



Public consultation on changes to gas marketplaces in France.

This public consultation concerns the general directions envisaged by the French Energy Regulatory Commission (CRE) for changes to gas marketplaces, called Gas Exchange Points (*Points d'Echange Gaz - PEG*), on the French gas transmission systems.

The French market has been organised into three PEGs since January 2009: the GRTgaz North and South PEGs and the TIGF PEG.

CRE launched considerations bringing together all stakeholders with a view to changing this contractual structure. With this in mind, it organised two workshops. The first, which was held on 21 March 2012, was an opportunity to look at the possible changes to the contractual structure of the French natural gas market. The proposals stated during this workshop were added to by the written contributions of thirteen participants. The second workshop held on 4 May was a chance to present a summary of the contributions and to launch in-depth considerations and discussions between the participants, in particular on the operational aspects of the possible changes. GRTgaz presented an assessment of market coupling between the North and South zones on its network, and a new approach combining contractual mechanisms and investments for a merger between these two zones.

The presentations made during these workshops, and the written contributions received by CRE are on-line and can be viewed by clicking on the following link:

<http://www.cre.fr/reseaux/infrastructures-gazieres/structure-contractuelle-des-reseaux>

CRE will issue a deliberation providing guidelines on the target structure of the French market and the changes to be implemented to reach it. These guidelines will be part of CRE's tariff decision for the use of natural gas transmission systems as of 1 April 2013.

Interested parties are requested to answer the questions set out in this document, **by 22 June 2012 at the latest.**

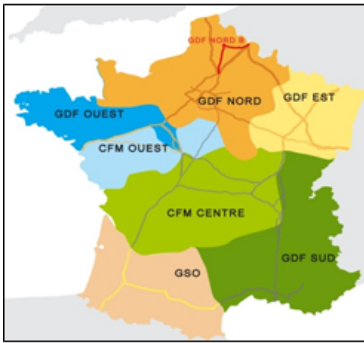
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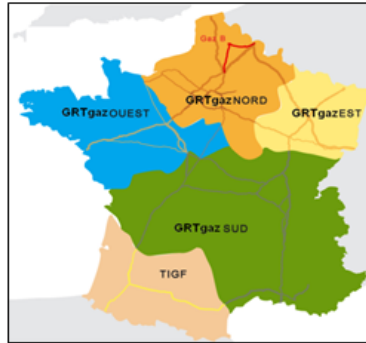
1 Background

