

PRICING OF THE NATURAL GAS TRANSMISSION NETWORK

Summary of the public consultation

From 12 July to 8 September 2006, CRE organised a public consultation on pricing principles for use of natural gas transmission networks within the context of preparing a new tariff proposal to apply as from 1 January 2007.

27 contributions were sent to CRE (see appended list):

- 13 come from shippers or their representative organisations;
- 11 come from end gas consumers or their representative organisations. The majority are industrial customers who have expressed similar views to those of Uniden, of which they are members;
- 3 come from gas infrastructure or network operators.

Contributors were invited to give an opinion on financial questions and technical proposals aiming to:

- simplify tariffs;
- improve reflection of costs;
- reinforce existing flexibility;
- improve certain technical points.

This consultation reveals that contributors:

- want more visibility concerning tariffs, but recognise the relevance of a tariff over two years in view of the major changes expected in the system between now and 2009;
- consider the rate of return applied to transporters' assets to be too high in comparison with the activity risk profile;
- are divided on the existence of incentives for new investments;
- approve the proposals aiming to improve the coordination of interconnections between infrastructure operators (of LNG terminals, transmission networks and storage facilities);
- are in favour, by a slight majority, to the geographical equalisation of the main network exit charge and in the rebalancing of costs between the main and regional networks.

GENERAL AND FINANCIAL QUESTIONS

Question 1: *Do you think that the basic rate of return in force (7.75% real, pre-tax) is in line with the risk profile of the gas transmission activity and with the overall economics of the regulation system in force? Please give reasons for your answer.*

Rate level

Six shippers gave an opinion on the rate value. Three of them are in favour of maintaining the rate in force, as they consider this rate to be in line with the levels observed in other States or in other regulated activities. The other three think that the current basic rate is too high, and give the following reasons to back this up:

- European benchmarking elements: one shipper points out that equivalent rates would be 6% in Great Britain and 5.8% in the Netherlands;
- Parameter estimations for calculating the Weight Average Cost of Capital (WACC): one shipper thinks that equity capital beta should be lower than 1, around 0.4 to 0.5;
- Comparison with the electricity transmission activity: two shippers are in favour of bringing the gas rates in line with the electricity rates;
- Opinion on activity risk: one shipper maintains that only investments for transmission on the main network and for transit pose a certain level of commercial risk.

Eight end-consumers expressed their views about the rate value. They believe there to be almost no risk for the gas transmission activity (as all capital costs of this monopoly activity are passed on to network users), and therefore consider the basic rate to be too high. They suggest that this rate should be set at a similar level to the risk-free rates of financial markets.

The consumers would like this rate to be lowered, as it was in October 2005.

The three network operators stressed the need to maintain the current level of rate of return. One of them highlighted that this basis rate at 7.75% is consistent with the general economy of the regulation system and the trends observed in the first half of 2006 for factors such as treasury bonds. The TSOs recall that changes in their regulatory and operational environment require the application of investment projects presenting non-negligible risk characteristics. Indeed, these assets have a very low liquidity, and their depreciation occurs over very long periods. GRTgaz describes the risk that it bears as follows:

- Intrinsic to the activity (risks related to possible supply problems or a possible hike in the molecule price);
- Uncertainty over regulator choices (as tariff periods are short in comparison with periods of return on investments of around 50 years);
- Risks related to changes upstream of its network.

The TSOs therefore maintain that a reduction in the rate of return would not be in line with the risk that they bear, and could jeopardise implementation of strategic investment projects.

GRTgaz would like a parameterised method for estimating the WACC to be defined. It regrets, however, that rate-related questions form part of the public consultation. These should be discussed exclusively between the regulator, operators and their shareholders.

TIGF believes that parameters for assessing the WACC should be defined on the basis of long-term indicators (50 years).

Pricing principles and principles for calculating the regulated asset base

Five shippers highlight a certain lack of transparency in pricing principles. Three shippers stress the need for stability and visibility in investment return rules, with one of them considering that these rules should not be revised throughout the investment period (from the investment decision to the end of the depreciation period).

