COMMISSION
DE RÉGULATION
DE L'ÉNERGIE

12 July 2006

Public consultation on pricing principles for use of natural gas transmission networks

The law of 3 January 2003 guarantees all consumers and suppliers a transparent and non-discriminatory access to natural gas transmission networks and stipulates that decisions on tariffs for use of these networks be made jointly by the Economy and Energy ministers, upon CRE's proposal.

The current tariffs have been applied by transmission system operators (TSOs) since 1 January 2005 and came officially into force on 27 May 2005, with the publication in the Journal Officiel of the following texts:

- decree no. 2005-607 of 27 May 2005 relating to applicable tariff rules for use of natural gas transmission networks;
- order of 27 May 2005 relating to the definition of balancing zones for natural gas transmission networks;
- opinion of 27 May 2005 relating to tariffs for use of natural gas transmission networks.

These tariffs, proposed by CRE on 27 October 2004, were set on the basis of forecasts for 2005 and were to be applied from 1 January 2005 for a period of 12 to 18 months.

In October 2006, CRE intends to propose new tariffs for the use of natural gas transmission networks, due to apply from 1 January 2007 for a maximum period of two years. These new tariffs are necessary to take account of the changing economic context in which TSOs operate.

The general gas transmission tariff structure is expected to be maintained for the next tariff period. The number of balancing zones across the country will then be reduced from five to three (two zones for GRTgaz and one zone for TIGF) by 1 January 2009.

The changes planned for the forthcoming tariffs aim to:

- simplify the tariff structure;
- increase the flexibility offered to transmission network users;
- make various technical improvements, stemming mainly from experience feedback on the tariffs in force.

For this new tariff proposal, CRE would like to consult all market players. This specification sheet only concerns elements likely to be modified in the forthcoming tariff proposal on the basis of current thinking. The parties concerned are nonetheless invited to make comments and proposals on all the components of the transmission network tariffs.

I - Tariff level

1 Reminder of authorised revenue calculation principles

Article 7 of the law of 3 January 2003 stipulates that tariffs for access to gas infrastructures "*are set on the basis of public, objective and non-discriminatory criteria taking into account the characteristics of the service provided and related costs. These costs include particularly the operating, research and development expenses necessary for the safety of the network and control of the quality of natural gas injected or withdrawn as well as [...] expenses for conducting public service missions".*
Moreover, Article 1 of decree 2005-607 of 27 May 2005 stipulates that *"tariffs for use of natural gas transmission networks are determined [...] on the basis of all operating and investment expenses. [...] Depreciation of assets and return on invested capital are included in the investment expenses."*

a) Operating expenses

The level of operating expenses is set by analysing previous financial years, the budgetary forecasts sent by operators for the years concerned by the tariff and the productivity objectives determined by the regulator on certain expense items. It must take account decree no. 2005-607 of 27 May 2005, as well as the principle set by Regulation (EC) no. 1775/2005 of 28 September 2005 which states in Article 3 that "*The tariffs […] reflect actual costs incurred insofar as such costs correspond to those of an efficient and structurally comparable transmission system operator"*.

b) Capital costs

(i) The Regulated Asset Base:

Capital costs include two parts: depreciation and financial return on fixed capital. The calculation of these two components is based on the valorisation of the Regulated Asset Base (RAB), conducted on the basis of a "current economic costs" methodology, the key principles of which were set by the special commission established under Article 81 of the amending finance law of 28 December 2001, required to set the price of the State's transfer of its natural gas transmission networks.
The lifetimes adopted for the main categories of industrial assets are:

- 50 years for pipes;
- 30 years for compression systems.

As at 1 January 2006, the RAB value resulting from this calculation is shown in the table below.

The calculation of the RAB and capital costs for the tariff validity period incorporates the investment forecasts supplied by operators. These predictions have increased significantly in comparison with previous years, particularly for TIGF. Investments made by operators mainly concern:

- projects for increasing the network capacity. These projects represent 38% of the forecast investment volume of GRTgaz for the 2006-2008 period, and 80% of the forecast investment volume of TIGF. The main project carried out by TIGF for this period is the reinforcement of the Guyenne trunk pipe, part of which benefits from an enhanced rate of return approved by CRE (deliberations of 8 December 2005). The estimated cost of this project amounts to 175 M€;
- projects for meeting public service obligations and regulatory restrictions relative to safety and the environment, and for modernising and increasing the reliability of the operator network.