1.1 Background in France

As at 1 January 2003



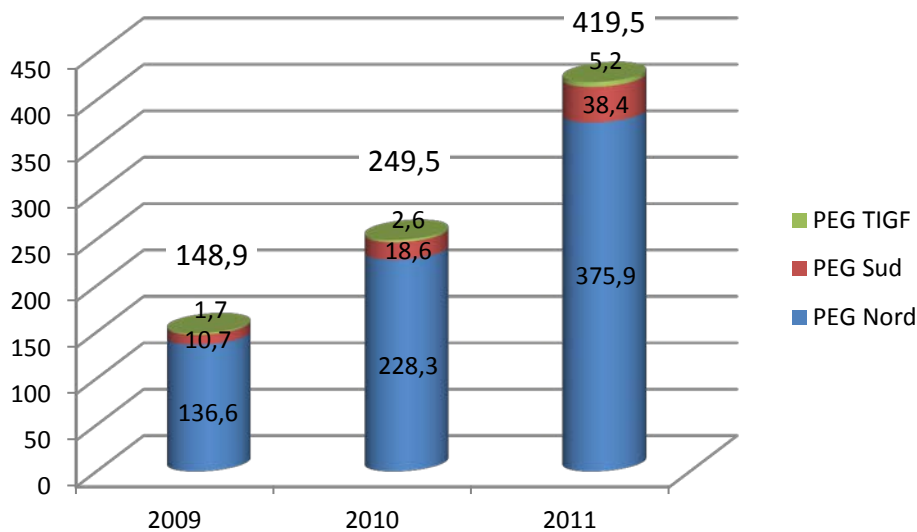
As at 1 January 2005



As at 1 January 2009



Since 2003, the reduction in the number of balancing zones on the transmission systems has been a major factor in the improvement of gas market operation in France. As at 1 January 2009, the merger of the three West, North and East zones of GRTgaz into one large GRTgaz North zone has simplified market access and optimised arbitrage potential for shippers between various gas sources, while strengthening supply security. The GRTgaz North zone currently enjoys good appeal for shippers and an increased level of liquidity (see graph 1). The wholesale and retail markets, and competition, have been significantly developed there, enabling consumers, and industrial consumers in particular, to enjoy competitive prices.



Graph 1: Development of negotiated volumes in TWh¹

In its deliberation dated 22 May 2012, CRE announced its intention to merge the contractual balancing parameters of the two qualities of gas in the North zone (L-gas with a low calorific value and H-gas with a high calorific value) as of 1 April 2013. Shippers will therefore be able to access a single North PEG regardless of the physical differences in quality between L-gas and H-gas, which will strengthen the gas market's liquidity in this zone.

By contrast, liquidity on the wholesale market in the south of France remains limited and access difficulties are persistent. Industrial consumers have observed that competition is less fierce than in the north and that

¹ Volume corresponding to total negotiated volumes, regardless of maturity, on the over-the-counter market and on the organized market

they do not enjoy such favourable gas prices, which impacts their competitiveness. Stakeholders therefore regularly request changes to the contractual structure. Several studies have been conducted on this issue in recent years:

a) With regard to the creation of a joint GRTgaz South – TIGF PEG:

A study conducted in 2009-2010 jointly by GRTgaz and TIGF, upon the request of CRE and DGEC (General Directorate for Energy and Climate), concluded that there was no structural physical congestion between the GRTgaz South and TIGF networks.

b) With regard to the creation of a single GRTgaz PEG:

A Concertation Gaz working group studied this option in 2009, but concluded that it was technically impossible, given the significant congestions on the GRTgaz network, which required very high gas flow commitments at the Fos entry point.

Following the approval of the ERIDAN project in 2011, CRE asked GRTgaz to entrust a study on the combination of the GRTgaz North and South zones by 2015-2016 to an independent consultant. This study, conducted by KEMA over the second half of 2011, identified remaining congestions between GRTgaz's North and South zones after the strengthening measures decided in 2011 (Eridan, Arc de Dierrey) and analysed the feasibility of merging the two GRTgaz zones on the basis of contractual tools. The study assessed the costs generated by such a merger, according to various market assumptions. Its main results and intermediary phases were regularly presented within the Concertation Gaz group.

Following this work and the two workshops it has organised, CRE believes that the number of PEGs in France should continue to drop.

Question 1: Do you believe that the PEGs should be further consolidated? Do you think that keeping the current contractual structure is a possible option?

1.2 European background

a) Implementation of the Third Energy Package

The Third Energy Package aims to create internal gas and electricity markets. The European Council recently confirmed that this objective is to be reached by 2014.

To achieve this, the European network codes, pursuant to Article 6 of Regulation 715/2009 on conditions for access to the natural gas transmission networks, will define the common rules for the operation of European gas markets. The drafting of these codes is already well underway and the implementation of the first codes is set for 2014-2015 in all Member States.

The network code on Capacity Allocation Mechanism (CAM) was submitted by ENTSOG to ACER in March 2012. Once ACER has established its compliance with the framework guidelines, it will be forwarded to the European Commission with a view to final adoption in Member States at the end of 2012. The implementation of this code will lead to auctions, on shared marketing platforms, of capacities grouped together at the interconnection points between neighbouring transmission networks. With this in mind, sixteen European TSOs from five countries, including GRTgaz, announced in April 2012 the development of a joint capacity selling platform. It is too early to know if alternative projects will be developed but CRE believes that it is preferable for the two French TSOs to use the same platform to sell capacity, in order to simplify the rules for shipper access to the gas transmission networks.

