

Public consultation regarding the updating of the tariffs for the use of gas transmission networks of GRTgaz and TIGF on 1 April 2015

The current tariffs for the use of natural gas transmission networks of transmission system operators (TSO), GRTgaz and TIGF, called "ATRT5 tariffs", came into force on 1 April 2013 for a period of approximately four years. They are to be updated on 1 April each year according to the rules laid down in the tariff decision of the CRE of 13 December 2012¹.

ATRT5 includes incentive regulation mechanisms concerning three different components:

- An investments incentive regulation: the mechanism has been defined in the tariff decision cited earlier and extended to the Gascony-Midi project in the tariff decision of 30 October 2014²;
- An operating expenses incentive regulation: the net operating expenses of TSOs change every year from the level retained for 2013, according to the rate of inflation and a coefficient of annual developments which integrates a productivity objective on a constant area of activity compared to the ATRT4 period. The additional productivity gains that could be achieved beyond this trajectory are retained by each TSO. The potential additional costs are symmetrically borne by the TSOs;
- A quality of service incentive regulation which aims to improve the quality of service delivered to users of transmission networks in areas deemed important for the correct functioning of the market. The changes introduced in the previous update tariff were aimed in particular at improving the quality of information of market players by the TSOs, in the context of the application, from 1 October 2015, of the regulation on the establishment of a network code on balancing³.

ATRT5 renews the expense and revenue clawback account (CRCP) which enables all or part of the differences in costs or revenues found on some predefined positions to be covered. The balance of this account is cleared by a decrease or an increase in income to be recovered by the tariffs. In order to ensure the financial neutrality of the CRCP, the amounts taken into account in the CRCP are discounted at an interest rate equivalent to the risk-free rate fixed at 4.0% per year, nominal before tax.

The tariff table of both TSOs provides that the tariff table changes on 1 April of each year according to the following principles:

- Taking into account of the trajectory of authorised revenue defined for four years and consists of:
 - the trajectory of normative capital costs defined by CRE;
 - The trajectory of the operating expenses fixed by the CRE and which change each year according to inflation and a predefined coefficient;

¹ [CRE deliberation of 13 December 2012 regarding the decision on the tariff for the use of natural gas transmission networks](#)

² [Deliberation of 30 October 2014 regarding the decision to change the ATRT5 tariff concerning the transitional measures prior to the creation of a single PEG by 2018](#)

³ [Regulation \(EU\) No. 312/2014 of the Commission of 26 March 2014 regarding the establishment of a network code on gas transmission network balancing](#)

- The updating of the entry "energy and CO₂ quotas";
- Updating of capacity subscription assumptions,
- Clearance of a quarter of the overall CRCP balance;
- Changes to the tariff structure decided by CRE, especially in the framework of the creation of the common PEG to the GRTgaz South and TIGF zones and the implementation of the European network codes.

The purpose of this public consultation is to obtain the opinions of stakeholders on the changes to the ATRT5 tariffs on 1 April 2015 concerning:

- The tariffs structure;
- The quality of service incentive regulation of the TSOs.

This consultation note also presents the requests of TSOs in terms of tariff levels for informational purposes only.

The deliberation that will follow this consultation will be submitted to the conseil supérieur de l'énergie for opinion.

Interested parties are invited to respond to the questions contained in the consultation note no later than 21 November 2014.

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1. Changes to the authorised revenue 2015: request of TSOs

1.1. Trajectories of capital costs

The trajectory of normative capital costs (NCC) is fixed for the tariff period of ATRT5. The potential differences between the projected and actual costs are covered by the expense and revenue clawback account (CRCP).

Normative capital costs (€m) ⁴	2013	2014	2015	2016
GRTgaz	893.6	973.8	1,044.8	1,142.0
TIGF	143.8	157.3	164.5	176.8

1.2. Updating of the entry "energy and CO2 quotas"

1.2.1. GRTgaz

GRTgaz considers that the "Energy and CO₂ quotas" item will rise to €116.8 million in 2014, with a projected level⁵ in the ATRT5 tariff of €104.1 million. GRTgaz justifies this 12% increase by the exceptional measures, which have been implemented in the current year, in order to optimise the availability of the North-South link, including the change to the distribution key of flows between Cruzy and Castillon.

The very high North-South flows have resulted in an increase in the consumption of fuel gas and stronger demand for electrical compressors on the Western axis of the GRTgaz network.

In 2015, GRTgaz asked for a level charge of €130.5 million. This level would represent an increase of 6% compared to the expected level for 2015 in the ATRT5 tariff and 12% in relation to the level projected by GRTgaz for 2014. GRTgaz explains this request on one hand by an increase in taxes, and on the other hand by a new increase of North-South flows.

Entry "Energy and CO2 quota"	2014			2015		
	Tariff	TSO forecast	Change	Tariff	TSO request	Change
Gas needs (GWh)	2847	3180	+333	3417	3189	-228
Fuel gas	1882	2115	+233	2192	2089	-103
EBT	965	1065	+100	1225	1100	-125
Gas costs (€m)	75.2	80.9	+5.7	94.0	80.7	-13.3
Electricity needs (GWh)	392	488	+96	293	597	+304
Electricity costs (€m)	26.7	34.2	+7.5	27.5	44.4	+16.9

⁴ [CRE deliberation of 13 December 2012 regarding the decision on the tariff for the use of natural gas transmission networks](#)

⁵ [Deliberation of 29 January 2014 regarding the decision on the change to tariffs for the use of natural gas transmission networks on 1 April 2014](#)

Other costs, including TICGN (Domestic Tax on Natural Gas Consumption) (€m)	2.3	1.8	-0.6	0.0	5.4	+5.4
CO ₂ Quota (€m)	0.0	0.0	0.0	1.4	0.0	-1.4
Total energy costs (€m)	104.1	116.8	+12.7	122.8	130.5	+7.7

1.2.2. TIGF

TIGF believes that the level of the "Energy and CO₂ quotas" item will be €12.5 million in 2014. This entry would be a 25% increase compared to the level retained by the ATRT5 tariff update, primarily as the result of a positive technical imbalance (EBT).