M€	RAB on 01/01/06	Forecast invest. 2006-2008
GRTgaz	5434	853
TIGF	634	321

(ii) Rate of return:

The rate of return currently in force is 7.75% (real, pre-tax). A premium of 125 basis points applies to assets put into service after 31 December 2003, and an additional premium of 300 basis points is applicable for a period of 5 or 10 years to investments likely to make a significant contribution to improving the operation of the market.

The level of this rate was set in 2003 for all regulated infrastructure activities (transmission, distribution and LNG terminals). It was renewed in October 2004 during revision of the transmission network tariffs. However, during revision of the tariffs for use of distribution networks and tariffs for use of LNG terminals in October 2005, CRE amended the rate of return applicable to these activities to take into account the capital market trends since the first tariffs were set. The level of rate of return was set at 7.25 % (real, pre-tax).

During revision of the transmission network tariffs, CRE will re-examine the rate of return. At this stage, it is expected to maintain a system of differentiated rates between new investments and investments improving the operation of the market.

2 Regulation framework

a) Tariff validity period

Whether it is suitable to set tariff levels and pricing principles for a period of 3 to 5 years has been considered.

This approach would probably provide significant advantages in terms of visibility and cost control incentives. However, these advantages can only come fully into being in an environment which is sufficiently stabilised , where the tariff structure does not require major modification and where the regulator has an assessment of operators' efficient cost level which is sufficiently exact to be able to give them suitable productivity gain objectives.

At this stage, these pre-conditions have not been met, since the tariff structure is due to change significantly between now and 2009. In addition, the assessment of operators' medium-term efficient cost level needs to be perfected. In this context, the tariff validity period should not exceed 2 years.

An error correction mechanism is planned (see below) to allow immediate improvement of the visibility and fairness of the tariff.

b) Setting up a correction mechanism: the expenses and revenues regulation account

Unit tariffs are calculated on the basis of capacity subscription and cost hypotheses set for the tariff validity period. During this period, these hypotheses may prove to be incorrect and as a result, TSO's revenue may not correspond to the cost level actually borne by them. When such disparities arise for reasons that are difficult to predict when setting tariffs, and the impact of these uncertainty factors is beyond TSOs' control, it may be justifiable to correct them at a later date.

Over the tariff period covered by the current tariffs, analysis of operators' accounts revealed various disparities between forecasts and achievements, which resulted overall in excess payments for TSOs.

When setting the tariffs for use of electricity transmission grids (TURP2), CRE decided to tackle these disparities by setting up an "Expenses and Revenues Regulation Account" (CRCP). The CRCP is an extra-accounting fiduciary account funded at regular intervals by all or part of the cost or revenue disparities observed on pre-defined items. The balance of this account is reconciled by reducing or increasing the revenues collected through tariffs during the following tariff periods. To ensure the financial neutrality of the mechanism, an interest rate is applied to the account balance.

This account has been initialised for TURP2 on the basis, firstly, of the results of audits conducted on electricity operator accounts and, secondly, by examining 2003 accounts published by EDF, which represent the first full year of application of the tariff for use of public electricity grids that entered into force on 1 November 2002.

It is planned to apply a similar mechanism to gas transmission. On the basis of the criteria mentioned above (the substantially unpredictable and uncontrollable nature of variation factors), the expense and revenue items likely to be concerned by this corrective mechanism are:

- revenue from penalties for exceeding imbalance tolerance levels, daily capacity and hourly capacity;
- revenue from network access, depending on the capacity level booked by shippers;
- capital costs;
- energy purchase and flexibility expenses.

The disparities noted on these items may therefore be compensated at a later date. Such compensation will take into account the fact that the level of these expense and revenue items is not completely independent of TSO actions, and that it is therefore necessary to maintain an incentive for operators to control their costs (energy purchases, capital costs), or conduct their business in a suitable manner (capacity subscriptions). On certain items, the disparities may only be compensated partially on the basis of pre-defined rules. Where appropriate, the corrective mechanism may be applied with additional checks to ensure that the level of costs committed is efficient and prudent.

The scope of elements eligible for the corrective mechanisms and methods adopted for carrying out corrections reflect the state of the economic environment and regulation system when the tariffs are set. These elements are likely to have changed when subsequent tariff revisions are made.

