



Public consultation on changes to gas marketplaces in France

Enagás comments

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1 Introduction

1. Enagás welcomes CRE's initiative and their invitation to provide comments on the public consultation on changes to gas marketplaces in France.
2. Enagás is actively participating in Spain in the development of an organised marketplace in Spain, where a liquid OTC market has already been developed as a consequence of the liberalisation process in the last decade, and in the creation of an Iberian market between Portugal and Spain, for which different regulatory harmonisation projects are ongoing and planned.
3. Enagás shares with TIGF the same view on the potential evolution of the PEG TIGF in relation with the Spanish market. **Enagás and TIGF have agreed to present this shared view as a common answer to Question 9 which, for the sake of consistency, is provided in French in this questionnaire.**

2 Questions.

Question 1: Do you believe that the PEGs should be further consolidated? Do you think that keeping the current contractual structure is a possible option?

4. Enagás shares the view that options for the further consolidation of balancing zones should be assessed and believes that the initiatives by French TSOs and CRE are a positive and transparent contribution to the debate.
5. The current contractual structure is not desirable in the medium term and, as long as benefits of further integration (under whatever model) outweigh costs, it should not be an option.
6. The possible evolution of contractual structures for the benefit of French consumers should be regarded from a European perspective, not exclusively limited to PEGs themselves.

Question 2: Are you in favour of creating joint procedures and information systems for GRTgaz and TIGF linked to these evolutions? Do you think that the two French TSOs should take part European joint capacity selling platform announced in April 2012?

7. Potential requirements for the creation of joint procedures and information systems for adjacent TSOs should always be assessed in the light of the harmonisation goals.
8. As regards the "European joint capacity selling platform announced in April 2012", Enagás believes that it would be desirable to have, in the long-term, a single EU-wide capacity platform, where French TSOs, as well as other ENTSOG TSOs, could participate.
9. However, Enagás would like to note that the proposed platform has not (yet) been opened to other TSOs than its promoters (although information on it was requested even before the official announcement), it is a private initiative where at a first stage the rest of TSOs have not been invited, and TSOs ignore the terms and conditions that will be established to join the platform, including the economic conditions and whether or not the platform will fit all TSOs needs. The prospect is that it will be opened to these TSOs in October or later.
10. Therefore, TSOs currently excluded from this platform have to keep open other options, including the development of new regional platforms.

Question 3: What do you think of the conclusions of the KEMA study? Do you agree with CRE's analysis?

11. The implication of the “flow commitments to gas deliveries at the Spanish border in order to increase the number of possible counterparties” should be clarified.
12. Two Open Seasons had been carried out in order to increment and allocate interconnection capacity between France and Spain, and shippers have committed themselves by long-term bookings at the IPs. Contractual measures that affect the conditions of usage of these capacities would need to be assessed carefully.

Question 4: In the current context, do you think it is relevant to engage such investments in view of the expected benefits?

13. As a general rule, Enagás believes that as long as investments are prudently incurred, and there is a reasonable prospect that benefits outweigh costs, infrastructure investments are the soundest solution for consolidating balancing areas.

Question 5: What do you think about a solution combining investments and contractual mechanisms?

14. Again, Enagás position is that as long as investments are prudently incurred, and there is a reasonable prospect that benefits outweigh costs, infrastructure investments are the soundest solution for consolidating balancing areas.
15. That said, if under the full investment option this was not clearly the case, a mixed solution of combining investments and contractual mechanisms would be acceptable in the view of Enagás as long as contractual mechanisms do not negatively affect capacity already booked through OSs/OSPs.

Question 6: Do you agree with CRE’s analysis concerning the creation of a joint GRTgaz South – TIGF PEG?

16. *See answer to Question 9.*
17. The following statement, included in the public consultation, should be carefully analysed:

The creation of this single PEG would require the two TSOs to share certain specific functions, regarding the management of this major South PEG and contractual shipper balancing. Moreover, the two TSOs will have to define the governance model for shared activities. European equivalents of marketplaces operated by several TSOs were set up in Spain and Germany

18. In Spain Enagás was granted in 2000, as owner of most of gas transmission infrastructures, the so-called “Gestor Técnico del Sistema” (GTS) role. The GTS was established in 2007 as a functionally independent unit within Enagás, and in 2012 Enagás GTS SAU has been established as an affiliate company of Enagás, S.A. subject to certain functional independency rules. Through this role Enagás is in charge, amongst other functions, of:

- ensuring a continuous and reliable gas supply to the Spanish gas market,
- guaranteeing the effective, efficient and secure coordination of entry-exit gas flows to the Spanish gas system, the underground storages, the transmission network, the LNG regasification terminals and the distribution network, and
- making gas demand forecasts and make proposals for the development (infrastructure planning) of the gas system.

19. However, this does not mean that in Spain TSOs share certain specific functions as suggested in the public consultation.

Question 7: Do you think that market coupling could be an alternative to the creation of a single GRTgaz North and South PEG? Do you think that market coupling could be an alternative to the creation of a single GRTgaz South and TIGF PEG or a first step to a common PEG? If so, how could a possible zero price coexist with the current price of firm booked long-term capacity at the GRTgaz South-TIGF interface?

20. No. Enagás believes that market coupling should only be a transitional measure, not a long-term alternative to the creation of a single zone.

21. Enagás fully acknowledges CRE’s analysis that “market coupling may be used as a transitional means of improvement pending the investment or contractual mechanisms required to merge the North and South PEGs, but cannot be considered as an alternative comparable to the merger”.

22. Enagás sees merit in investigating on the possibilities of establishing market coupling mechanisms between balancing zones as an interim step prior to the merger of balancing zones, though it has some concerns that a mechanism originally developed for electricity markets might not be appropriate for gas markets.

