



The French Energy Regulatory Commission (CRE) is consulting market participants.

PUBLIC CONSULTATION N° 2018-010 OF 11 JULY 2018 CONCERNING THE TERMS FOR MARKETING NATURAL GAS STORAGE AS OF OCTOBER 2018

Since the entry into force of the reform of the third party access mechanism to underground natural gas storage capacities, the majority are marketed by auction. The Energy Regulatory Commission (CRE) has set the auction terms for the marketing of storage capacities for winter 2018-2019 in its deliberation n° 2018-039¹. It also asked the storage operators to implement a market player consultation, called "Concertation stockage", in order to study the possible evolution of these terms for the subsequent markets.

The first auctions in the regulated environment took place in March 2018 and sold almost all storage capacities for the winter of 2018-2019.

The subject of this public consultation is the marketing terms for the storage capacities applicable from October 2018. It is based on the proposal of the storage operators following the "Concertation stockage". This proposal is attached to the public consultation.

Reply to the consultation

The CRE invites interested parties to submit their contribution, no later than Friday 27 August 2017:

- by electronic mail to the following address: dr.cp6@cre.fr;
- by contributing directly to the CRE's website (www.cre.fr), in the section "Documents/Public Consultations";
- by postal mail: 15, rue Pasquier - F-75379 Paris Cedex 08.

All contributions will be published by CRE; please indicate the items you wish to maintain confidentiality. The interested parties are invited to respond to the questions setting out their arguments in their replies.

Paris, 11 July 2018.

For the Energy Regulatory Commission,
The Chairman,
Jean-François CARENCO

¹ Deliberation of the French Energy Regulatory Commission of 22 February 2018 resolving the methods for marketing storage capacities when implementing regulated third-party access to underground natural gas stocks in France.

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1. FEEDBACK FROM THE AUCTIONS IN MARCH 2018 AND WORKS IN CONCERTATION

In its deliberation n° 2018-039 of February 22, 2018, the CRE set the auction terms for the storage capacities for the year 2018-2019, which took place from March 5 to 26, 2018. CRE also asked Teréga and Storengy to set up the “Concertation stockage” group and to work within the framework of this Concertation stockage group on terms of marketing applicable from the marketing campaign for the 2019-2020 storage year.

1.1 March 2018 auctions

1.1.1 Results

The auctions, which took place from March 5 to 26, 2018, made it possible to sell almost all the storage capacities for the 2018-2019 year (corresponding to the gas injected from April to October 2018 and withdrawn from November 2018 to March 2019). Consequently, 112.9 TWh was sold out of the 117.6 TWh proposed at the auctions, for an average price of €0.59/MWh. The storage operators will receive €66.9 million in auction revenue.

During these auctions, Teréga proposed 3 products with different performances. Storengy proposed 8 products, differentiated according to the performances but also the location according to the PITS (Transport Storage Interface Point), and including the Saline “EZ20”. All sales conducted during the March auctions are presented in the table in the appendices.

1.1.2 CRE Analysis

CRE welcomes the fact that almost all capacities have been sold, exceeding the minimum level required by November 1, 2018 to guarantee the security of supply for the 2018-2019 winter, which had been set by the decree of March 13, 2018².

The marketing campaign reached its primary objective which was to increase storage capacity subscriptions. The auction prices were almost always higher than the reserve price (set at 0), reflecting the markets interest for these storage capacities. This attractiveness is confirmed by the total volume demand, equivalent to about 6 times the marketed capacity.

However, given the tight deadlines for implementation of the storage reform, all the capacities had to be marketed over a short period of time. At the end of the auctions, a fall in the summer-winter *spread* was observed on the markets, stronger at PEG Nord than that observed at the same time at the TTF, due in part to the marketing of many capacities in a tight timeframe. Consequently, it seems necessary to market capacities over a longer period.

Question 1 What are your feedback on the March 2018 auctions?

1.2 “Concertation stockage” group

Teréga and Storengy created the Concertation stockage group, which gave rise to two meetings: May 15th and June 6th. The main players concerned (suppliers, industrial consumer associations, transmission system operators) were able to give feedback on the March auctions, and express their positions on the terms of the subsequent auctions, in particular in response to the storage operators proposals. The elements presented by the operators during this Concertation stockage group and the discussion reports are published on the Concertation website³.

The storage operators proposal transmitted to the CRE and the current public consultation are notably based on these Concertation stockage discussions.

Regular meetings of the Storage consultation group is a shared goal of both operators and the CRE.

² Decree of 13 March 2018 on minimum stocks of natural gas to guarantee the security of natural gas supply in the period between November 1, 2018 and March 31, 2019

³ <https://concertationstockage.com/>

2. CONDITIONS FOR THE MARKETING OF STORAGE CAPACITIES AS OF OCTOBER 2018

2.1 Products and services

2.1.1 Standard products

2.1.1.1 Operators proposal

The so-called "standard" storage products are defined before the start of the marketing year and correspond to the total capacity available for the next storage year. The operators offer to publish the characteristics of these products each year in October.

During the Concertation some market players requested a simplification of the offer as much as possible. Nevertheless, Storengy and Teréga wish to maintain the possibility of offering standard products with different performances in order to meet the specific needs of all market players. Operators do not want to be constrained in the number of standard products to be marketed.