3 Subscription hypotheses

a) Implementation of standardised subscriptions

During the GTG 2007 work relating to improvement of the profiling system, it was decided, at plenary meetings on 30 November 2005 and 7 June 2006, to set up a system of standardised subscriptions for delivery capacities at transmission-distribution interface points (PITDs) as from 1 January 2007.

This system requires TSOs to automatically allocate delivery capacities at PITDs to shippers according to the portfolio of customers supplied downstream of each PITD. Its operation is described in the document *"Système de souscriptions normalisées des capacités de transport aux PITD"* published on the website http://www.gtg2007.com

Moreover, in January 2006, CRE conducted an audit on the calculation methods used by TSOs to determine the peak consumption at 2% risk. This audit concluded that the present methods of the two French TSOs are sound and allow standardised subscriptions to be applied on 1 January 2007.

For shippers supplying end consumers on the Gaz de France distribution network, the "A" multiplication coefficients, used to convert peak consumption, calculated on the basis of customer consumption profiles, to delivery capacity on the transmission network, are as follows:

- zone GRTgaz North H gas: 1.141
- zone GRTgaz North L gas: 1.218
- zone GRTgaz East: 1.021
- zone GRTgaz West: 1.082
- zone GRTgaz South: 0.990
- zone TIGF: 1.144

The values of these coefficients will be checked by CRE and incorporated into the tariff rules.

In view of the range of "A" coefficients over the various balancing zones, the application of a mean "A" coefficient equal to 1.083 is planned on the GRTgaz network, for shippers supplying end consumers on the Gaz de France distribution network.

For shippers supplying end consumers on the distribution network of local distribution companies who still have to set up profiling, the "A" multiplication coefficients will be equal to 1 for the next tariff period.

b) Other subscription hypotheses

Subscription hypotheses for the main network will be defined in the following way:

- for exits from the main network, they will be at least equal to those adopted for transportation on the regional network which take into account firstly the standardised subscriptions at PITDs and, secondly, a forecast of capacity subscriptions for industrial consumers directly connected to the regional transmission network. Forecasts for these industrial consumers will be established on the basis of capacities actually subscribed in 2005 and trend predictions for 2006, 2007 and 2008;
- for the other points of the main network, the hypotheses adopted will be set on the basis of capacities actually subscribed in 2005 and trend predictions for 2006, 2007 and 2008.

II - Tariff structure

1 Continued application of basic tariff principles

Experience feedback on transmission network tariffs supports the continued application of the general tariff principles currently in force over the next tariff period:

- a 100 % capacity tariff;
- an entry-exit tariff on the main network, with 5 balancing zones;
- a distance tariff on the regional network.

2 Simplification of tariffs

a) Equalisation of the exit term and abolition of exit zones on the main network

The tariffs currently in force vary according to the exit zone (41 zones for GRTgaz and 10 for TIGF). A tariff term for exit capacity from the main network is set for each zone.

Under the new tariffs it is planned to equalise the exit tariff term and therefore abolish the notion of exit zone.

The grid configuration of the main transmission network makes the determination of differentiated exit costs on the main network delicate and somewhat arbitrary. An equalised tariff on the main network would therefore be as good a reflection of costs as a non-equalised tariff and provide the following advantages:

- simplification for transmission network users;
- tariff stability. The exit terms at different points of the network will no longer be subject to change at each tariff revision, according to changes in the predominant gas flows on the network.

In practice, instead of subscribing to exit capacities for each exit zone, shippers would subscribe to a single exit capacity for each balancing zone. On the basis of the tariff currently in force, the main network exit term after equalisation would be:

- 59.5 €/MWh/d per year on the GRTgaz network;
- 50 €/MWh/d for the winter season and 39 €/MWh/d for the summer season on the TIGF network.

In addition, the proximity term arrangement would continue in the zones concerned on the GRTgaz and TIGF networks.

Simulations show that the financial impact of standardising would be moderate for shippers. On the other hand, end customers would be directly affected by increases or reductions.

To give suppliers time to adapt their sales offers, the equalisation of the main network exit term might be postponed to 1 July 2007 or 1 January 2008.

b) Deseasonalisation of the TIGF main network exit tariff

At present, the TIGF tariff includes main network exit terms that are seasonally adjusted : a winter term (November to March) and a summer term (April to October).

