



Public consultation on the creation of a single marketplace in France in 2018

Enagás comments

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1. Executive summary

1. Enagás welcomes CRE's opportunity to contribute to the public consultation on the creation of a single marketplace in France in 2018.
2. Enagás would like to express its great concern about the potential change in the investment plans already approved in France since 2011, and in particular the cancellation of the ERIDAN project and the potential cross-border impact it could have.
3. ERIDAN was included in the modification of GRTgaz investment plan approved by CRE in April 2011, as well as in all subsequent GRTgaz investment plans. It has been considered as FID in a number of documents and processes, including ENTSG TYNDP 2013-2022, and the selection of Projects of Common Interest (PCIs) in 2013; it has had an influence on the selection Val de Saône in particular, which has already made an investment request to CRE and CNMC. Moreover, it has received a 74 M€ EC subsidy under the Recovery Plan.
4. The solution proposed in the public consultation is not neutral to the Iberian market, since it undermines the possibilities of ever creating new interconnection capacity between the Iberian Peninsula and France. Nor is it entirely equivalent from the point of view of the French market: TSOs analysis emphasizes that the solution is not valid for a reversal of the LNG market and a South-North issue (i.e. is not valid for the creation of new capacities at Fos).
5. The proposal is based on a CBA whose details are not fully provided, and that may have a number of shortcomings that should be addressed.
6. **The decision to cancel ERIDAN should be more carefully studied and shared with affected NRAs and TSOs in adjacent markets, and with the European Commission.**
7. On top of the investment proposal, further measures to "optimise the utilisation" of the North-South link are proposed in this consultation and the previous one of 2015 launched on 10 Feb. The measures introduced since 2012 have started to create a two-tier market, where there is a danger that gas devoted to certain consumers in France has preferential access to scarce capacity in the link. The proposed measures would exacerbate the problem.
8. **The potential discriminatory effect of existing and proposed measures to "optimise the utilisation" of the North-South link should be analysed and assessed against European regulation, in particular the NC CAM.**

2. General comments

2.1. *EC funds grated to the ERIDAN project*

- 2 Enagás would like to note that the ERIDAN project (Saint-martin de Crau - Saint Avit pipeline, 220 km, or "Artère du Rhône") already benefits from EU funds.
- 3 Within the context of the European Energy Programme for Recovery in July 2009, the European Commission granted a fund to reinforce the French gas network in relation to the creation of the Africa-Spain-France axis; in particular, 74 M€ were granted to GRTgaz to reinforce the Artère du Rhône project because of its necessity to transport those volumes to the North of Europe, project was called "Reinforcement of FR gas network on the Africa-Spain-France axis", the subsidy was maintained despite MidCat was not validated in an Open Season in 2010.

4 The EC funds should be taken into account in the analysis, since they reduce the price differential between the ERIDAN project and the proposed alternative, and they will obviously not be retained under the latter.

2.2. *FID status of the ERIDAN project*

- 5 ERIDAN project has been included as an FID project in both ENTSG's TYNDP 2013-2022¹ and in the South Gas Regional Investment Plan 2014-2023 elaborated by Enagás, GRTgaz, REN and TIGF which is expected to be published in March 2014; after a public consultation and comments by NRAs in early 2014, only minor changes had to be included.
- 6 According to article L. 431-6 of the French Energy Code, every year TSOs must submit to CRE a ten-year development plan for their network based on the existing and forecasted gas supply and demand, after consulting all stakeholders. Then, CRE examines the ten-year plans and approves them.
- 7 Within this context, CRE approved the ERIDAN project in GRTgaz investment plan several years:

¹ ENTSG, "Ten Year Network Development Plan 2013-2022". Available at: http://www.entsog.eu/public/uploads/files/publications/TYNDP/2013/TYNDP_Corrigendum/TYNDP010_130709_MainReport_Corrigendum_lowres.zip

- CRE approved ERIDAN in GRTgaz investment plan in 2011, in its Délibération of 19 April 2011². It was a modification of GRTgaz investment plan 2011-2020 made at GRTgaz's request, following a public consultation.
 - CRE approved GRTgaz's investment plan for 2012 again in Dec 2011, including ERIDAN³. GRTgaz's 2012-2021 TYDP expected the project to be commissioned in 2016.
 - CRE's Délibération of 19 Dec 2013 approved GRTgaz investment program for 2014.⁴ ERIDAN was included, but a delay in the commissioning (2016-2017) was expected. It also reflected an upward revision of the project's costs due to technical limitations (from the original 484M€ in the 2011 Délibération to 620 M€).
- 8 Besides, GRTgaz's 2012-2021 TYDP considered ERIDAN as FID, but mentioned that due to *"technical problems [...], the commissioning of the ERIDAN project will most probably be postponed by a few months (to 2017) and the total cost of the completed project will be in the upper end of the bracket of estimates made when the project was defined (+30%)"*⁵
- 9 ERIDAN has maintained a **FID status since 2011**. Therefore, **it has influenced several other European processes**, and a potential decision on the **cancellation of the ERIDAN project was totally unexpected and unknown**.