The guidelines on congestion management are currently being adopted by Member States. They aim to limit contractual congestions at interconnection points. These provisions, which will modify the capacity sale rules at interconnection points, must be implemented by 1 October 2013.

As concerns balancing, the framework guidelines were adopted by ACER in October 2011 and ENTSOG is currently drafting the network code. The balancing of gas transmission networks must be based on market rules, which involves the overhaul of GRTgaz' and TIGF's information systems. In order to simplify access rules for users and minimise the costs of these changes for the TSOs and shippers, CRE stated in its deliberation dated 1 December 2011 that GRTgaz and TIGF will have to implement a single balancing system in compliance with European regulations.

Question 2: Are you in favour of creating joint procedures and information systems for GRTgaz and TIGF linked to these evolutions? Do you think that the two French TSOs should take part European joint capacity selling platform announced in April 2012?

b) The target model for the European gas market

In order to ensure coherence between the various network codes, European regulators have defined a "Gas Target Model" that was approved at the Madrid Forum in March 2012. This model is based on two issues: the implementation of efficient marketplaces and the efficient interconnection of these marketplaces. The model establishes the main criteria defining an efficient marketplace, including annual consumption of at least 20 bcm and access to at least three different supply sources.

2 Analysis of the possible options for changes to the PEGs

The work conducted during the workshops held on 21 March and 4 May has highlighted the fact that most stakeholders need to have visibility as of 2012 on the target organisation of the French market and on how this target will be reached. To achieve this, three types of changes were discussed for the PEGs:

- The creation of a single GRTgaz PEG by combining the North and South PEGs on the GRTgaz network;
- The creation of a joint South PEG by combining the GRTgaz South PEG and the TIGF PEG;
- The implementation of a market coupling mechanism between the GRTgaz and TIGF PEGs.

2.1 The creation of a single GRTgaz PEG

2.1.1 On the basis of contractual tools

a) The main conclusions of the KEMA study

The KEMA study showed that considerable physical restrictions continue between the North and South zones of GRTgaz despite the entry into service of ERIDAN and Arc de Dierrey. According to the studied price scenarios, these restrictions result in congestions from North to South, South to North and West to East, of which the extent and frequency are very variable. The major congestion has been identified in summer from North to South, when the price of liquefied natural gas (LNG) is higher than that of gas in the gaseous state imported from entry points in the north. The severity of this structural congestion depends on the LNG imports from the Fos LNG terminals, flows leaving the territory to Spain, the operation of gas-fired combined cycle plants, and the use of storage. Thus KEMA assesses this congestion at 200 GWh/day on average during summer, which represents an annual gas deficit in the south of France of 35 TWh. KEMA estimated the cost of the contractual tools required to deal with a gas deficit of 35 TWh at between 80 and 170 M€ per year. This cost is very dependent on the price assumptions used (gas price differences between the various global markets) and on the effective volume of the congestion to be managed. During these workshops, several shippers said KEMA had underestimated the congestion, thus GRTgaz re-evaluated the maximal extent of the congestion to 500 GWh/j, which represents an annual gas deficit in the south of France of 82 TWh and a maximal additional cost of 500 M€.

KEMA analysed the different contractual mechanisms to organise the merger of the North and South PEGs, enabling the resolution of the aforementioned congestions:

- Short-term market mechanisms (localized purchasing/sales, capacity buy-back, inter-operator agreements with neighbouring infrastructure operators) to deal with one-off, low-scale congestion;
- Long-term market mechanisms (flow commitments, in particular at Fos, Larrau and Biriadou or capacity buy-back at the GRTgaz South/TIGF interconnection point for periods greater than or equal to one month) to deal with frequent or structural, and potentially important congestions;
- Administrative mechanisms such as the revision of normal operating conditions on the network or the conversion of firm capacity currently unsold at the interface between the GRTgaz and TIGF networks into interruptible capacity.