If a constraint were to apply, Storengy recommends to be applied by PITS, for the sake of fairness between the operators. Storengy will market capacity on five PITS (South-East, Atlantic, North-East, North-West, North B) and Teréga on one PITS (South-West). Storengy carries out the marketing of Manosque storage, owned by Géométhane (as part of South-East PITS).

Teréga plans to market three products, identical to those marketed in March, but does not rule out the marketing of an additional product, according to requests expressed by its customers.

2.1.1.2 CRE Analysis

CRE considers that operators are best able to define the product offer that will satisfy their customers. CRE nevertheless stresses that the offer must remain clear and simple with relatively uniform products that can attract all market players, in order to promote competition on each product.

In the March auctions, Storengy proposed a total of eight products and Teréga proposed three. In its deliberation of February 22, 2018, CRE limited Storengy to the marketing of 14 products and Teréga to five products. At this stage, CRE plans to renew the same limit. Indeed, it leaves room for operators to offer different products, while avoiding too many products.

Question 2 Are you in favour of CRE's proposal concerning the maximum number of products that each operator can offer?

2.1.2 Treatment of unsold capacities and specific products

2.1.2.1 Operators proposal

Operators propose to auction 100% of the available capacity for a storage year before 1 March preceding this storage year (for example, 1 March 2019 for the storage year 2019-2020). The storage year starts on April 1, the start date of the injections, and ends on March 31 of the next calendar year. In the event of unsold quantities at the first sales, they wish to be able to add these unsold quantities to subsequent sales of identical products scheduled before March 1, in compliance with the publication constraints (see 2.5).

In the event that capacity remains unsold on March 1 at the end of this marketing phase, Storengy and Teréga propose that the storage operators have the opportunity to continue sales by freely adapting the products offered for sale from that date, with a market announcement conducted five working days before each sale. In fact, such unsold capacities could be a sign that the proposed products are inadequate for the needs of customers. Consequently, being able to change their characteristics would increase the chances that these capacities find takers.

In addition, after 1 March Teréga and Storengy would like to be able to market "short-term" products meeting the additional needs of the market, if capacities are technically available. These short-term products do not reduce the capacity offered by sales of standard products.

By way of illustration, such products could notably be proposed in the case of sites undergoing works, put back in service during the year, counter-seasonal offers, or in the case of available storage capacities greater than those anticipated during sales of standard products.

2.1.2.2 CRE Analysis

CRE is in favour of the operators deferring unsold capacities from one auction to another, provided that the terms of such transfers are clarified by the operator concerned before the auction stage, and that each transfer is the

object of a publication at the earliest *at least* one working day before the auction to which the unsold quantities have been deferred.

Concerning the adaptation of the products offered for marketing after 1 March and the "short-term" products, at this stage, CRE is in favour of the operators' proposal. It is equivalent to maintaining the rule that prevailed for previous auctions: operators must offer all the capacities during the initial marketing phase and market no other product than the standard products before the end of the initial marketing phase. This gives visibility to the market players throughout the initial marketing phase.

On the other hand, the operators do not take into account the minimum gas thresholds required for supply security in their proposal. CRE also intends to renew the rule that prevailed for the previous auctions in relation to the achievement of these minimum thresholds. Accordingly, once the initial marketing complete, two scenarios are possible:

- if the minimum natural gas thresholds necessary to guarantee supply security⁴ are not achieved, then the marketing of capacities in the form of standard products continues until these thresholds are reached, including in the event of the safety net activation;
- if these thresholds are reached, or are not published on March 1, operators are then free to offer products other than standard products.

In the event that products other than standard products are marketed, operators should publish the precise characteristics of the products offered and the capacity volumes associated one week before each sale. In addition, sales would take place in the same manner as in the initial marketing phase in terms of auction rules and reserve prices.

Question 3 Are you in favour of CRE's proposal concerning unsold capacities and short-term products?

2.1.3 Additional services

Additional services offered by Storengy and Teréga are free or paid services, to add value to storage subscriptions without reducing the capacity offered for sale in the form of storage products. They are detailed on the operators websites.

To date, Storengy and Teréga are considering only a few adjustments in the implementation and/or pricing of additional services. However, the storage operators consider that the free definition of these services allows a positive emulation in order to satisfy the customers needs as much as possible. In addition, these services have no impact on standard products. Consequently, Teréga and Storengy are in favour of maintaining complete freedom in the definition of these services.

Like the first year of marketing, CRE is at this stage in favour of the free definition of additional services, insofar as they are proposed in a transparent and non-discriminatory manner, published by the operators on their website.

2.2 Auction rules

2.2.1 Type of auctions

On the basis of the Storage Concertation discussion, Teréga and Storengy propose to renew the auction rules applied for the March 2018 marketing campaign. As a reminder, these rules provide for *fixing* auctions, corresponding to an auction where the players transmit their demand/price curves to the operators for a given storage product during the same slot without successive auction rounds. The allocation at the end of an auction is carried out with the same price for all buyers (*pay as cleared*), at the maximum price at which the entire available capacity is allocated. More specifically, the operation of these auctions is as follows:

⁴The provisions of Article L. 421-4 of the French Energy Code state that "Based on the provisional long-term balance mentioned in Article L. 141-10, the contribution by the different supply options, and the provisional demand, every year by means of Decree The Minister for Energy sets the minimum natural gas stocks necessary on 1 November or guaranteeing a secure supply of natural gas during the period between 1 November and 31 March inclusive. The minimum stocks are defined by a withdrawal flow, as well as potentially location and volume.