² CRE, "Deliberation of the Commission de régulation de l'énergie of 19 April 2011 deciding on the modification of GRTgaz's 2011 investment programme". Available at:

<http://www.cre.fr/en/documents/deliberations/decision/modification-of-grtgaz-s-2011-investment-programme/deliberation-of-the-commission-de-regulation-de-l-energie-of-19-april-2011-deciding-on-the-modification-of-grtgaz-s-2011-investment-programme>

³ CRE, "Délibération de la CRE du 15 décembre 2011 relative à l'examen des plans décennaux de développement et portant approbation des programmes d'investissements des gestionnaires de réseaux de transport de gaz pour l'année 2012". Available at:

<http://www.cre.fr/documents/deliberations/approbation/programmes-d-investissements-des-grt-de-gaz/deliberation-de-la-cre-du-15-decembre-2011-relative-a-l-examen-des-plans-decennaux-de-developpement-et-portant-approbation-des-programmes-d-investissements-des-gestionnaires-de-reseaux-de-transport-de-gaz-pour-l-annee-2012>

⁴ CRE, "Délibération de la CRE du 19 décembre 2013 relative à l'examen du plan décennal de développement et portant décision d'approbation du programme d'investissements pour l'année 2014 de GRTgaz". Available at:

<http://www.cre.fr/documents/deliberations/approbation/programme-d-investissements-grtgaz-2014/consulter-la-deliberation>

⁵ GRTgaz, "Plan Décennal de Développement de GRTgaz 2013-2022". Available at:

http://www.grtgaz.com/fileadmin/plaquettes/fr/Plan_decennal_2013_2022.pdf

2.3. Impact on Val de Saône project

- 10 The simulations performed for the TYNDP 2013-2022, where ERIDAN was considered as an FDI project, could have a different result for Val de Saône.
- 11 The indicators calculated during the the PCI selection process where also influenced by the consideration of ERIDAN as FID. The PCI status of Val de Saône could be in question.
- 12 Moreover, on 30th October 2013 GRTgaz made an investment request for Val de Saône to the CRE and CNMC. According to Regulation 347/2013, a decision on the investment request and CBCA is expected by 30th April 2014, six months later. This is likely to be influenced by the proposal to cancel ERIDAN.

13 The proposal to cancel ERIDAN affects the PCI status, or at least the CBA, of Val de Saône.

2.4. Impact on MIDCAT project

- 14 In the current public consultation, CRE and French TSO have identified alternative investments to ERIDAN project which seem to lower costs and allow the merging of zones in 2018.
- 15 CRE and French TSOs have always argued that the ERIDAN project was needed in case any of the projects that entail extra input capacity in the south of France, that is: the creation of new LNG terminals or the expansion of the existing ones, the development of MIDCAT project between Spain and France, and the merge of the existing balancing zones in France.
- 16 The reinforcement of the Artère du Rhône is an internal project in France, needed for flowing gas into or out of France through MIDCAT, but with benefits clearly attributable to the French system such as increased liquidity and competition, security of France supply and system integration, increased in about 40 GWh linepack needed to manage demand of about 8 new cycles and saving other investments that otherwise would be needed.
- 17 On contrary, the Val de Saône project will only allow for the merging of zones and reducing congestion from North to South but will not permit to vehicle more natural gas from the South to North of France.
- 18 With the decision of building Val de Saône project instead of ERIDAN project, CRE suggests that new entry capacity is not going to be built in the South of France and consequently is closing the door to MIDCAT project (as well as the expansion of current LNG terminals in France).

19 The proposal to cancel ERIDAN undermines the possibilities of ever creating new interconnection capacity between the Iberian Peninsula and France.**2.5. Pöyry's CBA**