The three network operators stress the need for stable and transparent pluriannual regulation rules. The two TSOs believe that these criteria are essential for the application of ambitious investment programmes that will ensure security of supply and opening up of competition between suppliers. In particular, the TSOs would like CRE to stipulate methods for applying the 300 basis point premium on investments that will help to improve market operation. They also ask that CRE define the principle and methods for applying the “cost-plus” method.

Finally, the TSOs return to the principles for calculating the regulated asset base (RAB). They maintain that the RAB should include construction work in progress, as financial outlay can be spread over several years prior to the commissioning of assets. They consider that the residual value of assets dismantled before the end of their depreciation should be included in the capital costs to be recovered by the tariffs. GRTgaz would like assets still in use beyond their economic lifetimes to stay in the RAB, and asks that working capital requirements be taken into account when calculating the RAB.

Question 2: Do you think that the premium applied to new investments (currently 125 basis points) is justified, in view of the need to encourage operators to develop transmission capacities? What do you think of the level of this premium? Please give reasons for your answer.

All the shippers agree that the network is in considerable need of new investments to create conditions that foster efficient competition.

Three contributors are in favour of the idea of an incentive system for new investments, without giving an opinion on the premium to be adopted. One of them believes that assets, whether they are new or long-standing, may benefit from this enhanced rate, if it is justified by the risk incurred. Another considers that the premium is essential and suggests that its level be determined by a European benchmark (since investors think in European terms). He added that the premium should be assessed on the basis of the financial market, and not on currently depreciating gas investments.

Three other contributors think that this premium is only justified if it speeds up convergence of the market and the end of transit restrictions while work is being carried out. This premium must then be applied only to investments that genuinely contribute to the development of competition.

One contributor simply suggests that the rate of return on investments be in line with the return expected by private operators who are able and willing to agree to very long-term investments.

Finally, one of the contributors considers that this premium is not justified for an activity with very limited risk and with recurrent cash flows. Rather, he is in favour of extending the regulation period to at least five years, which would reduce the regulatory risk and therefore attract greater investment.

Eight end-consumers think that the premium is unjustified, considering it unfair to give an operator, in a monopoly situation, an extra income for investments that form an integral part of the responsibilities attributed to him by the public authorities. Other incentives for investment must be found.

The three network operators are in favour of this premium.

One of them considers it essential to keep this premium at 125 basis points, reasoning that regulation should encourage transporters to invest above all at the start of the deregulation period, while the network needs to be resized and made more fluid for new needs. He also points out that the uncertainty over future tariffs does not encourage long-term investment.

Question 3: *What do you think of the tariff validity period envisaged by CRE?*

The majority of shippers stress their need for stable and predictable tariff rules when constructing their sales offers, managing their supplies, configuring their information systems and implementing certain industrial projects, such as CCGTs. Some shippers also see this stability as essential for the TSOs who have to make large-scale investments amortised over long periods.

Nevertheless, six shippers believe that the changes planned for 2009 restrict possibilities of extending tariff validity beyond this year. They would, however, like stable tariff construction principles and encourage CRE to commit to longer periods for its subsequent decisions. One shipper would like to establish a notice period before making any change to rules. Another even suggests that rules concerning new investments should be established now and remain valid for five years. Finally, one contributor finds the tariff period short, but considers that this method has the advantage of integrating cost trends.

Only one shipper maintains that the validity period should be extended immediately, with the addition of incentive mechanisms. He thinks that the authorised revenue regulation period can be treated separately from the tariff structure regulation period. He mentions the British regulation framework by way of example, where the trajectory according to which authorised revenue progresses is set for 5 years, but where operators are able to modify the level of tariff terms every six months. Structural changes may therefore be made without reducing productivity incentives incumbent on the TSOs.

One shipper thinks that tariffs should not have a pre-set validity period, but should be adapted according to the context.

Six consumers point out that transmission costs are an important aspect of their competitiveness and that, as a result, tariff stability is essential for managing their purchases and planning their industrial investments.

However, these consumers take note of the changes that will be necessary in 2009, and that therefore limit the validity period of new tariffs to two years. They nonetheless recommend tariffs that are valid over the long term (5 or even 10 years) as from 1 January 2009.

One consumer points out that the two-year period allows better integration of cost trends.

Another suggests a distinction between pricing principles (which should be as stable as possible and made public), and charges, which may be adapted to allow for network modifications.

