposed by GRTgaz, beyond which capacities are allocated regardless of duration, create a good balance between the long-term transparency wished for by certain suppliers and the need to not freeze capacity subscriptions over too long a period. This 5-year period has been retained to allocate capacities released to the market by GDF Suez under the engagement program. As a result, the CRE would favour an allocation by duration mechanism.

Q3 Are you in favour of allocating capacities based on priority according to duration?

3.4. "Maximisation" and "band" allocation option.

At this moment, the CRE favours the possibility, as offered to applicants for capacities, of differentiating the profile of their application in accordance with the selected option and of benefiting, as a result, from increased predictability regarding volumes allocated to them. In order to guarantee the visibility of the new mechanism, the CRE believes nonetheless that it would be preferable to consider "band" allocation as the default method, and to retain the single "maximisation" allocation as optional.

Q4. Are you in favour of implementing an optional choice of "maximisation" or "band".

3.5. Establishment of a 5-day correction window following the closure of the OSP

The CRE believes, on initial analysis, that opening a correction window would be likely to weaken the whole allocation process and, as a result, is not in favour of this proposal.

Q5. Are you in favour of establishing a correction window for applications?

3.6. Retention of current allocation rules for capacities on the TIGF network

The CRE notes that the volumes affected by such a change would be limited (2 GWh/d in the direction France-Spain). In fact, with the exception of the Biriadou PIR, all long-notice capacities are marketed under OSPs in conjunction with the neighbouring TSO.

At this moment, the CRE is in favour of retaining the rules currently in force for TIGF's capacities in anticipation of the entry into force of the CAM European network code.

Q6. Are you in favour of retaining the sale of long-notice capacities on an "FCFS" basis at Biriadou?

Q7. Do you have any other comments regarding this matter?

Questions:

Q 1. Are you in favour of abolishing the "first come, first served" mechanism for the sale of long-notice capacities at the PIRs?

Q 2. Are you in favour of organising OSPs by linking long-notice capacities to releasable capacities?

Q 3. Are you in favour of allocating capacities based on priority according to duration?

Q 4. Are you in favour of implementing an optional choice of "maximisation" or "band"?

Q 5. Are you in favour of establishing a correction window for applications?

Q 6. Are you in favour of retaining the sale of long-term capacities on an "FCFS" basis at Biriadou?

Q 7. Do you have any other comments regarding this matter?

The CRE asks interested parties to submit their comments **no later than 6 January 2011**:

- by email to the following address: webmestre@cre.fr;
- by contributing directly on the CRE website (www.cre.fr), under "Documents / Public Consultations";
- by writing to: 15, rue Pasquier - F-75379 Paris Cedex 08, France;
- by contacting the Directorate for gas infrastructures and networks: + 33.1.44.50.41.44.

Please clearly mark any part of your submission that is of a confidential nature.