Expression of demand by each participant

For each product proposed for sale during an auction, the bidder enters the points (quantity in MWh; price in €/MWh) that define its requested purchase quantity curve according to the purchase price. There is no limit to the number of points forming this curve.

The Price entered must be greater than or equal to the reserve price for the auction.

The Bidder must ensure that for a given Price, they will enter only one Quantity, and that between 2 points the Requested Quantity at the Lowest Price is strictly greater than that requested at the Highest Price.

All of these points allow the storage operator to define a requested quantity curve at the purchase according to the purchase price as follows:

- the quantity deemed requested on purchase is zero for a price strictly greater than the highest price submitted by the bidder;
- at the highest price submitted by the bidder, the quantity deemed requested on purchase is equal to the Quantity indicated by the buyer who nevertheless agrees to be allocated a partial quantity;
- between two successive points:
 - the quantity deemed requested by the buyer is equal to the Quantity indicated by the buyer for the highest price of the two, as long as the price is strictly higher than the lowest price of the two;
 - at the lowest price of the two successive points, the quantity deemed requested on purchase is equal to the Quantity indicated by the buyer at the lowest Price, but the buyer nevertheless consents to the possibility of being awarded a partial quantity;
- the quantity deemed requested on purchase for a price lower than or equal to the Minimum Price submitted by the buyer is equal to the Quantity indicated by the purchaser for the lowest price submitted.

The storage operator then aggregates the requested quantity curves for all bidders into a single demand curve.

Auction setting: auction price and capacity attribution

The clearing price corresponds to the highest price below which the demand is greater or equal to the offer. The quantities are then allocated as follows: all requests for prices higher than the clearing price are met, then the requests at the clearing price are partially serviced by the amount remaining to be allocated on a pro rata basis.

Storengy and Teréga published these terms on their websites during previous auctions.

The storage operators nevertheless propose the creation of a working group within the Storage Concertation group to reflect on potential future evolutions to the auction rules. They consider that these new rules could apply only from November 2019, on the one hand because it is necessary that they be discussed in the Storage Concertation group and on the other hand because it is necessary to provide time to modify their information systems.

CRE notes that the March 2018 auction rules has satisfied all players. At this stage, it is in favour of the operators proposal to renew these rules. It also considers that thinking on these rules continue to be carried out in the framework of the Storage Concertation group. CRE also recalls that these rules should be published on the operators' websites sufficiently in advance of the auction launch date.

Question 4 Are you in favour of renewing the auction rules of March 2018 for future marketing campaigns?

2.2.2 Auction schedules and operators publication constraints

Storengy and Teréga propose that three independent auctions (for different products) can take place on an auction day, respecting fixed slots. A single product is marketed per auction. The three auctions for a D day would be open at 10 am on D-1, with the possibility of submitting offers on the auction platform from this time. These three auctions would close successively in D as follows:

Auctions	Opening day D-1	Closing day D
Product 1	10:00	11:00

Product 2	10:00	13:00
Product 3	10:00	15:00

Operators would publish the results no later than one hour after an auction. Each participant will receive the assigned capacity (volume, injection, withdrawal) and the attribution price. All users of the auction platform (account owners) will also be able to see the total volume attributed during the auction, the attribution price of the auction as well as the total demand made by the participants.

Accordingly, the results of the auction of Product 1 of the above table would be published no later than 12:00, those of Product 2 at 14:00 and those of Product 3 at 16:00.

At this stage, CRE is in favour of these proposals, noting an improvement over the auction of March 2018, with the publication of the total demand submitted by the participants to the auction within one hour of the auction.

Question 5 Are you in favour of the proposed time slots for the auction days?

Question 6 Are you in favour of the planned auctions results publication rules?

2.2.3 Auction platforms

During the March 2018 auctions, each storage operator had its own platform. The use of both platforms differed on certain points and CRE asked the operators to work on setting up a common sales platform.

The operators propose to maintain the two separate platforms, harmonising their ergonomics and offering the possibility for both to receive a request curve from the same Excel file template. The use of both platforms would be similar for auction participants.

The storage operators want this solution to be adopted in a sustainable manner. They indicate that having their own platform makes it possible to remain master of the relationship with their customers and to preserve the confidentiality of information on its auction platform. In addition, they recall having launched call for tenders to create their platforms and selected the least expensive offers, integrated into their existing information systems (IS). Creating a common platform would therefore represent an additional cost.

In Concertation, several market players indicated they were not opposed to the maintenance of both platforms, since these are harmonised. They are also attentive to the cost of the chosen solution.

CRE considers that the ease of use for auction participants and the cost are the two criteria that must determine the chosen solution. Therefore, at this stage, CRE is in favour of maintaining the two separate platforms, insofar as these are harmonised to enable an identical operation. The implementation of a single platform would require development costs and adaptation to the interface for each operator IS.

Question 7 Are you in favour of maintaining the two separate auction platforms, insofar as their use are harmonised?

2.3 Reserve price

Storengy and Teréga propose to maintain a zero reserve price for products marketed for the following storage year, excluding storage of L-gas (specific case dealt with in 2.6). They believe that this zero reserve price, unique for all products, simplifies auctions by avoiding the publication of reserve prices before each auction. Moreover, they are opposed to the possibility of negative prices, which would result in them paying their customers for a storage service they provide.