The TSOs stress the need for better transparency and greater stability of tariff construction principles, to allow greater visibility for shippers, but above all to enable decision-making on network management and investments.

GRTgaz points out that it has proposed a 3-to-5 year pluriannual framework that would set tariff principles but remain sufficiently flexible for the structure to be developed. GRTgaz is therefore not in favour of the direction taken in the consultation to limit the tariff validity period to 2 years.

TIGF believes that the definition of a pluriannual framework would also have the advantage of smoothing out tariff variations linked to the growth of its activity.

As a minimum, the TSOs would like the bulk of cost coverage principles to be clarified for the long term, and would like CRE to set targets for the duration of future regulation periods.

One DSO thinks that revision on an annual basis would be appropriate.

Question 4: *What do you think of the planned mechanism for correcting variance between forecasts and actual figures? Is it appropriate to provide operators with a financial incentive to develop capacity subscriptions on the network?*

Correction mechanism principle

Nine shippers are in favour of establishing an Expenses and Revenues Clawback Account (CRCP).

They nonetheless stress the need to maintain operator efficiency incentives. In particular, one shipper suggests that TSOs should be encouraged to buy their gas in an efficient manner (purchasing on the basis of a long-term supply price and not on the Zeebrugge spot price), to use the least expensive balancing tools and to minimise their financing costs. It would therefore be justifiable for CRCP cover to be partial, and for this cover to be accompanied by additional inspections and audits.

One shipper broached the specific issue of retroactive corrections over the current tariff period, highlighting the system planned by OFGEM, in the context of the current tariff revision to deal with "overspent" sums by British operators: the British operator is rumoured to be planning an analysis of overspent sums. Correction would not be immediate, but would lead to the operator having to bear the variance costs over at least one period.

Two shippers also recommend using the CRCP as a tool for smoothing out tariff changes. However, one shipper warns against the carry-over effects if the items subject to the CRCP are not strictly limited. These effects could prove troublesome for "newcomer" suppliers.

One shipper recommends that CRCP cover be as wide as possible, and that its operation not depend on examinations conducted ex-post which may be discretionary.

Only one shipper is against setting up a corrective mechanism going beyond adjustment of income from balancing and fine systems. He believes that, if such a mechanism were to be adopted, it would at the very least be necessary to reduce the rate of return on assets to take account of the reduction in the risk borne by the operator. He considers it preferable, however, to work on reducing the causes of uncertainty in pricing, to avoid having to apply these corrections.

All the consumers who answered this question are in favour of setting up the CRCP, provided that this mechanism does not remove all incentive for the TSOs to maintain efficient and prudent management, and that the adjustment is conducted in complete transparency.

Several consumers think that operators should not be compensated automatically for loss of earnings, in order to encourage them to compensate for this through productivity drives. These consumers are in favour of adjusting surplus earnings from sources other than voluntary and controlled productivity drives, such as income from fines and capital costs. To be consistent, additional profit related to productivity drives should be kept by the TSOs.

The three network operators are in favour of setting up a CRCP.

TIGF asks that the impact of possible regulatory changes related to public service obligations and safety also be taken into account.

Both TSOs are opposed to the principle of a retroactive correction over the period 2005 - 2006.

Incentives for capacity marketing

Four shippers consider it useful to encourage the TSOs to develop capacity subscriptions on the network. For example, one of them suggests that the TSOs market the additional interruptible capacities at congestion points. The availability of these capacities would depend on the level and/or direction of physical flow.

On the other hand, one shipper does not consider it preferable to encourage the TSOs to stimulate demand, as this could result in artificial contractual congestion and difficulty in reading market signals necessary for planning new investments.

Four consumers think that, insofar as the TSOs are monopolies, it is not necessary to encourage them to develop capacity subscriptions. In their view, operators are solely responsible for controlling and reducing overall capital and operational costs.

The TSOs are in favour of setting up incentives to develop capacity subscriptions at the network points where they can genuinely take action. GRTgaz suggests that this should apply to network entry points and links.

TIGF adds that this nevertheless assumes that operators have sufficient freedom to bring marketing rules in line with market needs. It therefore suggests separating the management and marketing aspects of the regulatory procedure for pricing to allow better reactivity.