23. In particular, Enagás strongly believes that establishing lower (or even zero) tariffs for short-term capacities would be detrimental for the sustainability of a number of gas systems in Europe, in particular for those with (1) larger

capacity margins and (2) lower ship-or-pay guarantees, and the experiences in Great Britain and Germany are increasingly demonstrating these problems even in systems not characterised by these two features.

24. According to the data provided by TRAC-X,¹ 93% of successfully marketed Day-ahead auctions in Germany had to be given away free in April, resulting in losses for the TSOs. Only 7% of the marketed auctions generated enough demand to push the price above the starting price of 0 €/kWh/h. There has been a "massive change in booking behaviour" on the German market, with participants stepping back from long-term capacity in order to get the capacity for free on a daily basis. According to TRAC-X, "it is to be expected that the situation will even worsen in the future as shippers who do not change their booking behaviour in this way, will have competitive disadvantages due to higher costs".

Question 8: Do you agree with CRE's comparative analysis of the various possible options?

25. Regarding the joint South-TIGF PEG, Enagás notes that there are some contradictions in the comparative analysis of the various options under consideration. On the one hand, the table states that the joint South-TIGF PEG "favours [...] liquidity in the South" and on the other it mentions that there is "uncertain effect on market liquidity in the South".
26. Enagás would like to note that the main objective of merging zones is fostering competition, and from the analyses such effect is not fully clear.

Question 9: Do you share the CRE's analysis? Do you think that the TIGF PEG can continue to operate on its own in the long term? Do you think that a merger between the TIGF PEG and the Spanish market is a possible option in the short or medium term?

27. La CRE a dressé le constat que la liquidité du marché de gros restait limitée dans le sud de la France, ce qui limitait la concurrence et pénalisait par conséquent les consommateurs. Pour remédier à cet état de fait, la CRE envisage une consolidation des PEG par étape. L'objectif est d'aboutir en 2018 à la création d'une seule zone d'équilibrage par fusion de la zone Nord de GRT Gaz avec le sud de la France. Toujours d'après la CRE, une étape

¹ ICIS Heren: "TRAC-X aims for minimum price for natural gas Day-ahead capacity", 1 June 2012, available at: <http://www.icis.com/heren/articles/2012/06/01/9566428/gas/esgm/trac-x-aims-for-minimum-price-for-natural-gas-day-ahead-capacity.html>

intermédiaire pourrait intervenir en 2015 en rapprochant le PEG TIGF avec le PEG GRT Gaz Sud.

28. Enagás et TIGF partagent le souci d'améliorer la liquidité du marché dans le sud de la France au bénéfice des consommateurs. Ils estiment toutefois que le rapprochement en 2015 de deux zones qui n'offrent pas suffisamment de liquidité du fait des congestions existantes entre le nord et le sud de la France n'améliorera pas la liquidité de la zone fusionnée.
29. En revanche, en s'appuyant en particulier sur l'expérience acquise par Enagás dans le couplage des marchés espagnol et portugais qui se met en place, et qui sera opérationnel au 1^{er} semestre 2013, Enagás et TIGF souhaitent mettre en œuvre une coopération renforcée pour contribuer à l'émergence d'un rapprochement de marché du même type entre le PEG TIGF et le marché ibérique. Ainsi la zone TIGF qui représente 3 Gm³ sera regroupée avec les marchés espagnol (35Gm³) et portugais (5Gm³).
30. Ce rapprochement, qu'une fusion entre la zone TIGF et GRT Gaz sud pourrait entraver n'est, par contre, pas exclusif d'un rapprochement ultérieur de la zone TIGF avec les autres zones en France.
31. Cette coopération renforcée pourrait s'appuyer sur le couplage des capacités non souscrites à l'interface franco-espagnole qui se montent à 79 GWh/j dans le sens Nord-sud et à 48 GWh/j dans le sens Sud-nord.
32. Ce mécanisme de couplage de marché transfrontalier constitue une réponse rapide au besoin de liquidité de la zone TIGF. Par ailleurs, il s'inscrit pleinement dans les objectifs poursuivis par l'Union européenne qui souhaite développer les échanges transfrontaliers pour réaliser un véritable marché intérieur du gaz naturel. TIGF et Enagás sont pleinement impliqués dans cette démarche et souhaitent y jouer un rôle moteur.
33. Enagás et TIGF souhaitent que les régulateurs concernés- la CRE, et la CNE – soutiennent cette démarche innovante qui répond de manière efficace et relativement rapide aux aspirations des consommateurs finals.

Question 10: Do you agree with CRE's analysis of the possible target options? Which of the three targets do you prefer?

34. Enagás would favour option 3, a single GRTgaz PEG and a TIGF PEG associated with Enagás.
35. Within the context of the South Gas Regional Initiative it is foreseen the implementation of coordinated allocation procedures between the countries in the region based on the Network Code on Capacity Allocation Mechanisms.

Enagás and REN will implement this pilot project in 2012 and it is foreseen a similar project between Enagás and TIGF, which could be accelerated if option 3 is adopted.

Question 11: Do you agree with CRE's analysis of the need for rapid change in terms of the market's structure? Do you believe that the first changes should be made by 2015 at the latest?

36. No comments.

Question 12: Do you agree with CRE's analysis on the possible changes by 1 April 2015? Which of the two options do you prefer? In the event of a single GRTgaz PEG, would the implementation of market coupling between GRTgaz and TIGF have to be decided at the same time? In the event of a merger between the GRTgaz South and TIGF PEGs, would studies for the doubling of the Burgundy line have to be launched at the same time?

37. *See answer to Question 9.*

Question 13: Do you have any further comments?

38. No further comments.