CRE shares the position of the storage operators. The primary goal of the auction is to maximise storage capacity subscriptions for the following year. As such, CRE is for the maintenance of a zero reserve price for the storage capacities marketed for the following year (N + 1), excluding storage of L-gas. The specific case of L-gas storage is treated in 2.6. The marketing of capacities for subsequent years is discussed in 2.4.

Question 8 Are you in favour of a zero reserve price for auctions of storage capacities marketed for N + 1, excluding L-gas storage?

2.4 Multi-year marketing

2.4.1 Marketing capacities for N + 2 to N + 4

2.4.1.1 Operators proposal

In accordance with the request of certain market players during Concertation, Storengy and Teréga wish to be able to offer capacities for several subsequent years of storage in one year. Accordingly, they propose to be able to market in year N capacities for years N + 2 to N + 4. The capacities for each storage year would be marketed separately.

For example, for the storage year from April 2019 to March 2020, they could market capacities for storage years 2020-2021 (N + 1), 2021-2022 (N + 2), 2022-2023 (N + 3) and 2023-2024 (N + 4), in addition to any unsold capacities and "short-term" products for the current year 2019-2020 (see 2.1.2).

However, the operators want the marketing of capacities from N + 2 to N + 4 to be subject to two conditions, by applying:

- a limit to marketable quantities for these deadlines (see 2.4.2);
- a reserve price calculated according to a previously defined formula, positive or at least zero (see 2.4.3).

In fact, storage operators point out that not all customers have the capacity to commit to such long horizons. Similarly, wholesale gas markets are less liquid beyond N + 1, let alone N + 2. The probability would therefore be higher that the capacities marketed for these deadlines find no takers.

2.4.1.2 CRE Analysis

In order to bring visibility to the market players, CRE is in favour of capacities being marketed for N + 2 to N + 4. These multi-year sales meet the demand of suppliers who themselves offer multi-year offers to consumers. In addition, they enable smoothing the marketing of capacities for the same year, with the effect of being able to more easily de-concentrate the marketing of storage capacities and smoothing operators revenue.

CRE shares the operators position in relation to the risks associated with the marketing of capacities for N + 2 to N + 4 at zero reserve price and considers that it is necessary to preserve capacities for N + 1 sales. At this stage, it is therefore in favour that the marketing of these capacities be conducted with quantity limits and reserve prices calculated according to a formula.

Question 9 Are you in favour of marketing storage capacities for years N + 2 to N + 4?

2.4.2 Quantity limits for capacities marketed for N + 2 to N + 4

Teréga and Storengy propose that the following limits apply:

- 10% maximum capacities can be marketed for N + 4
- 20% maximum capacities can be marketed for N + 3 (consequently there is at least 70% of capacities to be marketed for N + 2 and N + 1)
- 30% maximum capacities can be marketed for N + 2 (consequently there is at least 40% of capacities to be marketed for N + 1)

For example, for the capacities of storage year 2023-2024, up to 10% could be marketed in 2019-2020, up to 20% additional in 2020-2021, up to 30% additional in 2021-2022 and at least 40% would remain to be marketed in 2022-2023.

In addition, the storage operators propose that at least 20% of capacity for the year N + 1 storage be preserved to be marketed in January and February before the beginning of the N + 1 storage year.

CRE is in favour of the principle of these quantity limits. At this stage, it considers that a single limit of at least 50% of the capacity to be marketed for N + 1 would be sufficient.

For example, if 10% of the storage capacities of the year 2023-2024 were sold in 2019-2020 and 20% in 2020-2021, so in total already 30%, only 20% could be sold in 2021-2022, to ensure that 50% remains to be marketed in 2022-2023.

Question 10 Are you in favour of keeping at least 50% of the capacities to market for N + 1?

Question 11 Are you in favour of keeping at least 20% of the capacities to market for January and February for capacities whose injection starts from April?

2.4.3 Reserve price for N + 2 to N + 4

2.4.3.1 Operators proposal

Teréga and Storengy believe that the sale of capacities for the N + 2 and subsequent years should not be at the expense of the revenue obtained. The objective of selling capacities to ensure supply security lies with auction for N + 1, and not previous auctions. As previously indicated, there is a risk of lower liquidity on these auctions and thus a risk to generate a lower income from these auctions.

Consequently, the operators propose a formula enabling the calculation of a reserve price, which will be published before the auction. Indeed, participants must be able to commit to known amounts. A price indexed on underlying products which continue to evolve after the auction is therefore excluded.

They propose not to index the reserve prices on the summer/winter *spread* of year N + 1: the *spreads* of the following years may be different from the *spread* of the coming year.

In addition, the operators note that the markets are not very liquid on the long-term deadlines and therefore propose not to index the reserve prices on the summer/winter *spreads* of years N + 3 to N + 4.

Storage operators offer two different options for setting reserve prices for N + 2 to N + 4.

Option A

For these auctions, Teréga and Storengy suggest setting a competitive reserve price in relation to the minimum market value of the associated storage capacities, with a price floor equal to a fraction of the average price of the auction of capacities conducted for the N + 1 storage year.

The minimum market value could be calculated on the basis of the winter-summer seasonal price differential of the N + 2 storage year, observed over a short period preceding the start of the auction concerned. The various costs borne by the storage capacity subscribers (tariff term paid to the PITS, cycle costs, financial costs related to the immobilization of gas, hedging costs related to the purchase/sale of gas on the market) would be deducted from this market *spread*. Cycle costs correspond to the costs of injection and withdrawal from storage, invoiced by the storage operators. This cost is currently set at zero.