Question 5: For the introduction of standardised subscriptions, do you prefer A coefficients differentiated for each GRTgaz balancing zone, or a mean A coefficient?

The majority of shippers are in favour of a differentiated A coefficient: five of them prefer this solution, while three would like a single A coefficient to be set up.

Four out of the five consumers who answered this question are in favour of a differentiated A coefficient.

Both infrastructure operators concerned also prefer setting up a differentiated A coefficient.

Moreover, several contributors stressed that work should be continued to ensure medium term convergence towards 1 of the A coefficients.

To improve the quality of these coefficients, one shipper and one network operator suggest taking account of the profile of customers subscribing to the distribution network, which would also be in line with the method used to determine storage rights.

TECHNICAL QUESTIONS

Question 6: *Are you in favour of standardising the main network exit charge and abolishing exit zones (with the exception of proximity zones)? If so, are you in favour of immediate implementation, or would you prefer postponement until 1 July 2007 or 1 January 2008?*

Seven shippers are in favour of standardisation, mainly to simplify the system. Two shippers oppose it because of the impact on eligible customers situated in a low exit tariff zone and on future combined-cycle power plants.

Most shippers would prefer a differentiated implementation and/or accompanying measures such as extension of the proximity tariff, a statement from CRE to safeguard end customer/supplier relations, authorisation allowing the supplier to benefit, temporarily, from the better tariff (old or new).

Consumers have given differing opinions. Those situated in a low exit tariff zone are against standardisation.

GRTgaz approves of the idea of setting a deadline for applying this measure, but does not want to create a transitional system.

Question 7: *Are you in favour of the deseasonalisation of the TIGF network exit charge?*

Contributors are largely in favour of the deseasonalisation of the main TIGF network exit charge (excluding interconnections): thirteen are in favour, in order to standardise rules with GRTgaz. Just two shippers ask for a seasonalised TIGF main network exit charge to be maintained, one of whom would like the main GRTgaz network exit charges to be seasonalised as well.

Question 8: *What is your experience of the operation of interconnections between GRTgaz and TIGF networks? What improvements do you consider preferable or essential? Do you prefer annual or seasonal interconnection charges?*

Ten shippers gave their opinion on this point. They would all like information published by the two transporters to be made consistent, and marketed products to be standardised. Provided that these objectives are met, they do not consider it necessary, in general, to impose marketing of a single product: two shippers are in favour of this solution, four are indifferent and four would prefer differentiated products to be maintained.

Four shippers expressed their preference for seasonalised charges, two for annual charges, and four did not express an opinion. One shipper asked for releasable capacities to be proposed at these points by the two transporters.

Overall, shippers highlighted the lack of available capacities at interconnections between the TSO networks and would like the TSOs to be encouraged to develop the network at these points.

Finally, one shipper suggested increasing the volume of interruptible capacities marketed, and pricing these on the basis of the actual probability of interruption.

The consumers who answered this question approve of the proposal to improve interoperability between operators, but did not express a preference between an annual or seasonal time-base.

Transporters are against setting a single charge but are ready to improve interface operation. GRTgaz highlights the initiatives already underway in this regard:

- Smoothing out of the capacity level offered between now and 2008;
- Better coordination of works and improved information for shippers.

TIGF stresses that the published capacities cannot be identical since exit capacities depend on upstream flows and entry capacities on downstream flows. Moreover, it considers that shippers do not make optimal use of possibilities already available to them (interruptible capacities, UIOLI).

Question 9: *What is your experience of the operation of interfaces between GRTgaz and Gaz de France DGI at the Fos and Montoir entry points? Do you approve of the proposals made in this document?*

Nine shippers answered this question. They are unsatisfied with the way the infrastructures in question currently operate: one highlights the lack of consistency of published capacities between the terminal operator and transporter, while another points to the difficulty in obtaining transmission capacities corresponding exactly to the need of a spot cargo. They support all proposals made in the technical document. Two shippers expressed reservations concerning practical measures:

- The monthly subscription charge for transmission capacities from an LNG terminal should be fixed at 1/12th, in line with the terminal tariff and not at 1.5/12th as in the proposal;
- The automatic allocation of transmission capacities should not result in subscriptions for certain shippers that exceed their need.

The five consumers who gave their view are in favour of the proposals.