For simplification purposes, the exit terms on TIGF's main network are due to be "deseasonalised".

Based on the current tariff, the TIGF main network exit tariff, after equalisation and deseasonalisation, would be 70 €/MWh/d per year.

c) Co-ordination between French infrastructure operators

To enable shippers to use all natural gas systems under optimum conditions (transmission and distribution networks, LNG terminals, storage facilities), co-ordination between system operators must be improved.

(i) Interconnection between GRTgaz and TIGF

To transport gas between the GRTgaz and TIGF networks, it is currently necessary to subscribe to an exit capacity with one of the two TSOs and an entry capacity with the other. The uncoordinated application by each TSO of the entry-exit pricing principle causes problems for transmission networks users:

- the capacities published by each TSO are not equal;
- the capacity allocation rules are not the same;
- the capacity redistribution mechanisms in the event of congestion are different.

Moreover, GRTgaz's tariff is based on annual capacities, while TIGF's tariff concerns seasonal capacities.

To solve these problems, two options are envisaged:

1st option: for each interconnection (TIGF / South zone of GRTgaz and TIGF / West zone of GRTgaz), the new tariff would only include one common tariff term for both TSOs. It would then be up to GRTgaz and TIGF to set up a joint marketing and operational management structure and to organise a system for dividing up the corresponding revenues;

2nd option: the principle of separate sale of two products at each interconnection (one for each TSO) would be maintained. However, the capacities marketed by each TSO would be aligned in the next tariff, either on an annual basis or on a seasonal basis. In addition, the two TSOs would be asked to set up:

- joint publication of the capacities available;
- a co-ordinated system ensuring that a user subscribing to a capacity with one TSO will automatically have the same capacity with the other;
- co-ordinated operation of the capacity redistribution systems in the event of congestion;

- a single nomination and renomination system.

(ii) Interface between the transmission network and LNG terminals

It is planned to adapt the transmission network entry tariff at the Fos and Montoir points so that all shippers with LNG terminal regasification capacities are guaranteed corresponding transmission capacities.

For the Montoir entry point, the following provisions are to be included in the tariff rules:

- a firm entry capacity equal to $1/30^{th}$ of the subscribed regasification capacity would be allocated to all shippers booking regasification capacities under a "band" or "spot" arrangement, in synchronisation with the terminal release programme, i.e. in sliding months rather than calendar months. The tariff for a sliding month would be equal to $1.5/12^{th}$ of the annual firm entry capacity term;
- on a daily basis, the firm entry capacity not allocated in a sliding month to shippers who booked regasification capacities under a "band" or "spot" arrangement, along with 100% of the interruptible entry capacity, would be allocated to shippers who booked regasification capacities under a continuous arrangement, in proportion to their regasification capacities booked under a continuous arrangement. The tariff for one day would be equal to $1/365^{th}$ of the annual firm entry capacity term.

In addition, tariff rules are to be defined to meet the same objective for the Fos entry point.

d) Combining the fixed delivery term with the delivery capacity term for PITDs

At present, the fixed PITD delivery term is:

- 3 €/MWh/d per year of subscribed delivery capacity, limited to 3,600 € a year multiplied by the number of PITD delivery stations, with GRTgaz;
- 3 €/MWh/d per year of subscribed delivery capacity, limited to 1,800 € a year multiplied by the number of PITD delivery stations, with TIGF.

It is proposed to abolish the upper limit for PITDs and to combine the fixed delivery term with the delivery capacity term which, based on the current tariff, would become:

- 21 €/MWh/d per year, with GRTgaz;
- 13 €/MWh/d per year, with TIGF.

3 Improvement of cost reflection

a) Division of tariff revenue between the main and regional networks

The revenue of each TSO must reflect the cost structure of the infrastructures it operates. However, for both TSOs, revenue received on the main network at present exceeds the costs generated by the main network, while revenue on the regional network is less than the costs of the regional network.

To avoid too sharp an increase in tariff terms for the regional network, in its previous tariffs CRE initiated a partial rebalancing of each TSO's revenue.

For GRTgaz, the current division of revenue is 55% main network/45% regional network, whereas the costs are divided 50 % for the main network and 50% for the regional network.