KEMA recommends the priority use of market mechanisms.

b) CRE's analysis

Given the high level of uncertainty with regard to gas prices in 2015 and beyond, it is difficult to predict the cost of the contractual mechanisms that will be necessary for the implementation of a single GRTgaz PEG. Moreover, the higher the gas deficit in the south, the more difficult the use of these tools will be. Due to the volumes under consideration, the risk of insufficient competition that would increase the cost of contractual mechanisms is compounded by the risk of a lack of counterparty, which could have consequences on supply security in the south of France.

Consequently, CRE agrees with the analysis expressed by many players during the two aforementioned workshops: contractual mechanisms can only operate properly as a transitional solution for limited volumes. It is not the TSOs' role to contractualize themselves gas deliveries to ensure structural balancing on their networks.

This solution nevertheless has the advantage of meeting the requests to improve market conditions in the south in the short term. CRE believes that a merger of the North and South PEGs on the basis of contractual mechanisms could only be considered as a transitional solution before the commissioning of investments used to significantly reduce the congestion between the north and south of France. The following measures will have to be considered to reduce the risks related to these mechanisms:

- extend GRTgaz's calls for tenders for flow commitments to gas deliveries at the Spanish border in order to increase the number of possible counterparties;
- compel shippers with capacity at the entry points in the south of the territory to submit tenders (if legally possible);
- transform firm capacity at the interface with TIGF into interruptible or conditional capacity in order to reduce the volumes of gas to be dealt with by flow commitment mechanisms.

Question 3: What do you think of the conclusions of the KEMA study? Do you agree with CRE's analysis?

2.1.2 On the basis of investments

a) The results of GRTgaz's preliminary studies

The study conducted by GRTgaz in 2009 showed that the merger of the North and South PEGs on its network using solely investments would require the core of the network to be completely strengthened from Cuvilly and Laneuvelotte to Fos.

In addition to the Arc de Dierrey (Cuvilly-Dierrey-Voisines) and Eridan (Saint-Avit – Saint-Martin de Crau) projects that are already approved, the main work required to merge the GRTgaz's North and South marketplaces is as follows:

- Doubling the East Lyon line (Saint Avit – Etrez);
- Doubling the Burgundy line (Etrez – Voisines);
- Doubling the North-East line (Voisines – Laneuvelotte);
- Strengthening the compression stations and interconnection stations in relation to these structures.

Given the importance of this investment programme, GRTgaz believes that the commissioning of all these structures can be expected for 2020 at the earliest. The cost of these structures is estimated by GRTgaz at 1800 M€. It could be entitled to European subsidies.

b) CRE's analysis

This option represents a significant budget with considerable consequences on tariffs. Operators' charges are on the rise due to the far-reaching changes related to the implementation of the Third Energy Package, the increasing restrictions for network security and tax increases. In addition, these investments will have to be funded against the backdrop of an economic and political situation that offers little visibility, including on the importance of gas in the French and European energy mix and on the conditions of passing on these costs to end customers. These investments alone would cause an increase to the average transmission tariff of roughly 15% by 2020. On the other hand, this option has the advantage of providing good visibility on its implementation cost, in accordance with the usual uncertainty inherent to industrial projects.

Furthermore, a merger based on investments could create new arbitrage capacities between different supply sources, unlike the merger by contractual means, which does not reduce the south of France's dependence on LNG.

Question 4: In the current context, do you think it is relevant to engage such investments in view of the expected benefits?

2.1.3 On the basis of a mixed approach

a) The results of GRTgaz's preliminary studies

The strongest congestion identified by KEMA occurs in summer from North to South, particularly in the event of insufficient LNG imports at Fos and at the interface with the TIGF network. The study conducted by GRTgaz concludes that the most effective investment to deal with this congestion is to double the Burgundy line (between Voisines and Etrez). The cost of this structure is estimated by GRTgaz at 575 M€ and could, according to GRTgaz be subject to European subsidies. Its commissioning would be possible in 2018.