For 2015, TIGF is requesting €12 million for the energy and CO₂ quota entry, which is a slight decrease compared to its 2014 forecast. The important difference with the level retained for 2015 in ATRT5 is due to an under-estimation of the gas transiting to Spain and the EBT during the tariff work of the second half of 2012.

"Energy and CO ₂ quota" entry (€m)	2014			2015		
	Tariff	TSO forecast	Change	Tariff	TSO request	Change
Gas needs (GWh)	289	391	+102	167	371	+204
Fuel gas	289	259	-30	167	261	+94
EBT	0	132	+132	0	110	+110
Gas energy costs (€m)	8.7	11.0	+2.3	4.7	10.6	+5.9
Electricity needs (GWh)	13	15	+2	10	15	+5
Electricity costs (€m)	1.3	1.4	+0.1	0.9	1.4	+0.6
CO ₂ Quota (€m)	0.0	0.0	0.0	0.0	0.0	0.0
Total energy costs (€m)	10.0	12.5	+2.5	5.6	12.0	+6.4

1.3. Trajectory of net operating expenses, excluding review of energy costs

For the year 2014, the net operating expenses, excluding the review of energy costs, retained in the tariff update, were €761.7 million for GRTgaz and €66.3 million for TIGF.

The ATRT5 tariff provides that, excluding energy price changes, the net operating expenses for the year 2015 are calculated by applying a percentage change to the net operating expenses of the previous year equal to CPI -1.45% for GRTgaz and CPI + 2.45% for TIGF, "where the CPI corresponds to the average annual change actually observed in the previous calendar year to the consumer price index excluding tobacco, as calculated by INSEE for all households in all of France".

The inflation assumption for 2014 on which the finance bill (PLF) is based for 2015 is +0.5%, the net operating expenses retained for 2015, excluding energy price changes, fell by 0.95% for GRTgaz, to - €7.2 million, and rose by 2.95% for TIGF, to + €2 million, compared to those retained for the year 2014.

The difference between the inflation forecast for 2014 taken into account by CRE for the update of the net operating expenses of TSOs and inflation actually identified is 100% covered by the CRCP.

Net operating expenses, excluding energy change (€m)	2013	2014	2015
GRTgaz	766.7	761.2	754.0
TIGF	64.2	66.2	68.2

1.4. CRCP calculation

In accordance with the tariff regulations in force, the CRCP is cleared over four years. In order to ensure the neutrality of the financial mechanism, the amounts taken into account are updated at the equivalent of the risk-free rate, which is 4.0%.

1.4.1. GRTgaz

During the tariff updating work for the year 2014, the amount of the CRCP estimated for 2013 amounted to - €18.4 million, to be returned to consumers, which is added to the balance of the CRCP of previous financial years. The clearance of a quarter of the CRCP over 2014 has led to GRTgaz recovering €4.5 million. The remaining stock to be cleared is **-€12.4 million**.

The final amount of the CRCP for the year 2013 is higher than the estimated €9.2 million, to be recovered by GRTgaz (+ **€9.6 million** in 2014 euros). This difference mainly stems from the increase of the startup procedures of assets compared to the end of 2013 estimate, resulting in an upward revision of the capital costs level by €8.5 million. The differences on the other items are smaller and are offset (+ €0.7 million).

In the GRTgaz request, the estimated amount of the CRCP for the year 2014, amounts to **-€56.8 million**.

In €m	Tariff 2014	TSO forecast	Differences	Paid to the CRCP
Downstream routing income, 100% covered	1203.0	1223.9	+20.9	-20.9
Upstream routing income, 50% covered	494.4	509.3	+14.9	-7.5
Normative capital costs 100% covered	973.8	934.0	-39.8	-39.8
"Energy and CO ₂ quota" item 80% covered	104.1	116.8	+12.7	+10.1
Revenue from connection to combined cycle gas turbines (CCGTs) 100% covered	3.3	2.3	-1.0	+1.0
Service contract between GRTgaz and TIGF	33.6	33.2	-0.4	-0.4
Repayment related to the quality of service incentive regulation mechanism	0.0	1.1	+1.1	+1.1
OPEX differences due to inflation	761.7	761.2	-0.5	-0.5
				-56.8

By adding the difference to the CRCP 2013 and the provisional CRCP 2014, you get an overall CRCP

amount of €59.6 million to be returned to consumers.

In €m	Remaining amount to be adjusted	Final CRCP 2013 to be adjusted	Forecast CRCP 2014	Total CRCP
Estimated clearance - Euro 2014	-12.4	+9.6	-56.8	-59.6

To take into account these elements would lead, as from 2015, to underestimating the income allowed for GRTgaz by €16.4 million for the next four years.

In €m	2015	2016	2017	2018
CRCP annual instalment - current euros	-16.4	-16.4	-16.4	-16.4

1.4.2. TIGF

During the tariff updating work for the year 2014, the amount of the CRCP estimated for the year 2013 amounted to + €4.2 million, to be returned to TIGF, which is added to the balance of the CRCPs of previous financial years. The clearance of a quarter of the CRCP over 2014 has led to €0.7 million being returned to customers. The remaining stock to be cleared is **-€1.9 million**.

The final amount of the CRCP for the year 2013 is higher than the estimated €2.7 million, to be returned to TIGF (that is + **€+2.8 million** in 2014 euros).

In the TIGF request, the estimated amount of the CRCP for the year 2014 is **-€3.2 million** at the end of October.

In €m	Tariff 2014	TSO forecast	Differences	Paid to the CRCP
Downstream routing income, 100% covered	120.3	122.3	+2.0	-2.0
Upstream routing income, 50% covered	103.3	100.0	-3.3	+1.7
Normative capital costs 100% covered	157.3	151.9	-5.4	-5.4
"Energy and CO ₂ quota" item 80% covered	10.0	12.5	+2.5	+2.0
Service contract between GRTgaz and TIGF	33.8	33.2	-0.6	+0.6
Repayment related to the quality of service incentive regulation mechanism	0.0	0.1	+0.1	+0.1
OPEX differences due to inflation	66.3	66.3	0.0	0.0
				-3.2

By adding the difference to the CRCP 2013 and the provisional CRCP 2014, you get an overall CRCP amount of €2.3 million to be returned to consumers.