Under the new tariffs it is planned to align the GRTgaz revenue structure with its cost structure. Based on the current tariff, for GRTgaz this would result in an increase of around 10% in the tariff term for the regional network. At the same time, the following terms for the main network, would be reduced by around 20%:

- entry terms at Dunkerque, Taisnières H, Taisnières L, Obergailbach, Fos, Montoir;
- link terms between the North and West zones and between the North and East zones;
- exit and entry terms to and from TIGF.

For TIGF, the current division of revenue is 56% main network/44% regional network with costs divided 53% for the main network and 47% for the regional network. In view of the foreseeable rise in costs on the main network due to major forthcoming investments, a new rebalancing of the TIGF tariff is not envisaged.

b) Annual redistribution of penalties

Under the current tariffs, there are two types of penalties:

- penalties for exceeding imbalance tolerance levels;
- penalties for exceeding daily or hourly capacities.

The current fine system is financially neutral for TSOs, insofar as the penalties billed by TSOs to shippers over a tariff period are deducted from the revenue obtained from tariffs over the following tariff period.

Annual redistribution of these penalties is planned as from 2007. This would be carried out by each TSO at the beginning of the following year in the form of a credit note on shippers' transportation invoices. This redistribution could be divided between shippers as follows:

- for balancing penalties: in proportion to each shipper's balance perimeter;
- for penalties for exceeding daily or hourly capacities: in proportion to the daily and hourly delivery capacities subscribed for industrial consumers directly connected to the regional transmission network.

4 Increasing the flexibility offered to shippers

The current tariff rules include mechanisms which optimise use of transmission networks and avoid access refusal. In its forthcoming tariff proposal, CRE intends to reinforce the flexibility offered by TSOs.

a) Generalisation of short term use-it-or-lose-it

Since December 2005, GRTgaz has offered a short-term interruptible "*use it or lose it*" service (UIOLI CT) on an experimental basis. In the event of congestion at a given point, this optimises use of the transmission network by selling unused daily capacities.

This service complies with Regulation (EC) no. 1775/2005 of the European Parliament and Council, of 28 September 2005, concerning conditions for access to natural gas transmission networks.

It is planned to include this service in GRTgaz and TIGF tariffs, with a price equal to 1/500th of the firm annual capacity subscription of the point in question.

When the total shipper demand exceeds the capacity available at a given point, the capacities are allocated to shippers in proportion to their request. To prevent shippers' making requests that exceed their needs, this term could be billed as follows:

- a term in proportion to the request, which could represent 20 % of the total price;
- a term in proportion to the capacity actually allocated, which could represent 80 % of the total price.

b) Changes in GRTgaz's releasable capacity offer

Under the current tariff rules, 15 % of the firm annual capacity share booked by a shipper which exceeds 20 % of the total firm annual capacity at entry points, links between balancing zones and the Hérault and Dordogne network interconnection points (PIR) must be converted into releasable capacity.

As this capacity is released in the form of a short-notice annual subscription it is impossible for shippers benefiting from it to make a supply commitment covering the period of time required to develop an end customer portfolio.

Under the forthcoming tariffs, it is therefore planned to offer shippers the possibility of booking releasable capacities for a one- to four-year period.

In addition, given that releasable capacities are saturated, it is planned to limit the total releasable capacity that a shipper can book at all entry points to the total delivery capacities directly or indirectly available to the shipper.

c) Auction of daily capacities

Shippers have been able to subscribe to firm daily capacities since 1 January 2005. At present, a significant share of available daily capacities is not sold at certain points.

For maximum use of the transmission network, it is planned to authorise TSOs to market unsold daily capacities through an auction mechanism, after the close of sales of firm daily capacities at the regulated tariff (i.e. as from D - 1 at 6 a.m.).

d) TIGF's offer of monthly interruptible capacities at Larrau and Biriatou

Since the beginning of 2006, on an experimental basis, TIGF has offered monthly and daily interruptible entry capacities at Larrau (Spain to France direction) and exit capacities at Biriatou (France to Spain direction). This offer is due to be incorporated into the forthcoming tariffs.

e) Minimising problems caused by works

The works necessary for maintaining networks and developing infrastructures lead to network interruption which disrupts transportation for shippers.

