

Public consultation

29 June 2012

CRE public consultation on the service proposed by Storengy to transfer gas in storage from Sediane Littoral group to Serene Sud group.

Storengy, a wholly-owned subsidiary of GDF Suez, operator of storage sites in France connected to the GRTgaz transmission network, informed its clients on 27 June 2012 of the launch of a service to transfer gas in storage from the Sediane Littoral group, contractually located in the North balancing zone of GRTgaz, to the Serene Sud group, contractually located in the South balancing zone of GRTgaz.

The provisions of Article L.421-9 of the French Energy Code stipulate that operators of underground storage facilities may freely negotiate with their clients their offers, with the latter being provided in accordance with transparent and non-discriminatory objective criteria. Therefore, the access conditions to storage and associated tariffs are not set by the Commission de regulation de l'énergie (CRE).

However, it would appear that the new service offered by Storengy may be liable to affect the functioning of the market, particularly with regard to the conditions for gas transmission from the North zone to the South zone.

As part of its responsibility to ensure the correct functioning of the market as defined by the provisions of Article L. 131-1 of the Energy Code, the CRE is seeking to obtain feedback from market players on the effects that such a service would have on the functioning of the market, particularly against the current background of gas transmission congestion from the North to the South zones of GRTgaz and the low level of storage filling in France.

Contributions should be sent by **6 July 2012 at the latest** via the procedure described at the end of the document.

1. Description of the Storengy offer

The offer, appended hereto, is intended to allow Storengy's clients with storage capacity in the Sediane Littoral and Serene Sud groups to contractually transfer a certain volume of gas stored in the Sediane Littoral group, located in the North zone, to the Serene Sud group, located in the South zone. Storengy has indicated that this offer is to be launched on a trial basis from 2 until 13 July 2012.

Storengy deems that *"implementing this service will make it possible to meet market needs to overcome the difficulties encountered in contractual gas transmission into the South zone."*

The price for the service is set by Storengy at 80% of the spread between the End of Day Day Ahead prices as established by Pownext between the North and South PEG (Point d'Echange Gaz) averaged out over the day of the request and the day-ahead prices. A minimum price is set at € 0.75/MWh.

2. Rules for allocating transmission capacities between injection and withdrawal from the transmission grid to storage groups and the North-to-South link between GRTgaz zones

The commercial storage services for both the Sediane Littoral and Serene Sud groups are based on the Chemery, Soings-en-Sologne and Céré-la-Ronde sites. These sites are located on the interface on the border between the North and South zones of GRTgaz and are contractually accessible from the “Points d’Interface Transport Stockage” (PITS) respectively named “Nord Atlantique” and “Sud Atlantique” on GRTgaz network.

The availability of capacity on the North-to-South link and the ability to inject and withdraw gas in/from the Sediane Littoral and Serene Sud groups is globally limited by the capacity of the transmission infrastructures which are partly common. This physical restriction has led GRTgaz to define rules for allocating this capacity as part of the “Concertation Gaz” process. When overall demand is greater than supply, these rules¹ will enable transport capacity to be shared between:

- For summer period, the transmission capacity for injection from PITS in Sediane Littoral and the transmission capacity at the North-to-South link ; and
- For winter period, the transmission capacity for withdrawal from Serene Sud to PITS and the transmission capacity at the North-to-South link.

3. Effects of the transfer service on the North-to-South capacity

It is likely that shippers who use the transfer service will seek to restore their quantity of stored gas in the Sediane Littoral group before end of summer and then withdraw the quantities transferred to Serene Sud during next winter. Therefore, the injection needs in Sediane Littoral in summer and withdrawal needs from Serene Sud in winter will increase. In accordance with the allocation rule as referred to on GRTgaz website, this may result in a reduction in the level of interruptible capacity made available by GRTgaz at the North-to-South link.

Over the period from 1 May till 26 June 2012, an average of 35 GWh/day of firm transmission capacity to inject into Sediane Littoral was not used, partly because of the low level of subscription on the Sediane Littoral group. Supposing that this underuse continues, the transfer service would not affect the availability of interruptible capacity on the North-to-South link in summer to the extent of that underuse.

4. Access conditions to the transfer service

Storengy’s offer is targeted at those of its clients having booked storage capacity in both Sediane Littoral and Serene Sud groups. Only a limited number of shippers currently have the possibility to use the transfer service proposed. Moreover storage capacities still remain available for booking on both Sediane Littoral and Serene Sud groups on a first-come-first-served basis. Capacities on the North-to-South link are accessible to all of 87 GRTgaz shippers.

The minimum price for this service has been set by Storengy at 0.75 €/MWh, whereas the monthly interruptible capacity sold by GRTgaz at the North-to-South link from 1st June 2012 onwards are proposed at 13 €/MWh/day for a month which is equivalent to 0.43 €/MWh for a day. Considering an average availability rate of 50% of such capacities, their market value would be close to 0.86 €/MWh/day for gas quantities effectively transported from North to South on the referred period. This calculation does not take in account the decreased availability in capacity on the North-to-South link that would result from the use of the transfer service proposed by Storengy.

The transfer service could therefore constitute a competing service for the capacity sold by GRTgaz within the regulated framework.

5. Effects of the service on market conditions in the South of France

¹ GRTgaz website:

http://www.grtgaz.com/fileadmin/user_upload/Acheminement/Documents/FR/B31-01-04-2012_FR.pdf (in French)

The first months of 2012 were characterised by a significant reduction in LNG deliveries in France and by significant movements in the transport network in the North-to-South link² and towards Spain. This situation can chiefly be explained by the heavy increase in demand for LNG in Asia following the Fukushima incident in March 2011. A 20% drop in emissions at the Fos terminals and a 60% drop at the Montoir terminal were thus observed during the first five months of 2012 as against the same period for the previous year. In consequence, gas flows at the North-to-South link increased significantly (+30%) during the first five months of 2012 as against 2011. This situation generated major spreads between GRTgaz's southern and northern balancing zones.

As an initial analysis, the service proposed by Storengy is purely contractual. The physical volume of gas available to supply end customers in the South zone from the storages or via the North-to-South link will not be affected by the service. Any additional withdrawals from storage made in the South zone would substitute the interruptible capacity in the North-to-South link.

6. Questions

Question 1 : Do you consider that using the service will reduce the available interruptible capacity at the North-to-South link?

Question 2 : Do you consider that the transfer service will compete with the transmission capacity made available sold by GRTgaz at the North-to-South link?

Question 3 : What effects do you think the transfer service will have on gas market functioning, particularly on competition and prices? Do you think these effects would be positive or negative ? We thank you to argue your answer.

Question 4 : Do you have any other comment ?

The CRE invites the interested parties to send their contribution by **6 June 2012** at the latest:

- by e-mail to the following address: dirgaz.cp1@cre.fr ;
- by contributing directly on the CRE website (www.cre.fr), under the "Documents/Public Consultations" section;
- by post: 15, rue Pasquier - F-75379 Paris Cedex 08;
- by contacting the Infrastructures and Gas Networks Department: + 33.1.44.50.89.23 ;
- by requesting a meeting with the Commission.

A summary of feedback received will be published by the CRE, subject to the law on professional secrecy.

Please state in your response if you would like **your information to be kept confidential and/or anonymous**. Interested parties are invited to reply to the following questions and give reasons for their answers.

² Usage rate at 99% of available capacity since 1 June 2012