20 As regards the CBA conducted by Pöyry, it has several potential shortcomings that Enagás would like to raise:

- The methodology of the CBA is not described in detail and does not seem to follow at all the one under development by ENTSOG.
- The funds (74 M€) granted by the EC to ERIDAN are not deducted from the costs in the CAPEX comparisons.
- The negative impact on the Iberian Peninsula of a the cancellation of ERIDAN is not valued, and in particular de fact that it undermines the possibilities of creating new interconnection capacity at a point which is physically congested, as proved again at the auction of capacity on 3rd March 2014.
- The negative impact on the Iberian Peninsula of a possible reduction of capacity at the border is not valued. Due to the expectation that price differentials will remain, capacity for the 2014-15 yearly bundled product has been allocated at a premium in the last auction, while 100% of unbundled capacity has also been allocated (3rd March 2014).
- Case 4 is not completely similar to case 3, but there is a very relevant difference: no capacity from South to North is created. The negative impact on France and Iberian Peninsula of the higher future cost of the interconnection if ERIDAN is not built is not valued; for France, MidCat could have significant benefits in terms of higher degree of competition and/or Security of Supply. Moreover, the TYNDP cites as benefits from ERIDAN: Security of Supply, Market integration, Diversification of sources, Diversification of routes, Back-up for renewables.
- Without ERIDAN, the simulations performed for the TYNDP (where ERIDAN was considered as an FDI project) could have a different result for Val de Saône. The PCI status of Val de Saône could be in question.
- The study assumes that there would be benefits in Spain due to the lower price at the border. However, it does not explained why export prices to Spain are not likely to remain the same, and why they would decrease. If these prices are a result of supply and demand, not cost-based prices, there is no reason why prices in Spain would change if capacity is not

created (and if anything, capacity is being reduced). The benefits would be retained by capacity holders at the IP, through a higher margin, not by consumers through lower average prices.

- The same holds true for re-exports from terminals, the margin of the shippers would remain the same (margin = price in Asia - supply cost - unloading and reloading costs - total shipping) regardless the price at the hub. Gas at the hub cannot be liquified, and thus it only influences the behaviour of shippers if it is high enough to decide to regasify in Europe instead of reloading the cargo.
- Only the results for ERIDAN alone and Val de Saône + Gascogne/Midi are shown. Val de Saône + ERIDAN could have additional benefits in quantitative and qualitative terms.
- The opinion of the adjacent NRA or TSO in Spain was not solicited.

21 The potential shortcomings of CBA performed should be carefully addressed.

2.6. Measures that may envisaged during the transition period

Measures already implemented

- 22 Once more, Enagás would like to reiterate its position towards the coordinated allocation of capacities between entry points (both pipeline and LNG terminals) and internal IPs: there should not be capacities at IPs reserved for specific routes. If the utilization of an entry point wants to be favoured for justified reasons, appropriate market mechanisms should be implemented.
- 23 This position has been previously expressed during: (1) the public consultation on the commercialization of transmission capacity on the link between GRTgaz's North and South link and the GRTgaz/TIGF interface⁶, (2) the public consultation regarding rules for the sale of transmission capacity at the link between GRTgaz the North and South zones⁷, (3) the public

⁶ CRE, "Public consultation by the French Energy Regulation Commission on the commercialization of transmission capacity on the link between GRTgaz's North and South link and at the GRTgaz/TIGF interface". 31 July 2012. Available at:

<http://www.cre.fr/en/documents/public-consultations/commercialization-of-transmission-capacity-on-the-link-between-grtgaz-s-north-and-south-link-and-at-the-grtgaz-tigf-interface/public-consultation-by-the-french-energy-regulation-commission-on-the-commercialization-of-transmission-capacity-on-the-link-between-grtgaz-s-north-and-south-link-and-at-the-grtgaz-tigf-interface>

⁷ CRE, "Public consultation by the CRE on the commercialization of transmission capacity on the link between GRTgaz's North and South link and the GRTgaz/TIGF interface". 24 October 2012. Available at:

<http://www.cre.fr/documents/consultations-publiques/commercialisation-des-capacites-de-transport-a-la-liaison-entre-les-zones-nord-et-sud-de-grtgaz/consulter-la-note-technique>

consultation about the allocation of transmission capacity between GRTgaz's North zone, GRTgaz's South zone, TIGF's zone and Spain as from 1 April 2014⁸ and (4) in the public consultation on conditions for access to gas transmission networks for gas intensive consumers⁹.

24 Nevertheless, CRE had already adopted a number of measures aimed at "optimising" the capacity offered at the North-South link and of its use. According to the CRE, they contributed to improving the functioning of the market in the south zone, with, in particular, the development of liquidity in the short-term market, and to the development of competition in the retail market, which is currently at a level similar to that of the North zone. These include:

- Allocation by auction of capacity at the North-South link for the period from 1 Apr 2014 to 30 Sep 2018, "which enables the redistribution to network users of the bottleneck income, and implementation of specific conditions for access to North-South capacity for gas-intensive customers located in the south of France" (deliberation of 17 October 2013¹⁰);
- Sale of additional firm daily capacity at the North-South link: Joint transport storage (JTS) service resulting from the coordinated use of the transmission systems and Storengy's underground storage facilities (deliberations of 23 May 2013¹¹ and of 30 October 2013¹²);

⁸ CRE, "Public consultation by the French Energy Regulation Commission on the allocation of transmission capacity between GRTgaz's North zone, GRTgaz's South zone, TIGF's zone and Spain as from 1 April 2014". 5 June 2013:

<http://www.cre.fr/en/documents/public-consultations/allocation-of-transmission-capacity-between-grtgaz-s-north-zone-grtgaz-s-south-zone-tigf-s-zone-and-spain-as-from-1-april-2014/download-consultation>

⁹ CRE, "Consultation publique de la CRE relative aux conditions d'accès aux réseaux de transport de gaz des consommateurs gazo-intensifs". Available at:

<http://www.cre.fr/documents/consultations-publiques/conditions-d-acces-aux-reseaux-de-transport-de-gaz-des-consommateurs-gazo-intensifs/consulter-la-note-technique>

¹⁰ CRE, "Délibération de la CRE du 17 octobre 2013 portant décision relative aux règles de commercialisation des capacités de transport à la liaison entre les zones Nord et Sud de GRTgaz, à l'interface entre GRTgaz et TIGF et aux interconnexions avec l'Espagne". Available at:

<http://www.cre.fr/documents/deliberations/decision/commercialisation-des-capacites/consulter-la-deliberation>

¹¹ CRE, "Délibération de la CRE du 23 mai 2013 portant décision relative aux règles de commercialisation par GRTgaz de capacités de transport additionnelles à la liaison entre les zones Nord et Sud à titre expérimental". Available at:

<http://www.cre.fr/documents/deliberations/decision/commercialisation-par-grtgaz-de-capacites-de-transport-additionnelles/deliberation-de-la-cre-du-23-mai-2013-portant-decision-relative-aux-regles-de-commercialisation-par-grtgaz-de-capacites-de-transport-additionnelles-a-la-liaison-entre-les-zones-nord-et-sud-a-titre-experimental>

¹² CRE, "Délibération de la CRE du 30 octobre 2013 portant décision relative aux règles de commercialisation par GRTgaz de capacités de transport additionnelles à la liaison entre les zones Nord et Sud à titre expérimental jusqu'au 31 mars 2014". Available at:

- Firming of interruptible capacity at the North-South link: transformation of 40 GWh/d of interruptible capacity into firm capacity at the link in the north to south direction (deliberation of 29 January 2014);
 - Transfer of gas in storage between certain storage facilities in the North and South zones proposed by Storengy.
 - CRE approved a coordinated allocation of capacities between North-South link and Fos (deliberation 4 October 2012¹³).
- 25 The coordinated sale of capacity at an entry point with the capacity at the North-South link could be discriminatory towards other entry points which would not have access to a similar coordination with capacity at that IP. Moreover, it would not be consistent with the underlining principles of the NC on CAM.
- 26 It must be noted that the list of IPs for the expected or possible application of the CAM NC, recently published by ENTSG, also includes the North-South link of GRTgaz. This document has been delivered by ENTSG on request by ACER and the EC.

- 27 The **provision of capacity under specific conditions to a group of network users could be discriminatory towards the rest of them.**
- 28 Thus, **the allocation mechanisms introduced by CRE should be limited to the binding date of implementation of the CAM NC** (i.e 1 November 2015).

Complementary measures already envisaged for 2015 and 2018

- 29 In order to prevent the appearance of South-East congestion, CRE indicates that one of the tools may be examined is the sale, in conditional form, of firm capacity left unsold after an initial capacity sale at the France-Spain interconnection. This conditional capacity would be interrupted if there is a risk of bottleneck in the South-East.
- 30 This capacity was deliberately reserved in the Open Seasons to facilitate access to the market to shippers, fostering trading and competition.

<http://www.cre.fr/documents/deliberations/decision/capacites-de-transport4/consulter-la-deliberation>

¹³ CRE, "Délibération de la CRE du 4 octobre 2012 portant décision relative aux règles de commercialisation des capacités de transport à la liaison entre les zones Nord et Sud de GRTgaz et à l'interface entre GRTgaz et TIGF". Available at:

<http://www.cre.fr/documents/deliberations/decision/capacites-de-transport2/consulter-la-deliberation>

9. In the previous consultation on 2015,¹⁴ Enagás already noted that the rule proposed by CRE to manage in the future restrictions at the North-South link due to maintenance by reducing the capacity at other IPs in the GRTgaz South and TIGF zones would automatically imply that the interconnection capacity between Spain and France will be the most negatively impacted point from the whole French system, with a direct impact on price differentials. Enagás asked for the reconsideration of the proposed rule.

31 The proposed measures by CRE could grant unfair privileges to group of network users and would come on top of the existing and proposed ones.

32 Enagás does not agree with the potential sale, in conditional form of firm capacity left unsold after an initial capacity sale at the France-Spain interconnection.

¹⁴ CRE, "Public consultation of the French Energy Regulation Commission (CRE) of 10 February 2014 related to the creation of a joint GRTgaz-TIGF marketplace as of 1 April 2015", 10 February 2014. Available at:

<http://www.cre.fr/documents/consultations-publiques/peg-commun-grtgaz-tigf-au-1er-avril-2015>