In €m	Remaining amount to be adjusted	Final CRCP 2013 to be adjusted	Forecast CRCP 2014	Total CRCP
Estimated clearance - Euro 2014	-1.9	+2.8	-3.2	-2.3

To take into account these elements would lead, as from 2015, to underestimating the income allowed for TIGF by €0.6 million for the next four years.

In €m	2015	2016	2017	2018
CRCP annual instalment - current euros	-0.6	-0.6	-0.6	-0.6

1.5. 2015 authorised income of TSOs

1.5.1. GRTgaz:

Authorised income (€m)	2014	2015
Capital expenses	973.8	1,044.8
Net operating expenses	761.7	754.0
Change to the energy item	-21.3	+7.7
CRCP	-4.5	-16.4
Authorised income	1,709.8	1,790.0
Authorised income change		+4.7%

1.5.2. TIGF:

Authorised income (€m)	2014	2015
Capital expenses	157.3	164.5
Net operating expenses	66.3	68.2
Change to the energy item	+4.7	+6.4
CRCP	-0.7	-0.6
Authorised income	227.5	238.6

Authorised income change		+4.9%
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1.6. Update of capacity subscription assumptions

1.6.1. GRTgaz

The new subscription assumptions transmitted by GRTgaz for the year 2015 are on average about 1.3% lower compared to the estimated subscriptions during the last tariff update. The trajectory of change to the ATRT5 subscription assumptions intended an average annual increase of subscriptions of approximately 1% from 2013 to 2016.

GRTgaz explains the fall in subscriptions in 2015 compared with the assumptions used for the determination of the 2014 tariff, by a decline in subscriptions on the downstream network (-3.2%). GRTgaz indicates that this decline is due to:

- A 7.3% fall in subscriptions of the industrial clients connected to the transmission network by optimising capacity subscribed by shippers, identified mainly in 2014. GRTgaz also forecasts a slight increase in industrial consumption from 2013 to 2014 (+ 0.35%);
- a 0.9% fall in the 2% peak capacity on the transmission distribution interface points (PITDs);
- The mothballing of 5 additional combined cycle gas turbines (CCGTs).

1.6.2. TIGF

The trajectory of change to the ATRT5 subscription assumptions intended an average annual increase of subscriptions of approximately 2.5 % from 2013 to 2016. The new subscription assumptions transmitted by TIGF for the year 2015 are on average about 0.9% lower compared to the estimated subscriptions during the last tariff update.

This fall is mainly explained by a decline in subscriptions on the main network. TIGF forecasts that not all available capacity from France to Spain will be subscribed in 2015..

1.7. Tariff changes requested by the TSOs

The initial exchanges between the TSOs and CRE have helped to reduce the initial requests of TSOs in terms of average price increase.

CRE is continuing its work analysing requests from the TSOs.

The tariff increases presented below do not take into account the changes in the structure of transport tariffs.

1.7.1. GRTgaz

In €m	Authorised income change	Capacity subscriptions change	Tariff change
2015	+4.7%	-1.3%	+6.0%

The implementation of the request of GRTgaz would lead to a bigger tariff increase on 1 April 2015 than that forecast in the ATRT5 tariff (+ 3.8% per year on average).

1.7.2. TIGF

In €m	Authorised income change	Capacity subscriptions change	Tariff change
2014	+4.9 %	-0.9%	+5.8%

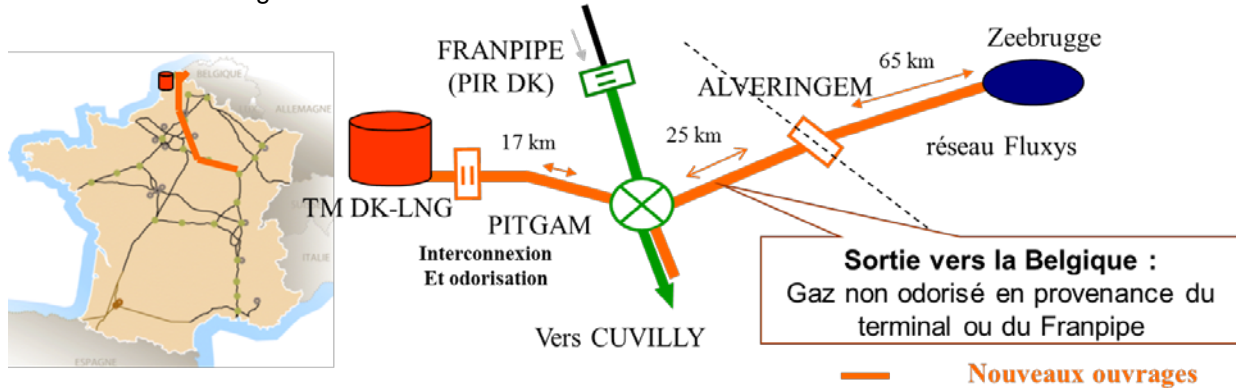
The implementation of TIGF's request would lead to a bigger tariff increase on 1 April 2015 than that forecast in the ATRT5 tariff (+3.6% per year on average).

2. Changes to the tariff structure

2.1. Creation of the Dunkirk LNG terminal transmission interface point

2.1.1. Reminders concerning the Dunkirk terminal and the Alveringem network interconnection point

The Dunkirk terminal is scheduled to be commissioned at the end of 2015. The gas released from the terminal to the Pitgam station may be directly routed in the direction of Belgium or be odourised and released on the GRTgaz network in the North zone.