For the sake of clarity and simplicity, this option consists in setting only one and the same reserve price per sales window, valid for all auctions of storage capacities for years N + 2 and subsequent of the window concerned, retaining the minimum of the estimated minimal market values for the different standard storage products offered at auction.

Or, with PR the reserve price applicable to capacity auctions for years N + 2 to N + 4:

$$PR = \text{Max} \{50\% \times PO ; \text{Min} [\text{spread} - \text{cost}(X)]\}$$

With:

- PO: average price of capacity auctions for year N + 1 storage;
- *spread*: average in the calendar month preceding the N + 2 to N + 4 sales window of the PEGAS PEG closing price differentials between winter N + 2 and summer N + 2;
- costs (X): positive constant reflecting the logistical and financial costs incurred by the purchaser of product X capacities (access to the PITS, cycle costs, financial costs related to the immobilisation of gas, *bid/ask spread*).

Option B

This second option is similar to the first, the only difference being that there is no longer a single reserve price for all products but a reserve price per storage product. This solution, slightly more complex in its implementation, would reduce the risk of setting a too high reserve price for the worst performing products.

Or, with PR(X) the reserve price applicable to capacity auctions for years N + 2 to N + 4 for product X:

$$PR(X) = \text{Max} \{50 \% \times PO(X) ; \text{spread} - \text{cost}(X)\}$$

With:

- PO(X): average price of capacity auctions of product X for year N + 1 storage;
- *spread*: average in the calendar month preceding the N + 2 to N + 4 sales window of the PEGAS PEG closing price differentials between winter N + 2 and summer N + 2;
- costs (X): positive constant reflecting the logistical and financial costs incurred by the purchaser of product X capacities (access to the PITS, cycle costs, financial costs related to the immobilisation of gas, *bid/ask spread*).

2.4.3.2 CRE Analysis

Like the operators, CRE is in favour of a reserve price calculated as the maximum between a fraction of the N + 1 auction price, which constitutes a floor price, and the N + 2 *spread* from which the costs are deducted, accordingly, linking the reserve price to the market value.

At this stage, CRE plans to differentiate the reserve price by product. In this context, the fraction of the price of past product auctions could be higher than in the context of an average price between all products. At this stage, CRE therefore favours option B proposed by the storage operators, but retains 80% of the PO(X) rather than 50%. Indeed, the objective pursued by this formula is to avoid that the income generated is too low compared to the auction income capacity for N + 1. Halving of the price compared to past auctions seems too important.

Question 12 Are you in favour of the reserve price formula proposed by CRE for marketing capacities for N + 2 to N + 4?

2.5 Timetable

2.5.1 Marketing capacities 2019-2020

Teréga and Storengy propose that a maximum of 15 TWh be applied per auction day, excluding L-gas storage.

They propose a 2019-2020 capacity marketing campaign between November and February, with two weeks of 3 day marketing from Tuesday to Thursday every month. The marketing campaign would take place on weeks 46, 47, 50 and 51 of 2018 and 3, 4, 7 and 8 of 2019. Teréga's auctions would be held on Tuesdays and Storengy's on Wednesdays and Thursdays.

Moreover, the operators wish to publish the auctions timetable with the products and quantities for each auction slot no later than October 15, 2018, i.e. one month before the auctions.

In the case of unsold capacities from an auction, they propose to add these unsold capacities to a later auction of the product scheduled for month M, by informing the market no later than the 25th of month M-1.

The proposed timetable for marketing 2019-2020 capacities is presented below:

nov-18	déc-18	janv-19	févr-19
Jeu 1	Sam 1	Mar 1	Ven 1
Ven 2	Dim 2	Mer 2	Sam 2
Sam 3	Lun 3	Jeu 3	Dim 3
Dim 4	Mar 4	Ven 4	Lun 4
Lun 5	Mer 5	Sam 5	Mar 5
Mar 6	Jeu 6	Dim 6	Mer 6
Mer 7	Ven 7	Lun 7	Jeu 7
Jeu 8	Sam 8	Mar 8	Ven 8
Ven 9	Dim 9	Mer 9	Sam 9
Sam 10	Lun 10	Jeu 10	Dim 10
Dim 11	Mar 11 Teréga	Ven 11	Lun 11
Lun 12	Mer 12 Storengy	Sam 12	Mar 12 Teréga
Mar 13 Teréga	Jeu 13 Storengy	Dim 13	Mer 13 Storengy
Mer 14 Storengy	Ven 14	Lun 14	Jeu 14 Storengy
Jeu 15 Storengy	Sam 15	Mar 15 Teréga	Ven 15
Ven 16	Dim 16	Mer 16 Storengy	Sam 16
Sam 17	Lun 17	Jeu 17 Storengy	Dim 17
Dim 18	Mar 18 Teréga	Ven 18	Dim 17
Lun 19	Mer 19 Storengy	Sam 19	Lun 18
Mar 20 Teréga	Jeu 20 Storengy	Dim 20	Mar 19 Teréga
Mer 21 Storengy	Ven 21	Lun 21	Mer 20 Storengy
Jeu 22 Storengy	Sam 22	Mar 22 Teréga	Jeu 21 Storengy
Ven 23	Dim 23	Mer 23 Storengy	Ven 22
Sam 24	Lun 24	Jeu 24 Storengy	Sam 23
Dim 25	Mar 25	Ven 25	Dim 24
Lun 26	Mer 26	Sam 26	Lun 25
Mar 27	Jeu 27	Dim 27	Mar 26
Mer 28	Ven 28	Lun 28	Mer 27
Jeu 29	Sam 29	Mar 29	Jeu 28
Ven 30	Dim 30	Mer 30	
	Lun 31	Jeu 31	