GRTgaz expresses approval of the rules proposed at Montoir.

Question 10: *What is your view of the rebalancing principle for regional and main network tariffs?*

Five shippers approve of the rebalancing principle proposed and four disapprove of it. The former highlight the improvement in cost reflection and the reduction in link charges, the latter cast doubt on the relevance of cost allocation formulas and regret the cost increase for distribution customers.

The eight consumers who gave their view are all in favour of the rebalancing principle, in spite of the economic impact which may prove negative for some of them.

The two transporters are in favour of the rebalancing principle. GRTgaz points out, however, that the reduction in the exit capacity price at interconnections with TIGF may lead to a disparity between transmission tariffs and traditional transit tariffs.

Question 11: *Are you in favour of an annual fine redistribution mechanism? Do you approve of the planned allocation formulas? If not, what formulas would you consider to be suitable?*

Seven shippers approve of the annual fine redistribution principle; however four shippers are in favour of redistribution through the subsequent tariff.

Those shippers in favour of the annual redistribution made proposals regarding allocation formulas:

- Several shippers suggest expanding the range of capacities taken into account for calculating the redistribution of overshoot fines: two suggest including capacities related to customers JJ and JM, a third suggests including all reserved capacities;
- One shipper believes that suppliers who have paid the least fines should be given priority for redistribution, while another believes that priority should be given to suppliers who have paid the most fines.

Those contributors disapproving of the annual redistribution principle underline the complex nature of the proposed mechanism and, given the dynamics of the market, the difficulty in calculating the proposed allocation formulas.

Four consumers approve of the annual capacity redistribution principle; one, however, is in favour of a redistribution in the later tariff. The former stress the need for transparency within the system to ensure that the final beneficiaries are the end-customers.

GRTgaz and TIGF are opposed to annual redistribution. Gaz de France Réseau Distribution is even opposed to redistribution of any sort.

Moreover, TIGF believes that the 50% increase/decrease of the price of gas sold to/purchased by shippers exceeding their balancing tolerances does not correspond to the actual amount of fines collected.

Question 12: *What is your experience of the short-term "Use It or Lose It" service set up on an experimental basis by GRTgaz since December 2005 (prices ,terms)?*

Eight shippers expressed their satisfaction with the "Use It or Lose It" service. However, several shippers are opposed to setting up a charge proportional to the requested capacity: they say that this measure would complicate the service and result in invoicing that does not correlate with the capacities actually obtained. The other contributors did not give their opinion on this subject.

The shippers also made the following observations:

- For two shippers, UIOLI is still a precarious service, available late in the day (after 10 pm on D-1), which only partially makes up for the lack of available capacity on the network. In this respect, use of UIOLI is an indication that the network is undersized and that investment is required;
- Two shippers would like UIOLI to be extended to links, and the service continued during periods of maintenance;
- One shipper asks for UIOLI application rules to be defined by working groups led by the regulator, like the "network code" in Great Britain, rather than being fixed in the tariff;
- One shipper suggests auctioning UIOLI capacities.

Five consumers gave their views on this question and approve of the introduction of this service into the tariff.

GRTgaz approves of the service being set up under the terms proposed in the public consultation.

Question 13: *Are you in favour of the changes proposed for releasable capacities (subscriptions up to 4 years, capacity capping)?*

Eight shippers approve of the proposed extension of the availability period for releasable capacities. Some would even like to extend it beyond 4 years.

Five out of these eight, however, are against the planned capacity capping as this may disadvantage newcomers who are building their customer base. One shipper nevertheless points out that at present releasable capacities are partly used to have gas transited to Zeebrugge, as shown by the sharp increase in backhaul subscriptions at Taisnières H. For this shipper, increasing releasable capacities poses a supply risk for the French market. To limit this risk, he asks that the period of notice for firm releasable capacity reservations be reduced to three months.

The shippers also made the following comments:

- Two shippers – one of whom did not voice an opinion on the proposed changes – ask that the releasable capacity rules be determined independently of changes to tariff rules;
- One shipper asks for releasable capacities to be extended to the TIGF network;
- One shipper suggests increasing the volume of releasable capacities;
- One shipper suggests raising the subscription level above which capacities are released. He thinks that this threshold could be raised to 50%, compared with the current 20%. He also asks that releasable capacities only be marketed at congested points.