The work carried out to strengthen the main network downstream of the Pitgam station is part of the core GRTgaz network. The work concerned will be used to evacuate the gas released from the Dunkirk LNG terminal, as well as for the increase in the input capacity from Belgium at Taisnières H and the creation of capacity exiting to Alveringem in Belgium (formerly Veurne). In addition, the "Arc de Dierrey" pipeline, downstream of the Cuvilly station, is mandatory to the merger of the North and South zones of the GRTgaz network.

2.1.2. Injection capacity tariff on the GRTgaz network from the Dunkirk terminal

The Dunkirk terminal will be connected to the GRTgaz network via the Dunkirk PITTM. A tariff for this PITTM must therefore be fixed in the update of the GRTgaz ATRT5 tariff on 1 April 2015.

CRE fixed the conditions for connecting the Dunkirk terminal to the GRTgaz network in its deliberation of 12 July 2011⁶. An economic test was carried out to confirm the tariff level to apply to the Dunkirk PITTM depending on connection investments. The completion of this economic test leads CRE to propose the principle of a tariff equalisation of the Dunkirk PITTM with the other PITTMs.

Based on this economic test, CRE intends to apply an annual tariff to the Dunkirk PITTM equal to that applied to other PITTMs.

⁶ [Deliberation of 11 March 2010 regarding the French Energy Commission's decision on the market test procedure launched by Dunkerque LNG for its LNG terminal at Dunkirk](#)

Question 1: Are you in favour of CRE's proposal to apply a tariff identical to the Fos and Montoir PITTMs to the Dunkirk LNG PITTMM?

2.2. Creating a France Belgium network interconnection point in Alveringem

2.2.1. Capacity to Belgium from the Dunkirk LNG terminal and from the PEG North

The open season conducted by GRTgaz between 2010 and 2011 in coordination with Fluxys enabled the launch of the investment required to create a new interconnection with Belgium beginning in late 2015.

This new interconnection will provide approximately 270 GWh/d of firm exit capacity from France to Belgium. 4 GWh/d of firm capacity France to Belgium are available to sell for the first two years following the commissioning of the terminal and then 51 GWh/d thereafter. CRE must determine the tariff for these capacities during the tariff change on 1 April 2015.

Capacity of the Dunkirk LNG terminal to Belgium

The entry capacity in Belgium from the LNG terminal in Dunkirk will be billed directly to subscribers by Fluxys, transmission on the GRTgaz network is a service provided by GRTgaz to Fluxys.

In its deliberation of 12 July 2011, CRE indicated, in the light of the estimated cost of developing these capacities, that the tariff charged by GRTgaz to Fluxys for transmission from the terminal to Belgium would be €45/MWh/d/year. CRE has also planned to review this amount depending on the actual level of investment. At this stage, the assessment of costs upon completion of projects does not justify the change to the projected level of €45/MWh/d/year.

Accordingly, CRE intends to confirm the anticipated price of €45/MWh/d/year for the gas transmission provision carried out by GRTgaz for the benefit of Fluxys for entry capacity in Belgium from the Dunkirk terminal.

Capacity of the PEG North to Belgium

The tariff for interruptible reverse capacity to Belgium at the Taisnières H point is equal to 1/5 of the tariff in the direction Belgium to France or about €22.8/MWh/d/year on 1 April 2015, in accordance with the update of the tariff on 1 April 2014 which provides for a change to the inflation of entry tariffs in France.

ATRT5 usually charges firm capacity at double the interruptible capacity, which would lead to firm capacity France to Belgium having a slightly higher tariff than €45/MWh/d/year.

CRE is considering, as it announced as an indication during the open season, to apply a tariff of €45/MWh/d/year to firm capacity PEG North to Belgium via the Alveringem interconnection point.

2.2.2. Capacity in the direction Belgium to France

The European network code on capacity allocations (CAM) prompted the implementation of virtual interconnection points between border countries. The code also provides for the sale of interruptible daily backhaul products at unidirectional points.

The preparatory work for the establishment of a virtual interconnection point between France and Belgium bringing together the Taisnières H and Alveringem points is not complete. This virtual point will therefore not be implemented by 1 April 2015.

In line with the network code, and in the expectation of creating the France - Belgium virtual interconnection point, CRE proposes introducing interruptible daily backhaul capacity at the Alveringem point in the direction Belgium to France.

CRE proposes selling 4 GWh/d interruptible daily backhaul capacities on the PRISMA marketing platform, subject to technical feasibility. CRE considers a regulated tariff for these interruptible backhaul capacities of €56.31/MWh/d/year, equal to the price of interruptible capacity Belgium to France at Taisnières H.

As the sale takes place on a daily basis, the reserve price of these capacities would be equal to the tariff indicated, multiplied by the daily coefficient of 1/240 in force on all non-congested interconnection points.

Question 2: Do you support CRE's proposals regarding the pricing of the Alveringem interconnection point?

2.3. Change to the capacity subscription rules for the Fos, Montoir and Dunkirk PITTMs

In its deliberation of 29 January 2014 regarding the updating of transmission tariffs (ATRT5), CRE recalls the capacity subscription procedures for the Fos and Montoir PITTMs, including for subscribers of spot services as defined in the tariffs for accessing LNG terminals called ATTM4. These two services enable the LNG to be regasified and to release gas on the transmission network for 30 consecutive days at a constant level.

Any shipper subscribing to a spot service with LNG terminal operators is assigned a firm basic monthly capacity (C) equal to 1/30 of the gasification capacity subscribed with the LNG terminal operators. The applicable price is equal to 1/12 of the price of the firm annual subscription.

The Dunkirk LNG terminal has obtained a total exemption to the regulated access of third parties and the tariff regulation for 20 years from commissioning. This means it is free to define its commercial offer, subject to applying it in a non-discriminatory manner to all its users and notifying CRE of it.

CRE proposes changing the capacity subscription rules for PITTMs, by introducing a more flexible mechanism, adapted to the commercial offer of the Dunkirk LNG facility. This change, which would not entail any costs for GRTgaz, would also apply to regulated LNG terminals, which could then offer more flexible offers.