At this stage, the CRE is in favour of this timetable and the publication date by at least 15 October for the standard products, with the quantities marketed by auction. On the other hand, it finds the limit of 15 TWh per day, or 45 TWh per week, too high. CRE considers that such volumes are likely to have a significant impact on market prices. It therefore plans to limit marketing to 10 TWh per day, excluding storage of L-gas (see 2.6).

Question 13 Are you in favour of the proposed auction timetable for the 2019-2020 capacities?

2.5.2 Marketing campaign as of March 1, 2019

2.5.2.1 Operators proposal

Teréga and Storengy want the auctions timetable to be defined from 1 March 2019, in order to give the market players greater clarity and to encourage their participation in the auctions. Their proposals meet the following objectives:

- extend the marketing period to de-concentrate hedging operations on the market by capacity subscribers and prevent marketed volumes from having a significant impact on market prices;
- create "appointments" by targeting a limited number of auction periods in the year.

The operators propose that the capacities are marketed at annual sales windows, by applying the following rules:

- one product per auction slot (as in the March 2018 auction);
- maximum of 15 TWh per auction day, by maturity and by gas type. For example, on an auction day where two N + 1 products and one N + 2 product would be marketed, the sum of the capacities sold for the N + 1 products could not exceed 15 TWh, likewise for the N + 2 product. This distinction by maturity is due to the fact that the hedging achieved on the markets will not be made on the same products (*spread* N + 1 vs. *Spread* N+2): the sales on N + 1 and N + 2 products therefore have independent impacts on the markets;
- a maximum of three days of auction per week: Tuesday, Wednesday and Thursday;
- the allocation of days between Storengy and Teréga is on a rotating basis, the days changing with each new storage year, with two days of marketing campaign for Storengy and one day of marketing campaign for Teréga per week.

Storage operators offer two timetable options:

Option A

March 2019 would be devoted to product sales for the years 2020-2021 (N+2), 2021-2022 (N+3) and 2022-2023 (N+4). These sales would be spread over two weeks, with 3 days of sales per week, Tuesday for Teréga, Wednesday and Thursday for Storengy. All possible slots would not necessarily be used in the sales timetable published before each window.

For subsequent auctions, capacity sales would be spread over three annual sales windows, of three weeks each, in June, November and February. At each of these windows, all deadlines from N + 1 to N + 4 could be proposed.

The following table summarises this proposal:

avr-18	mai-18	juin-18	juil-18	août-18	sept-18	oct-18	nov-18	déc-18	janv-19	févr-19	mars-19
						★	19-20	19-20	19-20	19-20	19-20 (Inv.) 20-21 21-22 22-23
avr-19	mai-19	juin-19	juil-19	août-19	sept-19	oct-19	nov-19	déc-19	janv-20	févr-20	mars-20
Invendus 19-20	Invendus 19-20	20-21 21-22 22-23 23-24				★	20-21 21-22 22-23 23-24			20-21 21-22 22-23 23-24	Invendus 20-21
avr-20	mai-20	juin-20	juil-20	août-20	sept-20	oct-20	nov-20	déc-20	janv-21	févr-21	mars-21
Invendus 20-21	Invendus 20-21	21-22 22-23 23-24 24-25				★	21-22 22-23 23-24 24-25			21-22 22-23 23-24 24-25	Invendus 21-22
avr-21	mai-21	juin-21	juil-21	août-21	sept-21	oct-21	nov-21	déc-21	janv-22	févr-22	mars-22
Invendus 21-22	Invendus 21-22	22-23 23-24 24-25 25-26				★	22-23 23-24 24-25 25-26			22-23 23-24 24-25 25-26	Invendus 22-23

★ completion of product characteristics by operators (see below)

Option B

Sales periods would be different depending on the deadlines. Consequently, the following two sales periods would be organised:

- between November and February, a window dedicated to the capacities for the N + 1 storage year;
- in May and June, a window dedicated to storage capacity for the following storage years (N + 2 and N + 4).

Each sales month, auctions would be spread out over two weeks, at the rate of three days per week (the first year, Tuesday for Teréga, Wednesday and Thursday for Storengy) and three auctions per day maximum. The operators specify that all possible slots would not necessarily be used in the sales timetable published before each window.