Six consumers hold the shared opinion that it is appropriate to extend the releasable capacity availability period and they call for it to be as long as 10 years. They also approve of the planned capacity cap.

GRTgaz approves of extending the releasable capacity availability period, but does not approve of the proposed capacity cap. It points out that releasable capacities are only temporary remedies pending the investment needed to make the network more fluid.

Question 14: *Are you in favour of setting up an auction mechanism for unsold daily capacities?*

Six shippers are in favour of setting up an auction mechanism for unsold daily capacities, and three are opposed to it. One of the shippers in favour notes that results should be released by 2 pm on D-1 at the latest so as not to complicate portfolio balancing. He also considers it essential to guarantee the transparency of the auction mechanism. One shipper is against the creation of a reserve price. As with questions 12 and 13, certain shippers ask that the rules be set independently of the tariffs.

All the consumers who gave opinions on this point are against setting up an auction mechanism, fearing an escalation in prices.

GRTgaz approves of the proposed auction mechanism.

Question 15: *What do you think of the works programmes of the two transporters, particularly in comparison with works programmes of transporters in other countries? What do you think of an incentive mechanism based on "reimbursement"? Would you be in favour of additional services being set up? If so, please give examples.*

Ten shippers answered this question. Most of them are in favour of additional services being set up. Opinions are divided, however, on the setting up of a reimbursement mechanism, deemed insufficient by three shippers, while four approve of the idea of a financial incentive, for some as soon as maintenance begins and for others above a pre-set level of work. Furthermore, four shippers think that the adopted solution (financial compensation or additional service) should remain the transporter's responsibility and not be compensated by tariffs.

The following suggestions were made.

- One shipper stresses that information for shippers must be updated more often during maintenance periods;
- One shipper requests exemption from imbalance fines during work periods;
- Two shippers warn against arbitrage risks arising from a financial incentive to limit work;
- One shipper considers it necessary to set the exact dates for providing information about work: he suggests publication of a programme in November of year Y-1 for amendment by February of year Y at the latest, for work that cannot not be conducted outside the period 1 April to 30 September.

The consumers – eight of whom gave their views – are unanimous regarding the need to set up additional services. However, they are not in favour of reimbursement.

The two transporters are against a reimbursement mechanism. GRTgaz approves of the principle of additional services, subject to legal feasibility; TIGF is committed to improving the information made available to shippers.

Question 16: Are you in favour of a reduced price for the service to convert H gas to L gas, which would result in part of the costs being borne by shippers supplying H gas to end-customers? Are you in favour of a monthly conversion service being set up?

Shippers are divided regarding the partial sharing of the cost to convert H gas to L gas: four reject it, fearing that it will not give a true representation of costs, and four are in favour, believing it will improve competition in the “North L” zone. One of them is even in favour of this service being free.

One shipper suggests that the conversion service should be invoiced by quantity, while another calls for a “gas release” in L zones.

Four shippers, in addition to GRTgaz, are in favour of setting up a monthly conversion service. No shippers are against the idea.

Six consumers would like more transparency regarding the actual costs borne for implementing this conversion service.

GRTgaz is against a reduced price for the service. It admits that this may improve competition, but explains that costs would no longer be truly representative and that some suppliers could be tempted to import H gas from Belgium to convert it in France before supplying the Belgian market, or to hedge between H and L stocks, with a risk of severely reducing L gas stocks.

Question 17: *What do you think of the short-notice interruptible offer for high-consumption sites situated near transmission network entry points?*

Seven shippers gave an opinion on this offer, and in principle all are in favour. They made the following comments:

- For one shipper, it is important to check that the offer is compatible with RTE constraints;
- One shipper suggests proposing interruptibility for all or part of the subscribed power;
- One shipper asks that the reduction also be granted to sites situated near storage facilities.

Finally, one shipper points out that there should still be the possibility of connecting these sites directly to adjacent networks or LNG terminals.

Five industrial consumers are opposed to setting up such an offer, as they think that it will lead to a violation of the equalisation principle. A local authority is also opposed to it, considering that this kind of offer does not take account of the possibilities of setting up CCGTs in places far from entry points and would therefore create competitive imbalance benefiting energy players already present at or near entry points.