As of 1 April 2015, any shipper could reserve a constant entry capacity to PITTMs on a multiple of 10 consecutive days with an equal tariff, per 10-day block, at 10/365 of the price of the firm annual subscription.

For spot products, currently defined in ATTM4, three consecutive 10-day blocks would correspond to the LNG terminals of Fos and Montoir. The prices of the three 10-day products would therefore be unchanged compared to the current system.

CRE also envisages asking GRTgaz to work, for October 2015, on the implementation of a more flexible reservation based on N consecutive days with a minimum of 10 days. The subscriptions level would be constant for the entire duration of the product. This service would be invoiced at N/365 of the price of the firm annual subscription.

Any surplus would be billed, as now, at 1/240 of the price of the firm annual subscription.

Question 3: Are you in favour of CRE's proposal to introduce a more flexible capacity subscription mechanism for PITTMs?

2.4. Structure of tariffs to transmission storage interface points (PITS) in GRTgaz and TIGF areas

In its deliberation of 13 December 2012 regarding the ATRT5 tariff, CRE decided to create a common market zone for GRTgaz South and TIGF balancing areas on 1 April 2015. In this area, shippers will be able to access the Storengy and TIGF storage areas. In this framework, CRE has entrusted a study on the pricing of capacity to PITS to the Pöry firm, completed in October 2013 and available on CRE's website⁷.

In order to reflect the difference of service offered by each of the TSOs to the PITS, the study advocates that the tariff for firm capacity to TIGF PITS be higher by a factor of between 1.33 and 2 in relation to the firm climate capacity tariff to GRTgaz PITS.

CRE chose, in its deliberation of 29 January 2014 on the updating of ATRT5 tariffs, to follow the recommendations of the study and has retained a multiplier of 1.33 on 1 April 2015 to reflect the difference in service offered by the two TSOs.

⁷ [Study relating to tariff terms for access to PITS](#)

The Pöyry study also made clear that the tariffs to PITS on the networks of other TSOs in Europe are higher when exiting the network to the storage areas than on entry to the network from the storages. This tariff structure corresponds to that of TIGF. In contrast, the structure of tariffs to PITS on the GRTgaz network is the reverse. In the said decision, CRE decided that the entry and exit tariffs for the GRTgaz network to PITS would change on 1 April 2015 to a tariff structure in line with that of other European TSOs.

CRE is considering performing this evolution with constant revenues in constant euros to PITS for GRTgaz, making this reversal neutral in terms of overall storage costs for all shippers.

A preliminary calculation, based on subscription forecasts transmitted by GRTgaz and TIGF, resulted in the following pricing table:

PITS zone	TCES⁸ (€/MWh/day per year)	TCSS⁹ (€/MWh/day per year)
GRTgaz North	8.26	18.59
GRTgaz South	9.09	20.46
TIGF	12.12	27.28

Question 4: Are you in favour of the method proposed by CRE to set tariffs for GRTgaz and TIGF PITS?
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2.5. Redistribution of surplus auction income

In its deliberation of 18 June 2014¹⁰, CRE defined the terms of redistribution of annual and quarterly auction surpluses to the North-South link and to the France/Spain interconnection between 1 October 2014 and 30 September 2015. The deliberation provides that a redistribution to shippers takes place once a quarter by the application of a quarterly unit amount for volumes consumed in GRTgaz South and TIGF zones. The consumption corresponding to the capacities purchased at the regulated tariff by gas-intensive consumers or their representatives are excluded from the redistribution.

The redistribution unit amounts for the annual and quarterly auctions for the period from October 2014 to September 2015 have been published by GRTgaz and TIGF.

(€/MWh 0° C)	1 Oct 2014 - 31 Dec 2014	1 Jan 2015 - 31 March 2015	1 April 2015 - 30 June 2015	1 July 2015 - 30 Sept 2015
Unit amounts and North/South redistribution zone	1.2877	1.2857	1.6591	1.9972
	GRTgaz South	GRTgaz South	GRTgaz South + TIGF	GRTgaz South + TIGF
Unit amounts and PIRINEOS redistribution zone	0.0068	0.0062	0.0013	0.0013
	TIGF	TIGF	GRTgaz South + TIGF	GRTgaz South + TIGF

The following points must be determined in the context of the tariff update of gas transmission tariffs on 1 April 2015:

⁸ Entry capacity term on the main network from storages

⁹ Exit capacity term of the main network to the storages

¹⁰ [CRE deliberation of 18 June 2014 regarding the decision on the rules of redistribution of surplus gas transmission capacity auction income and on their application for the period from 1 October 2014 to 30 September 2015](#)

- Rules on the redistribution of surplus auction income for monthly and daily capacity as of 1 October 2014;
- Rules concerning the differences that will be observed between the total amounts redistributed and surplus auction income raised as of 1 October 2014;
- Rules on the redistribution of surplus auction income for yearly and quarterly capacity as of 1 October 2015;

CRE proposal and preliminary analysis

In deciding on this mechanism, CRE wanted to offer suppliers and consumers greater transparency by providing a publication in advance of the unit amounts redistributed each quarter for a period of one year. Suppliers can therefore make offers to end consumers taking into account this redistribution.

For the auction income surpluses for monthly and daily capacity, the time between the auction and the use of the capacity does not permit a unit amount of redistribution to be published *a priori*.

Similarly, the amount actually redistributed may differ positively or negatively from the amount actually received by the TSOs, if actual consumption is different from the forecast. This difference cannot be dealt with *a priori*.

There are two possible methods:

- Adding the monthly and daily capacity auction income surpluses and the differences observed between redistribution and amount collected by the TSOs to the amounts to be repaid in the following year, from October N+1 to September N+2. The quarterly redistribution unit amounts from October N - September N+1 are therefore final as of July of year N.
- Adjusting the monthly and daily auction income and the redistribution differences with the volumes eligible for redistribution based on the current year's consumption. This would result in:
 - Subsequent amendments, in the form of an adjustment bill at the end of the quarter concerned, of the quarterly redistribution unit amounts to take account of the monthly and daily capacity auction income;
 - Subsequent amendments, in the form of an adjustment bill after the end of the month of September N+1, the annual redistribution unit amount to take into account the differences observed between redistribution and amount collected by the TSOs.