According to GRTgaz, this structure would reduce the volume of congestion regardless of the supply price scenario. In particular, it would reduce by more than 75% the potential gas deficit in the south of France, while removing the structural nature of the major congestion identified in the KEMA study. Additional contractual tools would be necessary, however, to ensure the proper operation of a single GRTgaz PEG. On the basis of the elements provided in the KEMA study, GRTgaz estimates their cost at less than 10 M€ per year. This estimation depends on the "Take-or-Pay" assumptions considered as regards LNG deliveries in the Fos terminals. The cost of these tools could be reduced through the use of administrative tools.

a) CRE's analysis

This option would considerably reduce the major disadvantages of the two aforementioned solutions. It would enable the merger of the North and South PEGs at a third of the cost. Upon commissioning, this structure would lead to a 4-5% increase in the average transmission tariff. It is more stable and is easier to plan as it strongly reduces the need for contractual tools and limits them to short-term mechanisms accessible to a large number of players. Due to this, CRE believes that this could be the optimal solution for the creation of a single GRTgaz PEG.

This solution, however, has the disadvantage of long implementation, as the commissioning of the Burgundy line is not possible before 2018.

Question 5: What do you think about a solution combining investments and contractual mechanisms?

2.2 Creation of a single GRTgaz South – TIGF PEG

a) Main conclusions of the study conducted by GRTgaz and TIGF

The joint study conducted by the TSOs in 2010 concluded that there was an absence of structural physical congestion between the GRTgaz South and TIGF zones. Under these conditions, the grouping together of the South and TIGF PEGs does not require additional investments into infrastructure.

The creation of this single PEG would require the two TSOs to share certain specific functions, regarding the management of this major South PEG and contractual shipper balancing. Moreover, the two TSOs will have to define the governance model for shared activities. European equivalents of marketplaces operated by several TSOs were set up in Spain and Germany.

b) CRE's analysis

CRE believes that the creation of a single GRTgaz South-TIGF PEG would be materially possible for April 2015, if the governance issues raised by this change are addressed.

The implementation of network codes in the same timeframe requires the two TSOs to adapt their information systems. It would therefore be possible to use this to pool and optimise the IT developments required for the creation of the joint PEG. This pooling would cut information system costs for the TSOs and could standardise interfaces for shippers.

This new marketplace would represent in 2015 consumption of approximately 18 bcm and could deal with gas from Spain, the Fos terminals and from the north of France. It would therefore meet the main criteria of the European target model.

However, this change could provide fewer benefits than the creation of a single GRTgaz marketplace and could not bring about a convergence between the market conditions between the north and south of the country, for end customers.

Question 6: Do you agree with CRE's analysis concerning the creation of a joint GRTgaz South – TIGF PEG?

2.3 Market coupling

a) First feedback on GRTgaz North and South market-coupling

The European target model provides for marketplace liquidity and the efficient interconnection of these markets, for example through coupling mechanisms, in order to favour price convergences. In France, market coupling between North PEG and South PEG was set up as part of an experiment on 1 April 2011.

The first feedback from this mechanism shows that it has contributed to developing liquidity on the organized spot market at the South PEG while bringing closer the prices of the two PEGs in the event of no physical congestion on the North-South link. However, the liquidity of the South PEG remains considerably lower than that of the North PEG and a decorrelation of prices between the North and the South occurs as soon as there is congestion from North to South.

b) CRE's analysis

Market-coupling is a day-ahead mechanism which provides arbitrage opportunities or improves market conditions solely for the next day. It does not help the development of market prices over longer periods (months, quarters, seasons, years). Therefore, it cannot really be used to supply end customers.

Consequently, market coupling may be used as a transitional means of improvement pending the investments or contractual mechanisms required to merge the North and South PEGs, but cannot be considered as an alternative comparable to the merger.