TSOs need to be encouraged to limit their works' incidence while still fulfilling their regulatory obligations. For this, two options are envisaged:

- in the event of network interruption, TSOs could offer shippers' additional services like parking or swaps between balancing zones, for limited quantities;
- a system whereby shippers are reimbursed by TSOs for the value of capacities interrupted beyond a pre-defined volume of work could be set up.

f) Pricing of GRTgaz's service to convert H gas to L gas:

Since 1 January 2005, GRTgaz has offered a service to convert H gas to L gas on an annual basis. This conversion service is invoiced by GRTgaz at the cost of its purchase from Gaz de France Négoce as follows:

- a fixed term of 133 €/MWh/d per year;
- a term in proportion to quantity, at the rate of 0.16 €/MWh.

For the forthcoming tariffs a reduction of the price of this service is envisaged. This would mean that part of the costs would be borne by shippers who supply H gas end customers.

Moreover, it is planned to authorise the marketing of monthly conversion capacities by GRTgaz. The tariff of these monthly conversion capacities would be similar to the tariff for monthly transportation capacities on the regional network:

January	$8/12^{th}$ of the annual tariff	July	0.5/12
February	8/12	August	0.5/12
March	2/12	September	1/12
April	1/12	October	1/12
May	1/12	November	2/12
June	1/12	December	4/12

g) Pricing of the GRTgaz service to transfer L gas to H gas

Since mid-2005, on an experimental basis, GRTgaz has offered a service to transfer L gas to H gas using gas mixing facilities. This service is interruptible as the operation capacities of these facilities depend on the operation conditions of the network and cannot be guaranteed on a permanent basis.

The forthcoming tariffs are due to include this interruptible service to transfer L gas to H gas. The tariff for this service would be equal to the price differential between the Taisnières H and Taisnières L entry points, i.e., under the current tariff, 24.48 €/MWh/d per year.

5 Additional technical improvements

a) Specific pricing for new high-consumption sites situated near transmission network entry points

It is planned to propose a new short-notice interruptible transportation offer for new high-consumption gas sites (10 GWh/day), such as combined cycle gas turbines, situated near an H gas network entry point.

Supply of these sites would be interrupted with 2 hours' notice in the event of stoppage or malfunction of the entry point in question. This procedure avoids the need for TSOs to make the heavy investments required in order to guarantee supply of these sites under all conditions.

In return, the sites subscribing to this offer would benefit from a discounted tariff.

b) Simplification of penalties for exceeding daily capacities

Current tariff rules allow for the application of penalties for exceeding daily main network exit capacities, daily regional transmission capacities and daily delivery capacities. The calculation of these penalties, on the basis of the monthly price of the daily capacity, may appear complex.

For the forthcoming tariffs, it is planned to calculate these penalties on the basis of the price of the daily subscription to daily capacities under the following conditions:

- tolerance kept at 3 %;
- for the part of excess between 3 % and 10 %, the fine would be equal to 20 times the price of the daily firm capacity subscription concerned, i.e. one times the monthly price instead of three times, as it is today;
- for the part of excess greater than 10 %, the fine would be equal to 40 times the price of the daily firm capacity subscription concerned, i.e. two times the monthly price instead of six times, as it is today.

In comparison with the current system, penalties would be decreased for one-off excesses, but increased for repeated excesses. In return, TSOs would give shippers the possibility, subject to network availability, of quickly adjusting their capacity subscriptions when a capacity excess is observed.

c) Changes in penalties for exceeding hourly capacities

Under the current tariffs, any annual, monthly or daily subscription to a daily delivery capacity entitles an hourly delivery capacity equal to 1/20th of the daily capacity subscribed. Depending on network availability, shippers may also benefit from a higher hourly capacity by paying an extra charge.

Under these tariffs, penalties are also imposed for exceeding hourly transmission capacities, which are calculated on the basis of the monthly price of daily capacity. These penalties are currently applied by TIGF, but not by GRTgaz.

Under the forthcoming tariffs, the fine system for exceeding hourly capacities will be modified in line with the changes planned for penalties imposed for exceeding daily capacities, according to the following principles:

- tolerance on the daily capacity kept at 10%;
- for an excess between 10% and 20%, the fine is equal to 45 times the daily firm capacity subscription price concerned, i.e. one times the monthly price instead of three times, as it is today;
- for excess greater than 20%, the fine is equal to 90 times the daily firm capacity subscription price concerned, i.e. two times the monthly price instead of six times, as it is today.