The first method is about retaining an approach of transparency on redistributions in €/MWh and permits the publication of the final unit amounts for the year as of the month of July.

The second enables redistributions and adjustments of the differences to be redistributed to be carried out as soon as possible, but does not give visibility to market players, especially consumers.

At this stage, CRE is in favour of the first method which enables a transparency approach to be maintained on redistributions in €/MWh.

Concerning the surplus income from quarterly backhaul capacity auctions to the PIRs Jura, the CRE envisages, as of October 2015, applying the redistribution arrangements defined in its deliberation of 18 June 2014 for North-South capacities. These surpluses will be redistributed once a quarter to shippers delivering from end customers in GRTgaz South and TIGF zones, *pro rata* with the volumes consumed in GRTgaz South and TIGF zones.

Concerning surplus income from annual and quarterly capacity auctions as of 1 October 2015, CRE is considering renewing the redistribution procedures defined in its deliberation of 18 June 2014.

Question 5: Are you in favour of CRE's proposal of adding the income from monthly and daily capacity auctions and the differences between redistribution and the amount collected by the TSOs to the amounts to be repaid in the following year?

Question 6: Are you in favour of the CRE's proposal to renew, from 1 October 2015, the redistribution procedures for annual and quarterly capacities defined in its deliberation of 18 June 2014 and to extend it to the quarterly backhaul capacities at PIR Jura?

2.6. Intraday capacity tariffs

The network code on capacity allocation mechanisms (CAM) provides for, on the interconnection points covered by the code, selling at auctions held every hour the firm capacity remaining at the end of the previous auctions during the course of the gas day. These intraday auctions offer capacity during the remaining number of hours of the gas day.

CRE therefore plans to fix the rate of these intraday capacities at the daily capacity tariff related to the number of remaining hours of the gas day in accordance with the framework guidelines on tariffs¹¹.

Question 7: Are you in favour of the CRE's proposal to fix the tariff of these intraday capacities at the daily capacity tariff in proportion of the remaining number of hours of the gas day?

2.7. Specific requests for certain categories of consumers

2.7.1. Specific requests concerning gas-intensive consumers

Proposal by UNIDEN

In its response to the public consultation of 18 July 2014 regarding the implementation of the transitional measures prior to the creation of a single PEG, UNIDEN requested the implementation of measures in favour of gas-intensive consumers.

UNIDEN made requests of a tariff nature for gas-intensive consumers:

- A reduction of 80% of the regulated tariff of the North-South capacity;
- A reduction of 80% of the downstream network tariffs, for all sites in France.

UNIDEN also made requests concerning the capacity allocation rules to the North-South link:

- A priority allocation to gas-intensive consumers, on a transitional basis by 2019, all new capacity released, including that of the JTS service and that arising from the change of the allocation rule between the Cruzy and Castillon points;
- A redistribution mechanism of auction surpluses more favourable to gas-intensive consumers.

CRE's preliminary analysis

CRE shared the observation that the high gas prices in the south burden the competitiveness of industrial consumers, especially gas-intensive ones.

It has led since 2009, to the implementation of measures to improve the market in the south of France, particularly by optimising the entire gas infrastructure. These measures include market coupling, the JTS service, the transformation of 40 GWh/d of firm capacity into interruptible capacity and the transformation of 20 GWh/d of firm capacity into interruptible capacity by changing the rules on the distribution of flows between the Cruzy and Castillon points. In addition, CRE decided to create a single market in 2018 in its deliberation of 7 May 2014.

In application of the deliberation of 17 October 2013, taken particularly on the basis of article L. 461-1 of the French Energy Code, gas-intensive consumers in the GRTgaz South or in TIGF zone, benefit from special access conditions to link capacities between the northern and southern zones of GRTgaz. 40 GWh/d of firm capacity and 23 GWh/d of interruptible capacity to the North-South link have been allocated to them at the regulated tariff for the four years from October 2014 to September 2018, which represents more than 50% of their needs.

Question 8: Are you in favour of UNIDEN's proposals concerning gas-intensive industrialists?

¹¹ [Framework Guidelines on Harmonised Gas Transmission Tariff Structures](#)

2.7.2. Extension of the mechanism of the optional offer of short notice interruptible transmission service in the south of France

The ATRT5 tariff provides that the optional short notice interruptible transmission service can be subscribed to by the shipper to a point of delivery which satisfies the following two conditions:

- Annual daily capacity delivery subscription of more than 10 GWh/d;
- Consumption site located less than 50 km as the crow flies from an interconnection point between the GRTgaz transmission network and an LNG terminal (PITTM) or from one of the following network interconnection points (PIR): Dunkirk, Taisnières H or Obergaillbach.

The shipper subscribing to this offer benefits from a tariff reduction of 50% on the following terms:

- The exit capacity term from the main network
- The entry capacity term on the main network at the closest point of entry

To qualify for this offer, the consumer client of the site concerned must commit to subscribe the service prior to signing the connection contract.

Once the short notice interruptible transmission service is subscribed, GRTgaz allocates capacity to the shipper that can be interrupted under short notice (2 hrs. minimum) to the consumer delivery point concerned.

Some shippers from the South zone asked to benefit from this offer in a derogatory and transitional manner.

CRE's preliminary analysis

This measure could only be considered as a transitional measure, before the merger of the North and South market areas. It could be subscribed by the sites located in the South zone which request it.

The opportunity to purchase the short notice interruptible transmission service would be extended by lifting the constraints:

- To commit to subscription before signing the connection contract;
- Being located less than 50 km as the crow flies from one of the interconnection points or a PITTM.

In addition to the interruption conditions provided in the current short notice interruptible transmission service, the sites concerned would be interrupted in case of total interruption of interruptible North-South capacity.

