CRE communication of 21 March 2007 concerning transportation on gas transmission networks in the South of France

1. Context

Current transmission tariffs, in force since 1 January 2007, are based on the existence of five balancing zones, four on the GRTgaz network and one on the TIGF network. In the explanatory statement to its tariff proposal of 10 November 2006, CRE considered the "*eventual creation of two gas hubs in France*".

Through its deliberation of 8 February 2007, CRE granted GRTgaz an increased rate of return in order to debottleneck the transmission network in the North of France. This programme will allow an effective merger of the 3 current North, East and West balancing zones as from 1 January 2009, without reducing firm entry capacities. The conditions are therefore met for the creation of a gas hub in the North of France as from 2009.

In the South of France, there are currently two transmission system operators and two balancing zones: the GRTgaz South zone and the TIGF zone. The creation of a hub therefore requires close co-operation between the two TSOs. The purpose of this communication is to launch the work needed to define the conditions of this co-operation, especially in view of the next transmission tariffs planned for 1 January 2009.

2. Diagnostic

The level of competition currently observed in the South of France is not satisfactory. The incumbent suppliers' market share is particularly high, especially in the South-West and there are twice as few shippers operating in the South than in the North. There has been little development of corresponding marketplaces: on average the liquidity of the GRTgaz South exchange point and the TIGF exchange point is three or four times less than that of the North, East and West exchange points, and is therefore considerably less than that of the single exchange point which will result from the merger of the North zones.

This inadequate development of competition is due mainly to the weakness of gas supply sources in the South of France. It also arises from difficulties encountered by shippers in managing transportation and gas exchanges within this zone.

3. Objectives

The main way of improving the operation of competition in the South is to develop gas entry capacities in this zone. Two projects are therefore already underway, and a third is being considered:

1. When the Fos Cavaou terminal is commissioned in 2008, 0.825 bcm/year of gas will be allocated to newcomer shippers;
2. At the end of 2008, the current development of the Guyenne trunk pipe will considerably increase marketable firm capacities from the GRTgaz South zone to the TIGF zone;
3. The project to develop interconnections with Spain could allow gas imports to South-West France of roughly 3 bcm in 2010 then 5 bcm in 2011. This project was presented on 6 February 2007 by Enagas, GRTgaz and TIGF as part of ERGEG's Southern Regional Initiative and could be adopted very soon by the operators. It is expected to be accompanied by investment to debottleneck the French network, including further reinforcement of the Guyenne trunk pipe so that gas can be sent to the North.

At the same time as reinforcing entry capacities, it is essential to facilitate transmission operations and gas exchanges in the south of France, targeting the following three objectives for suppliers and consumers in the two zones:

1. the possibility, for any supplier with gas in the GRTgaz South zone or the TIGF zone, of freely supplying an end customer in both zones, on the basis of reasonable operating scenarios;
2. access to a market mechanism providing the advantages of an integrated marketplace; for suppliers and consumers in both zones
3. settlement of shipper imbalances on the scale of a geographical zone including the GRTgaz South zone and the TIGF zone.

These three objectives require co-ordinated management of both balancing zones by both shippers, but do not call into question the existence of two independent transmission system operators. To achieve them, the TSOs will need to implement various solutions including at least the following:

1. easier access to transmission services at the interface of GRTgaz South and TIGF networks through:
    - a strong effort to harmonise capacity offers on either side of the interface, management rules, methods for calculating marketable capacities and publication formats;
    - operational co-ordination by shippers of capacity allocations on either side of the interface;
2. creation of a more dynamic market by developing and coupling marketplaces in each balancing zone, in conjunction with the introduction of adequate IT tools.

4. Conclusion

CRE is requesting GRTgaz and TIGF to form a joint working group which, by 31 May 2007, will present a report on the establishment of a mechanism, as of 1 January 2009, allowing the objectives set out above to be achieved. The report will propose an action plan, a timeline and tools for resolving potential bottleneck between the GRTgaz and TIGF networks.

GRTgaz and TIGF will check that their proposals are compatible with the operation of the future North zone of GRTgaz's network.

Drawn up in Paris, 21 March 2007

On behalf of the Commission de régulation de l'énergie,
The Chairman,

Philippe de LADOUCETTE