GRTgaz plans to implement more lenient application of these penalties by applying them only to consumers who do not bring their subscriptions into line after an initial excess is observed.

d) Tariff rules for border points with Switzerland

To deliver to customers situated downstream of the Pontarlier, Morteau and Gex PITDs, supplied directly from Switzerland without a connection to the French gas transmission network, two alternatives are offered to shippers under the current tariff rules:

- use of Swiss facilities;
- use of the gas exchange point, paying a price supplement corresponding to the cost borne by GRTgaz for transporting gas to Switzerland, *"subject to an agreement between GRTgaz and the Swiss operator"*.

The corresponding tariff conditions will be defined under the forthcoming tariff rules.

In addition, under the planned rules, exit points towards Switzerland (La Cure, Saint Julien, La Louvière) would be treated in the same way as the other interconnection points, allowing all suppliers to book any available capacities.

CRE invites all interested parties to send their contribution, **by 8 September 2006** at the latest:

- via the CRE website, under the "Public consultations" section, using the "Contribute" function (electronic documents can be sent);
- by e-mail to the following address: com@cre.fr ;
- by post to 2, rue du Quatre Septembre - 75084 Paris Cedex 02 – France;
- by contacting the Direction des réseaux et Infrastructures de gaz (telephone +33 (0)1 44 50 41 72) to arrange a meeting with the Commission services
- or by asking to be heard by the Commission.

A summary of contributions to this consultation, observing legally protected secrets, will be published by the Commission. The confidentiality and/or anonymity of contributions will be guaranteed if requested by the contributor.

Some questions are listed below for information only:

General and financial questions

1. Do you think that the basic rate of return in force (7.75% real, pre-tax) is in line with the risk profile of the gas transmission activity and with the overall economics of the regulation system in force? Please give reasons for your answer.

2. Do you think that the premium applied to new investments (currently 125 basis points) is justified, in view of the need to encourage operators to develop transmission capacities? What do you think of the level of this premium? Please give reasons for your answer.

3. What do you think of the tariff validity period envisaged by CRE?

4. What do you think of the planned mechanism for correcting disparities between forecasts and achievements? Do you think it is appropriate for providing operators with a financial incentive to develop capacity subscriptions on the network?

5. For the introduction of standardised subscriptions, do you prefer A coefficients differentiated for each GRTgaz balancing zone, or a mean A coefficient?

Technical questions

Simplification of tariffs

6. Are you in favour of equalising the main network exit term and abolishing exit zones (with the exception of proximity zones)? If so, are you in favour of immediate implementation, or would you prefer postponement until 1 July 2007 or 1 January 2008?

7. Are you in favour of the deseasonalisation of the TIGF network exit term?

8. What is your experience of the operation of interconnections between GRTgaz and TIGF networks? What improvements do you consider preferable or essential? Do you prefer annual or seasonal interconnection tariff terms?

9. What is your experience of the operation of interfaces between GRTgaz and Gaz de France DGI at the Fos and Montoir entry points? Do you approve of the proposals made in this document?

Improvement of cost reflection

10. What is your view of the rebalancing principle for regional and main network tariffs?

11. Are you in favour of an annual fine redistribution mechanism? Do you approve of the planned apportionment keys? If not, what keys would you consider to be suitable?

Increasing flexibility

12. What is your experience of the short-term "Use It or Lose It" service set up on an experimental basis by GRTgaz since December 2005 (prices, terms)?

13. Are you in favour of the changes proposed for releasable capacities (subscriptions up to 4 years, setting an upper limit for capacities)?

14. Are you in favour of setting up an auction mechanism for unsold daily capacities?

15. What do you think of the works programmes of the two transporters, particularly in comparison with works programmes of transporters in other countries? What do you think of a incentive mechanism based on "reimbursement"? Would you be in favour of additional services being set up? If so, please give examples.

16. Are you in favour of a reduced price for the service to convert H gas to L gas, which would result in shippers supplying H gas to end customers having to bear part of the costs? Are you in favour of a monthly conversion service being set up?

Additional technical improvements

17. What do you think of the short-notice interruptible offer for high-consumption sites situated near transmission network entry points?

18. Are you in favour of the proposed changes to penalties for exceeding daily and hourly capacities?

19. What do you think of the proposals made concerning border points with Switzerland?