The results of coupling between the North and South PEGs cannot be properly transposed to a possible coupling between the South and TIGF PEGs. Contrary to the North-South link, there is no structural congestion at the interface between the two TSOs' networks and a significant proportion of firm interconnection capacity remains unsold. Under these conditions, coupling between these two PEGs could

lead to interconnection capacity being sold at zero price on the day-ahead market as part of coupling, while this very capacity would be paid 150 €/MWh/d and per year from shippers having purchased it as long-term capacity. The coupling of these two PEGs could therefore imply a zero price for capacity between the GRTgaz South PEG and the TIGF PEG, which would increase liquidity and ultimately be very close to the creation of a single PEG.

Question 7: Do you think that market coupling could be an alternative to the creation of a single GRTgaz North and South PEG? Do you think that market coupling could be an alternative to the creation of a single GRTgaz South and TIGF PEG or a first step to a common PEG? If so, how could a possible zero price coexist with the current price of firm booked long-term capacity at the GRTgaz South-TIGF interface?

2.4 Comparative analysis of the various options under consideration

	Advantages/Gains	Disadvantages/Risks	Costs	Timeframe
GRTgaz PEG Contractual tools	<ul style="list-style-type: none"> Price convergence between north and south and improvement of the single PEG's liquidity Possible as of 2015 Low costs if LNG is inexpensive 	<ul style="list-style-type: none"> Congestion not resolved → dependence of the south on LNG Volatility of the merger's cost Counterparty risk → weakening of capacities Complex tools 	0 - 500 M€/year (OPEX)	2015
GRTgaz PEG Investments	<ul style="list-style-type: none"> Congestion resolved → increased market arbitrage Visibility on the cost and availability of capacity 	<ul style="list-style-type: none"> High cost → risk of stranded costs Long-term implementation "New" project: no detailed studies, no public debate 	1 800 M€ (investment)	2020
GRTgaz PEG Mixed solution	<ul style="list-style-type: none"> Eradication of structural congestion North → South Reduction of the frequency and extent of other types of congestion Limited use of market mechanisms 	<ul style="list-style-type: none"> Commissioning of the structure in a relatively distant timeframe: 2018 Relatively high cost "New" project: no detailed studies, no public debate 	575 M€ (investment)	2018 2015 (if preceded by contractual mechanisms)
Joint South - TIGF PEG	<ul style="list-style-type: none"> Limited costs Possible as of 2015 Compliance with the European target model Respect for infrastructure's physical constraints Favours competition in the TIGF zone and liquidity in the south 	<ul style="list-style-type: none"> Uncertain effect on market liquidity in the south No improvement of the North PEG and risks of diverging prices with the North PEG Governance Issues could delay the project 	Low	2015 (if governance issues are addressed)

The creation of a single GRTgaz PEG based solely on investments would entail high costs and could only be implemented in 2020.

Conversely, the creation of a single GRTgaz PEG exclusively using contractual tools would lead to a risk of non-control of transmission tariffs due to the calls for tenders made necessary for the supply in the southern half of France. Such a measure could also ultimately have a negative impact on supply security, in particular in the event of a crisis (strikes, climate-related event, etc.).

On the other hand, the creation of a single GRTgaz PEG based on a mixed approach combining investments and contractual mechanisms seems to provide an optimal economic situation that limits the main disadvantages of the two solutions “100% investment”(with prohibitive costs and implementation timeframes) and “100% contractual” (with high cost volatility and counterparty risk). Its cost is relatively high and it would be implemented in the long term (2018).

A single GRTgaz PEG could be created as early as 2015, based on contractual mechanisms for a three-year period, which would then be significantly reduced following the commissioning of the doubled Burgundy line. At this point in time, the project has not been subject to preliminary studies and its feasibility can only be confirmed following public debate.