The following table summarises this proposal:

avr-18	mai-18	juin-18	juil-18	août-18	sept-18	oct-18	nov-18	déc-18	janv-19	févr-19	mars-19
						✦	19-20	19-20	19-20	19-20	Invendus 19-20
avr-19	mai-19	juin-19	juil-19	août-19	sept-19	oct-19	nov-19	déc-19	janv-20	févr-20	mars-20
Invendus 19-20	20-21 21-22 22-23 23-24	20-21 21-22 22-23 23-24				✦	20-21	20-21	20-21	20-21	Invendus 20-21
avr-20	mai-20	juin-20	juil-20	août-20	sept-20	oct-20	nov-20	déc-20	janv-21	févr-21	mars-21
Invendus 20-21	21-22 22-23 23-24 24-25	21-22 22-23 23-24 24-25				✦	21-22	21-22	21-22	21-22	Invendus 21-22
avr-21	mai-21	juin-21	juil-21	août-21	sept-21	oct-21	nov-21	déc-21	janv-22	févr-22	mars-22
Invendus 21-22	22-23 23-24 24-25 25-26	22-23 23-24 24-25 25-26				✦	22-23	22-23	22-23	22-23	Invendus 22-23

✦ completion of product characteristics by operators (see below)

Whatever the option chosen, in October N the operators would finalise the precise characteristics of the products proposed for N + 1 storage year. They notably include the injection rate related to the volume. These characteristics depend on technical criteria related to the use of storage in past years. For each storage site, actual performance cannot be known before October of year N for N + 1 storage year. However, the characteristics of products marketed before that date would remain guaranteed, even if they were not offered again with identical characteristics.

For example, a product for the 2020-2021 storage year would be marketed at a certain injection rate related to the volume purchased before October 2019. This flow rate in relation to the volume is guaranteed. Then, the same product could be marketed at a different injection rate related to the volume from sales windows starting after October 2019.

Storengy and Teréga propose publishing potential auction dates for the whole year once a year in April, with no capacity displayed. For each window, the products and quantities marketed on the different slots of this window would be published on the 25th of the month preceding the window.

2.5.2.2 CRE Analysis

CRE also considers that it is important to give visibility to the market through the marketing timetable from 1 March, 2019, especially if storage capacities are marketed for several years. In addition, it is necessary to avoid a high sales concentration, which could have consequences on market prices.

CRE is therefore in favour of an annual auction timetable being set in advance, specifying the auction weeks.

During the consultation, a supplier proposed an alternative annual timetable with four 2-week windows, one window per quarter. There would be four auction days per week, from Monday to Thursday, enabling eight auction days per window, i.e. a total of 24 auction slots.

At this stage, CRE is in favour of the principle of an annual timetable with 3 to 4 windows, with windows of 2 to 3 weeks, and weeks of 3 to 4 auction days depending on the preferences expressed in response to this public consultation. One standard product only (see 2.1.1) would be offered per auction.

As indicated in 2.5.1, the 15 TWh per day limit, or 45 TWh per week (with 3 days per week) seems too high. CRE considers that such volumes are likely to have a significant impact on market prices. It therefore plans at this stage to limit marketing to 10 TWh per day, excluding L-gas storage (see 2.6) and without distinction per maturity. In fact, defining a limit by maturity makes it possible to market very significant volumes (for example, 10 TWh for N + 1, 10 TWh for N + 2 and 10 TWh for N + 3). Accordingly, buyers of capacities should potentially carry out hedging operations on large volumes on the same day, which represents a high constraint, even on different maturities.

Regarding publication, in order to give maximum visibility to market players, CRE intends to require operators to publish the timetable for each window with the products and quantities of each auction slot once a year in October.

For example, if option A were selected, operators would publish in October 2019 the information for the November 2019, February 2019 and June 2020 windows.

- Question 14** Are you in favour of setting the annual auction timetable as of March 1, 2019?
- Question 15** Are you in favour of the 10 TWh total limit per auction day, excluding L-gas storage?
- Question 16** What annual timetable do you want (including the number and period of windows per year, the number of weeks per window, the number of days per auction week)? Are you in favour of separate windows between marketing capacity for N + 1 and those for N + 2 to N + 4?
- Question 17** Which publication deadline by the operators of detailed auction timetables (products, quantities) seems preferable to you?

2.6 Specific case of L-gas storage

Access to L-gas storage has two specific conditions:

- the service provider for converting H gas to L-gas has guaranteed access to the L-gas storage capacity that they deem necessary to complete their mission;
- any quantity of gas injected into L-gas storage must be L-gas routed from the Taisnières L PIR, the PITPs (Transmission Production Interface Point) of the L-gas network, or the Conversion Point H to L-gas Peak Service.

These conditions effectively limit access to L-gas storage capacity, which may bias the auction price. For this reason, Storengy proposes to sell the L-gas storage capacities for the following year only (in N + 1), and with a reserve price indexed on the markets according to the following formula:

$$PR = \text{Max}(0 ; \text{spread} - \beta)$$

With:

- *spread* is the average over the last 5 business days of the gas price differential between the summer and the following winter on the PEG or the TTF, as made public by Powernext (*settlement prices* available on [www.powernext.com / future-market-data](http://www.powernext.com/future-market-data)):

$$\text{spread} = \Sigma(\text{WIN}(k) - \text{SUM}(k)) - \text{spread bid/ask} \quad \text{with } k \text{ variant from } 1 \text{ to } 5$$

- β is a quantity that reflects the costs associated with the use of capacities (access to PITS, financial costs related to the immobilisation of gas in stock, injection and withdrawal costs) and a margin:

$$\beta = \text{PITS} + \text{Conversion} \frac{B}{H} + \text{WCR} + \text{gas cycling} + \text{margin}$$

In addition, in order to maintain priority access for the service providers converting H gas into L-gas, Storengy proposes the maintenance of the rule set for the auction of March 2018:

1. No later than one week before the start of the auction, the service providers converting H gas into L-gas shall provide Storengy and CRE with the capacities necessary for the exercise of their mission. They agree to submit bids at least equal to their needs at the auction organised on this storage;
2. Storengy organises an auction for the L-gas storage capacity;
3. Storengy calculates the clearing price and provisionally allocates capacity to the participants based on the auction results disregarding the above-mentioned access priority to define a selling price which takes into account all the offers submitted by the participants;
4. at the end of this provisional allocation, two cases may arise:
 - a. if the H gas-to-L-gas service provider is pre-allocated to the capacity of at least their requirement, the pre-allocation applies to the final allocation;
 - b. otherwise, the service providers converting H gas into L-gas will be allocated according to their need, at the clearing price resulting from the auction, by first allocating the capacities to bidders who are not H gas to L-gas conversion service providers who have submitted the highest bids.