The offer would have a limited duration of 4 years.

CRE considers that this measure has the following advantages for the well-functioning of the gas market:

- Make significant delivery capacities in the South zone interruptible;
- Avoid the termination of important capacity subscriptions that significantly contribute to the balance of the GRTgaz tariff.

Question 9: Are you in favour of a measure to extend the short-notice interruptible offer to shippers from the south of France subscribing more than 10 GWh/d as a counterpart to interruptibility linked to the availability of the North-South link?

2.8. Update to the incentive regulation mechanism of the quality of service of the TSOs.

The incentive regulation mechanism of the quality of service implemented in the ATRT5 tariff aims at improving the quality of service provided to users¹². Accordingly, it is necessary to adapt the mechanism regularly to take account of user needs and the change to the performance of the TSOs. In this framework, CRE proposes changes to financial indicators and incentives at each tariff update.

GRTgaz and TIGF have forwarded change proposals to CRE including:

¹² [quality of service incentive regulation for natural gas network operators and ERDF - Report 2013](#)

- Creating a new indicator to follow-up to the regular publication of five key information points on the public portals of TSOs (Datagas and Smart GRTgaz);
- Creating a new indicator to follow-up to the timeliness of the publication of the quantity and balancing notifications;

CRE intends to retain some of the TSOs' proposals, and would also like to create two new indicators:

- One, not financially encourage at this stage, measuring the quality of the interventions of the TSOs on the market under balancing;
- The second one on the annual availability of interruptible capacity to the North-South link.

These proposals were presented during a Gas Consultation meeting¹³.

2.8.1 Quality of daily-metered quantities at delivery points of consumers connected to the transmission network and transmitted the following day and quality of overall end of gas day consumption estimates carried out the day before and during the day

At the present time, the reference taken to calculate the quality measures and estimates of customers connected to the transmission network and transmitted the day before or during the day is the next day value (D+1). The reference taken to calculate the quality of the data of the PITDs is the definitive measure established in M+1.

CRE proposes harmonising the reference used to calculate the quality of the data transmitted by GRTgaz and TIGF. The value published in M+1 being the most reliable and used for billing, it would serve as a reference to calculate the set of indicators on the quality of the measures and forecasts.

Question 10: Are you in favour of amending the reference (M+1 instead of D+1) used to calculate indicators on forecasts and the measures of customers connected to the transmission network, for the GRTgaz and TIGF areas?

2.8.2 Quality of the daily-metered quantities at delivery points of consumers connected to the transmission network and transmitted to shippers the following day

Currently, this indicator is calculated each month as the ratio between the number of daily-metered counts consistent and the total number of telemetered delivery point counts.

A count is regarded as consistent over a given month if there are no more than 3 days of the month for which the difference, in absolute value, between the provisional measure of the energy of the day D (transmitted on D+1) and the final measure (transmitted on the 20th of the month following M+1) is strictly greater than 1%.

This indicator is financially incentivised by two objectives. The basic objective is fixed at 98% and the target objective at 99% of compliant counts for GRTgaz. The bonus is €5 k per tenth of a per cent above the target objective and the penalties €2.5 k per tenth of a per cent below the basic objective. The total annual amount is limited to more or less €500 k a year.

This indicator therefore does not make the difference between a delivery point whose remote reading is wrong 4 days in the month and 10 days in the month.

To overcome this problem, GRTgaz proposes aligning the method with that of the indicator on intraday measures. In this method, information is known as poor quality if the difference, in absolute value, between the provisional measure of the energy of the day D transmitted on D+1 and the definitive measure of the energy transmitted in M+1 is strictly greater than 3%. If the difference is between 1% and 3%, the information is of good quality and does not give rise to an incentive. Finally, if the difference is less than 1%, the information is said to be of very good quality. The associated financial incentive concerns the very good and poor quality rate of information.

- Penalties: €5 k per tenth of a percent of poor quality information;
- Bonus: €100 per tenth of a percent of very good quality information.

¹³ http://www.concertationgaz.com/gt_equilibrage.aspx?id=6&idforum=11

CRE is, at this stage, in favour in principle of this proposal, and is in the process of analysing the level of incentive proposed by GRTgaz.

Question 11: Do you consider the quality of the telemetered quantities at delivery points of consumers connected to the transmission network and transmitted to shippers the following day satisfactory for GRTgaz? For TIGF? Are you in favour of changing the corresponding indicator proposed by GRTgaz?

2.8.3 Availability of public and shippers portals

Every month this indicator monitors, for each TSO, the number of hours of availability of the portal in relation to the total number of scheduled opening hours (from 7:00 a.m. to 11:00 p.m. seven days a week). A single value is monitored for each TSO, calculated by the formula below:

$$\frac{\text{Number of hours of availability of the TSO portal during the month}}{\text{Total number of scheduled opening hours of the TSO portal during the month}}$$

This indicator is financially incentivised by two objectives. The basic objective is fixed at 99% of availability. The target objective is fixed at 100% availability. For GRTgaz, the penalties are €1.5 k per tenth of a per cent below (strictly) with the basic objective and the bonus of €7.5 k in case of not achieving the target objective. For TIGF, the penalties are €1 k per tenth of a per cent below (strictly) with the basic objective and the bonus of €5 k in case of not achieving the target objective.

As the rate of availability of portals is largely satisfactory, CRE plans to delete the bonus given to the TSOs in the case of not achieving the target objective, and to retain the penalty.

In addition, GRTgaz and TIGF propose identifying the five most useful information points on SMART GRTgaz and Datagas and creating an indicator to monitor their quality.

Finally, the TSOs propose creating an indicator on compliance with contractual deadlines for publication of the notice of completion and balancing. The quantity and balancing notifications concerning the day D must be contractually available to customers before 1:00 p.m. in D+1; the latter being required to nominate for the next gas day before 2:00 p.m.

Question 12: Do you want an indicator that allows the monitoring of the regular updating of the five most important information points published on SMART GRTgaz and Datagas to be created? If yes, what information should be monitored?