Lastly, the creation of a GRTgaz South – TIGF PEG is in line with the network’s physical constraints and would incorporate the operational and financial consequences of the implementation of the Third Energy Package. It could be commissioned in 2015 if governance issues are addressed. A shift to a single French PEG could be decided at a later date depending on the progress made in the project to double the Burgundy line.

Question 8: Do you agree with CRE’s comparative analysis of the various possible options?
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3 Synthesis – CRE’s preliminary views

3.1 Possible target options

During the two workshops organised by CRE on 21 March and 4 May 2012, a large majority of stakeholders requested visibility with regard to the target of the French gas market structure to be reached and on the path to reach it. The lack of changes in the last few years and the current lack of visibility damage the appeal of the French gas market while other north-western markets improve quickly.

CRE has observed that the TIGF PEG does not have the characteristics or potential of an efficient marketplace, as defined by the European gas market target model, both in terms of consumption volume and the number of accessible supply sources. The volume of gas consumed in the TIGF zone is approximately 3 bcm; this level is very far below the 20 bcm recommended by the target model. Moreover, the implementation of the network codes will require TSOs to standardise their procedures and information systems, in particular as concerns balancing and capacity allocation. The TIGF PEG will therefore have to ultimately merge with a larger marketplace, namely GRTgaz or the Spanish market.

At this stage, CRE believes that it would be difficult to bring together the TIGF PEG and the Spanish market in the short or medium term. The operating rules of the Spanish market are very different to those in force in France and the current priority of ACER’s South Gas Regional Initiative is the creation of an Iberian market between Spain and Portugal. In addition, by 2015, the capacities between TIGF and Spain will remain significantly lower than those between TIGF and GRTgaz.

Question 9: Do you share the CRE's analysis? Do you think that the TIGF PEG can continue to operate on its own in the long term? Do you think that a merger between the TIGF PEG and the Spanish market is a possible option in the short or medium term?

Given the current structure of the three PEGs (GRTgaz North, GRTgaz South and TIGF) and the aforementioned observations, three targets are possible:

- A France PEG that would bring together the current three PEGs;
- A North PEG and a large South PEG bringing together the GRTgaz South PEG and the TIGF PEG;
- A single GRTgaz PEG and a TIGF PEG associated with Spain.

Question 10: Do you agree with CRE's analysis of the possible target options? Which of the three targets do you prefer?

3.2 The need for rapid change

At this stage, CRE believes that it would be better to make changes to the French gas market's structure as of 2015. In a rapidly evolving European context, it is important for the French market to improve its appeal and show its ability to change. To announce today that changes will be made only in 2018 or 2020 would be much too late.

Question 11: Do you agree with CRE's analysis of the need for rapid change in terms of the market's structure? Do you believe that the first changes should be made by 2015 at the latest?

3.3 Possible changes for 1 April 2015

In order to shift by 1 April 2015 to a tariff structure in line with the aforementioned targets, CRE believes that two changes are possible:

a) The creation of a single GRTgaz PEG

This option involves investments, failing which the related costs and risks would be very high over time. The optimum investment programme includes doubling the Burgundy line at a cost estimated by GRTgaz at 575 M€ and commissioning in 2018. However, the corresponding project has not yet been subject to preliminary studies by GRTgaz and public debate has not yet taken place. Its feasibility is therefore not entirely sure.

To make a decision as of today on the creation of a single GRTgaz PEG in 2015 will therefore require the use of contractual mechanisms for three years, until 2018, and even beyond this date if the strengthening of the Burgundy line is delayed. GRTgaz considers that the merger of its PEGs would be too risky and too complex to manage before the commissioning of the Arc-de-Dierrey and ERIDAN (i.e. April 2016 at the earliest).

b) The creation of a joint GRTgaz South-TIGF PEG

From a technical standpoint, the creation of a joint GRTgaz South-TIGF PEG could be planned as of 2015 as no infrastructure investment is necessary.

The difficulties concern the governance of the joint marketplace. A joint structure would have to be set up by GRTgaz and TIGF to manage the joint PEG and contractual shipper balancing (nominations, calculation and billing of imbalances). TIGF and its shareholder Total have declared that they are against this change.