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At this stage, CRE is favourable to Storengy's proposal to market L-gas storage capacities only for the following year (N + 1), with a reserve price calculated from the summer-winter *spread* from which capacity use costs with a floor at 0 are deducted. CRE is also in favour of the total of L-gas storage capacities being offered in a single auction.

However, CRE believes that the margin taken into account in the formula can only be very limited and account for potential inaccuracies in the estimates of different costs.

CRE is also in favour of the rule guaranteeing service providers of the H gas to L-gas conversion service access to the capacity they deem necessary to carry out their mission.

Question 18 Are you in favour of the marketing methods proposed for the L-gas storage capacities?

3. SUMMARY OF QUESTIONS

- Question 1** What are your feedback on the March 2018 auctions?
- Question 2** Are you in favour of CRE's proposal concerning the maximum number of products that each operator can offer?
- Question 3** Are you in favour of CRE's proposal concerning unsold capacities and short-term products?
- Question 4** Are you in favour of renewing the auction rules of March 2018 for future marketing campaigns?
- Question 5** Are you in favour of the proposed time slots for the auction days?
- Question 6** Are you in favour of the planned auctions results publication rules?
- Question 7** Are you in favour of maintaining the two separate auction platforms, insofar as their use are harmonised?
- Question 8** Are you in favour of a zero reserve price for auctions of storage capacities marketed for N + 1, excluding L-gas storage?
- Question 9** Are you in favour of marketing storage capacities for years N + 2 to N + 4?
- Question 10** Are you in favour of keeping at least 50% of the capacities to market for N + 1?
- Question 11** Are you in favour of keeping at least 20% of the capacities to market for January and February for capacities whose injection starts from April?
- Question 12** Are you in favour of the reserve price formula proposed by CRE for marketing capacities for N + 2 to N + 4?
- Question 13** Are you in favour of the proposed auction timetable for the 2019-2020 capacities?
- Question 14** Are you in favour of setting the annual auction timetable as of March 1, 2019?
- Question 15** Are you in favour of the 10 TWh total limit per auction day, excluding L-gas storage?
- Question 16** What annual timetable do you want (including the number and period of windows per year, the number of weeks per window, the number of days per auction week)? Are you in favour of separate windows between marketing capacity for N + 1 and those for N + 2 to N + 4?
- Question 17** Which publication deadline by the operators of detailed auction timetables (products, quantities) seems preferable to you?
- Question 18** Are you in favour of the marketing methods proposed for the L-gas storage capacities?

4. APPENDICES

4.1 March 2018 sales table of 2018 to 2019 storage capacities

Date	Opérateur	Produit	Quantité proposée (TWh)	Débit associé à 45 % (GWh/j)	Quantité allouée (TWh)	Débit allouée (GWh/j)	Prix (€/MWh)
lundi 5 mars 2018	Storengy	Saline	3,4	161	3,4	161	1,67
		Saline EZ20	0,7	33	0,7	33	2,02
		Serene Sud	7,0	66	7,0	66	0,68
mardi 6 mars 2018	TIGF	Flex	7,6	138	7,6	138	0,66
		Fast	1,0	40	1,0	40	0,91
mercredi 7 mars 2018	TIGF	Flex	7,5	136	7,5	136	0,51
		Fair	0,5	6	0,5	6	0,41
jeudi 8 mars 2018	Storengy	Serene Littoral	11,0	103	11,0	103	0,91
		Sediane Nord	4,0	77	4,0	77	1,27
lundi 12 mars 2018	Storengy	Serene Nord	6,0	56	6,0	56	0,48
		Saline	4,1	194	4,1	194	0,75
mardi 13 mars 2018	Storengy	Serene Littoral	11,0	103	11,0	103	0,51
		Sediane Nord	4,0	77	4,0	77	1,13
mercredi 14 mars 2018	TIGF	Fast	0,5	20	0,5	20	0,09
		Fair	0,5	6	0,5	6	0,03
jeudi 15 mars 2018	Storengy	Serene Nord	6,0	56	6,0	56	0,49
		Serene Sud	3,9	37	1,2	11	0
lundi 19 mars 2018	Storengy	Sediane Nord	3,7	71	3,7	71	0,96
		Serene Nord	4,7	44	4,7	44	0,49
mardi 20 mars 2018	Storengy	Serene Littoral	9,2	86	9,2	86	0,49
		VU Seul	4,0	-	2,0	-	0
jeudi 22 mars 2018	Storengy	Saline	4,0	189	4,0	189	0,15
lundi 26 mars 2018	Storengy	Sédiane B	13,4	248	13,4	248	0
			117,6 TWh	1951 GWh/j	112,9 TWh	1925 GWh/j	0,59 €/MWh