Question 13: Do you want an indicator that permits monitoring of the deadlines for publication of the notice of completion and balancing to be put in place?

2.8.4 Availability of interruptible capacity to the North-South link

Since 1 January 2014, the additional market availability of firm capacity to the North-South link offered by GRTgaz is incentivised up to €0.20/MWh beyond the threshold of 3 TWh, then €0.4/MWh beyond 5 TWh. This monthly incentive concerns the cumulative volume of firm daily capacity sold beyond the level of 270 GWh/d, with the exception of any conversions of interruptible capacity in firm capacity. In 2014, these volumes relate to the JTS and firm additional capacity released by the change in the distribution of flows between Cruzy and Castillon.

CRE also considers that it is very important for the proper functioning of the gas market in the south of the territory to maximise the availability of interruptible capacity.

CRE plans to financially incentivise GRTgaz to maximise this global volume, by replacing the current indicator on the quantity of additional firm capacity by an indicator of the quantity of interruptible and firm

capacity available to the market beyond 270 GWh/d of firm capacity offered. This indicator would be calculated annually, to take account of the seasonal nature of maintenances.

- Over 45 TWh per year of available capacity over 270 GWh/d to the North-South link, GRTgaz would benefit from a bonus of €0.20/MWh/d. This bonus would be increased to €0.40/MWh/d beyond 48 TWh per year.
- Below 45 TWh per year of available capacity over 270 GWh/d to the North-South link, GRTgaz would be penalised up to €0.20/MWh/d. This penalty would be increased to €0.40/MWh/d below 42 TWh per year.

From October 2013 to September 2014, CRE identified that available capacities beyond the 270 GWh/d reached 44.8 TWh. The above levels would thus constitute an incentive for GRTgaz to boost the performance.

Question 14: Are you in favour of the establishment of a financial incentive on the availability of firm and interruptible capacity to the North-South link?

2.8.5 Monitoring of the interventions of TSOs on the markets under balancing

In the framework of the CRE public consultation on 13 October 2014 regarding the balancing rules on 1 April and on 1 October 2015¹⁴, GRTgaz proposed intervening on the markets outside of the current times (8:30 a.m. to 6:00 p.m.). The liquidity of the markets for these new windows of intervention is not guaranteed, there is a risk that the purchase/sale price of the TSOs will experience sharp variations. To incentivise the TSOs to intervene at the best time taking into account the state of their network and prices recorded on the markets, CRE proposes creating an indicator measuring the difference between the price of the interventions of the TSOs and the average price observed on a PEG on a given day:

- If the intervention of the TSOs significantly sticks to the average market price found for a given day to the corresponding PEG, it gives rise to a bonus;
- If the intervention of the TSOs deviates significantly of the average market price found for a given day to the corresponding PEG, it incurs a penalty;

Firstly, this indicator would not be financially incentivised ; the aim is to observe the intervention conditions of the TSOs in the target balancing system.

Question 15: Are you in favour of the creation of an indicator to monitor the quality of the interventions of TSOs on the markets for balancing?

Question 16: Do you have any other comments?

3. Summary of questions

Question 1: Are you in favour of CRE's proposal to apply a rate identical to the Fos and Montoir PITTMs to the Dunkirk PITTm?

Question 2: Do you support CRE's proposals regarding the pricing of the Alveringem interconnection point?

Question 3: Are you in favour of CRE's proposal to introduce a more flexible capacity subscription mechanism for PITTMs?

Question 4: Are you in favour of the method proposed by CRE to set tariffs for GRTgaz and TIGF PITS?

Question 5: Are you in favour of CRE's proposal, which concerns adding the income from monthly and daily capacity auctions and the differences between redistribution and the amount collected

¹⁴ [CRE public consultation on 13 October 2014 regarding changes to balancing rules on gas transmission networks on 1 April and 1 October 2015](#)

by the TSOs to the amounts to be repaid in the following year?

Question 6: Are you in favour of the CRE's proposal to renew, from 1 October 2015, the redistribution procedures for annual and quarterly capacities defined in its deliberation of 18 June 2014 and to extend the return to the PIR Jura?

Question 7: Are you in favour of the CRE's proposal to fix the tariff of these intraday capacities at the daily capacity tariff related to the remaining number of hours of the gas day?

Question 8: Are you in favour of UNIDEN's proposals concerning gas-intensive consumers?

Question 9: Are you in favour of a measure to extend the short-notice interruptible offer to shippers reserving more than 10 GWh/d as a counterpart to interruptibility linked to the availability of the North-South link?

Question 10: Are you in favour of amending the reference (M+1 instead of D+1) used to calculate indicators on forecasts and the measures of customers connected to the transmission network, for the GRTgaz and TIGF area?

Question 11: Do you consider that the quality of the quantities telemetered to delivery points of consumers connected to the transmission network and transmitted to shippers the following day is satisfactory for GRTgaz? For TIGF? Are you in favour of changing the corresponding indicator proposed by GRTgaz?

Question 12: Do you want an indicator that permits monitoring of the regular updating of the five most important information points published on SMART GRTgaz and Datagas to be created? If yes, what information should be monitored?

Question 13: Do you want an indicator to monitor the deadlines for publishing the notice of completion and balancing that may be established?

Question 14: Are you in favour of the establishment of a financial incentive on the availability of firm and interruptible capacity to the North-South link?

Question 15: Are you in favour of the creation of an indicator to monitor the quality of the interventions of TSOs on the markets for balancing?

Question 16: Do you have any other comments?

CRE invites interested parties to send in their contributions, no later than 21 November 2014:

- By e-mail to the following address: dirgaz.cp1@cre.fr ;
- By post: 15, rue Pasquier - F-75379 Paris Cedex 08.

Non-confidential contributions will be published by CRE, subject to legally-protected secrets.

Please indicate in your response if you want your reply to be regarded as **confidential or anonymous**. Otherwise, your contribution will be considered not confidential and not anonymous. Interested parties are invited to forward their comments by outlining their positions.