If this change is decided, CRE believes that the governance of the joint structure would have to be balanced between the two transmission system operators.

Question 12: Do you agree with CRE's analysis on the possible changes by 1 April 2015? Which of the two options do you prefer? In the event of a single GRTgaz PEG, would the implementation of market coupling between GRTgaz and TIGF have to be decided at the same time? In the event of a merger between the GRTgaz South and TIGF PEGs, would studies for the doubling of the Burgundy line have to be launched at the same time?

3.4 Implementation of later changes

Each of these possible changes as of 1 April 2015 would result in different changes at a later date, with a view to creating a single marketplace in France at a later date.

a) The creation of a single GRTgaz PEG

Initially, the TIGF PEG would remain isolated. CRE believes that this situation cannot last and that the TIGF PEG would have to join the GRTgaz PEG rapidly.

b) The creation of a joint GRTgaz South-TIGF PEG

CRE believes that this option would have to be implemented along with studies of the Burgundy line, in order to reduce considerably congestion between the North and South of France. The risk of dissociating prices at the North and South PEGs would then be significantly reduced, and the decision to create a single French PEG could be made at a later date.

4 Summary of questions

Question 13: Do you have any further comments?

- Q1. Do you believe that the PEGs should be further consolidated? Do you think that keeping the current contractual structure is a possible option?
- Q2. Are you in favour of creating joint procedures and information systems for GRTgaz and TIGF linked to these evolutions? Do you think that the two French TSOs should take part European joint capacity selling platform announced in April 2012?
- Q3. What do you think of the conclusions of the KEMA study? Do you agree with CRE's analysis?
- Q4. In the current context, do you think it is relevant to engage such investments are in view of the expected benefits?
- Q5. What do you think about a solution combining investments and contractual mechanisms?
- Q6. Do you agree with CRE's analysis concerning the creation of a joint GRTgaz South – TIGF PEG?
- Q7. Do you think that market coupling could be an alternative to the creation of a single GRTgaz North and South PEG? Do you think that market coupling could be an alternative to the creation of a single GRTgaz South and TIGF PEG or a first step to a common PEG? If so, how could a possible zero price coexist with the current price of firm booked long-term capacity at the GRTgaz South-TIGF interface?
- Q8. Do you agree with CRE's comparative analysis of the various possible options?
- Q9. Do you share the CRE's analysis? Do you think that the TIGF PEG can continue to operate on its own in the long term? Do you think that a merger between the TIGF PEG and the Spanish market is a possible option in the short or medium term?
- Q10. Do you agree with CRE's analysis of the possible target options? Which of the three targets do you prefer?
- Q11. Do you agree with CRE's analysis of the need for rapid change in terms of the market's structure? Do you believe that the first changes should be made by 2015 at the latest?
- Q12. Do you agree with CRE's analysis on the possible changes by 1 April 2015? Which of the two options do you prefer? In the event of a single GRTgaz PEG, would the implementation of market coupling between GRTgaz and TIGF have to be decided at the same time? In the event of a merger between the GRTgaz South and TIGF PEGs, would studies for the doubling of the Burgundy line have to be launched at the same time?
- Q13. Do you have any further comments?

CRE asks all parties concerned to submit their contribution, **on 22 June 2012 at the latest**:

- Via CRE's website, in the section "Public consultations", using the "Contribute" function (a file can be sent from here);
- By email, to the following address: dirgaz.cp1@cre.fr By post to: 15, rue Pasquier - 75379 Paris Cedex 08 – France;
- By requesting a meeting with the Commission's departments, by contacting the Division of Gas Infrastructures and Networks (telephone: +33 (0)1.44.50.41.44).

Interested parties must specify, **when necessary, if they would like their responses to be treated as confidential.**

Failing a clear request to keep contributions confidential, CRE may publish contributions following the consultation.