GRTgaz and TIGF are in favour of the proposed offer.

Question 18: *Are you in favour of the proposed changes to fines for exceeding daily and hourly capacities?*

Daily fines

All the contributors (ten shippers, two infrastructure operators and eight consumers) are in favour of the proposed changes to fines for daily capacity overshoots.

One shipper notes that portfolio effects on the main network are reduced and suggests that the fines for exceeding capacities should only be calculated for delivery capacities.

Another shipper suggests that shippers' subscriptions should be automatically readjusted to the corresponding level when capacities are exceeded.

A third asks that shippers be given the means to react by readjusting subscriptions and be automatically informed of overshoots.

Hourly fines

Regarding hourly fines, seven shippers support the proposed changes, one of whom would like these to be accompanied by the possibility of cancelling the fine if the subscription is readjusted. On the other hand, one shipper expresses great surprise at the need to introduce new fines that were apparently not necessary at an earlier stage.

All the industrial consumers are opposed to the application of hourly fines (except one who is indifferent). They say that there is not a sufficient basis for introducing these fines, and furthermore point out that consumers do not have data informing them of their hourly consumption level.

The two transporters approve of the proposed changes.

Question 19: *What do you think of the proposals made concerning border points with Switzerland?*

Eight shippers gave their views on this point. One stressed the need to respect contracts prior to the opening up of the markets. The other seven said that the transmission-distribution interconnection points supplied by the Swiss network must be open to competition under the same conditions as the rest of the territory.

No consumers gave an opinion on this subject.

GRTgaz is in favour of the proposals, provided that an agreement can be drawn up with the Swiss operator.

Other comments

Transmission-storage interconnection point: one shipper mentioned the transmission-storage interconnection points in the TIGF zone, asking that the charges in question be reduced so that they are comparable with the charge proposed by GRTgaz. In addition, he would like daily and monthly subscriptions to be set up at these points.

Tariff structure: one shipper considers that if costs are to be truly representative, a charge based on consumed quantity should be set up for 5% of the tariff, in order to reflect the variable operational costs of the network operator.

L gas transfer to H gas: one shipper mentioned the difficulty that newcomers face in adapting to the current system for allocating quantities of L gas actually transferred to H gas. He asks for the setting up of an *a posteriori* daily mechanism for allocating quantities of L gas transferred to H gas, comparable to the one in place for links between balancing zones.

Firm monthly capacities: one shipper asks for the deadline for firm monthly capacity reservations to be extended, so that capacities may be subscribed up to two days before the beginning of the month (compared with 15 days at present).

One shipper would like monthly and daily interruptible capacities to be marketed on the TIGF network.

"Overbooking" at entry points: one shipper suggests that firm capacities in excess of technical capacities should be marketed at congested entry points (particularly Dunkerque). He points out that upstream capacities are identical to downstream capacities at Dunkerque. The transporter would therefore never default on the firm capacities that he has marketed, and a shipper using his capacities upstream could still transport his gas to the Dunkerque entry point, regardless of the subscription level.

Other: one consumer from the petrochemical industry highlighted the specific nature of his activity, requiring him to book capacities of several GWh/d which are only used occasionally as "backup supplies". He asks that a specific offer adapted to this type of natural gas use be studied.

List of contributors

Shippers/suppliers and representative organisations (13 replies):

- Altergaz
- BP
- Centrica
- Distrigaz
- EDF
- ENI
- Gas Natural
- Gaz de Strasbourg
- GDF Négoce
- Poweo
- Statoil
- Total Gas & Power et TEGAZ (joint contribution)
- Union professionnelle des industries privées du gaz (UPRIGAZ)

End-consumers and representative organisations (11 replies):

- Arcelor Mittal
- Air Liquide
- Arkema France
- Glaverbel
- Grande Paroisse
- Rhodia
- Saint Gobain
- Total Pétrochemicals France
- Vannes Agglomération
- Union des Industries Chimiques (UIC)
- Union des industries utilisatrices d'énergie (UNIDEN)

Infrastructure and network operators (3 replies):

- Gaz de France - Réseau Distribution
- GRTgaz
- Total Infrastructures Gaz France (TIGF)