

Contractual situation and capacity utilisation analysis at TIGF's interconnection points

1- Context

The European Commission adopted on 24th August 2012 a decision amending point 2.2 of Annex I of Regulation (CE) n° 715/2009 on conditions for access to the natural gas transmission networks relating to congestion management procedures in the event of contractual congestion. The CMP Annex introduces four mechanisms aimed at avoiding situations of contractual congestion:

- Oversubscription and buy-back scheme
- Surrender of contacted capacity
- UIOLI Long term
- Firm day-ahead UIOLI

The oversubscription and buy-back scheme is aimed to offer additional capacities beyond the technical capacity at an interconnection point on a firm basis. To calculate these additional capacities, the CMP Annex specifies that: *"In determining the additional capacity, the transmission system operator shall take into account statistical scenarios for the likely amount of physically unused capacity at any given time at interconnection points. It shall also take into account a risk profile for offering additional capacity which does not lead to excessive buy- back obligation. The oversubscription and buy-back scheme shall also estimate the likelihood and the costs of buying back capacity on the market and reflect this in the amount of additional capacity to be made available."*

In the Public Consultation on the implementation of the CMP Annex, CRE considers that the implementation of the oversubscription and buy-back scheme should be based on a risk analysis for each IP and for each type of capacity product. On all the points characterised by physical congestion and thus, by a high risk of buying back the capacity, the financial risk borne by the TSO could be very high comparing to the benefits of using this mechanism. This risk analysis should be part of a dynamic process and updated regularly. Finally, CRE indicates that the application of this mechanism on 1st October 2013 will be based on the specific study to be carried out by the TSOs in June 2013 on each concerned IP (PIR Midi, Larrau and Biriadou in the case of TIGF).

This document aims to determine the contractual and physical congestion situation at the interconnection points of the TIGF network. This analysis will allow deciding whether it is pertinent or not the implementation of the oversubscription and buy-back mechanism at the concerned IPs.

2- Introduction

It needs to be highlighted that since 2005 many different actions have been taken to limit congestion in the TSOs networks in France. New infrastructure aimed to increase entry and exit capacities has been developed. The UIOLI mechanism for the commercialization of unused subscribed capacity was incorporated into the transport contract. The implementation of the UBI mechanism allowing shippers to subscribe unsold daily capacities as well as not nominated subscribed capacities. All these measures will be completed with the capacity surrender mechanism as from 1st October 2013. In this context, the implementation of an additional mechanism to avoid contractual congestion such as oversubscription and buy-back must be carefully studied in order to avoid an unneeded or financially risky application.

The oversubscription and buy-back mechanism is effective only in situations of contractual congestion without the appearance of physical congestion. In cases where the physical flows reach frequently the technical capacity, the allocation of additional capacity could lead to a too high financial risk for the TSO caused by excessive amounts of buy-back.

In the following points of the document the subscription and utilisation levels of the marketable capacities over the last two years are studied (from 1st April 2011 to 31st March 2013) as well as the evolution of the technical capacity in the next years. The following TIGF interconnection points are analysed: PITT GRTGAZ SUD, PITT LARRAU and PITT BIRATOU.

3- PITT GRTGAZ SUD

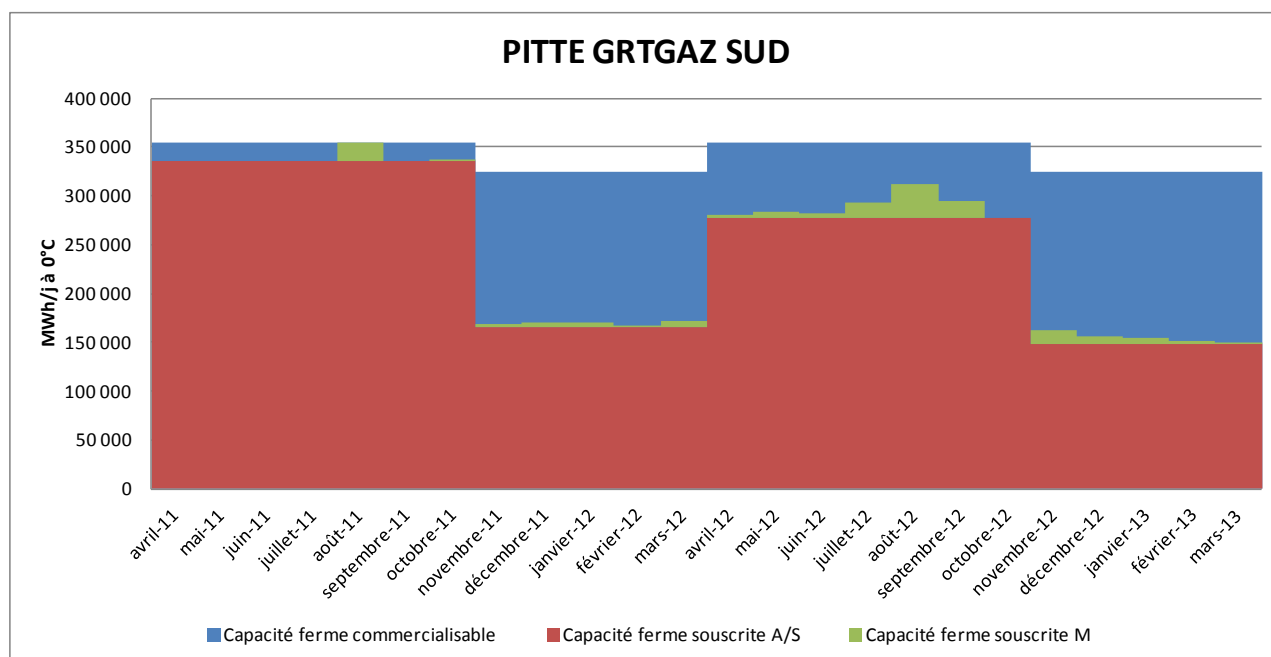
The interconnection point between the TIGF and GRTgaz Sud zones does not present a situation of contractual congestion during the analysed period. The subscription level exceeds 80% of the marketable capacity only during the summer season for Entry capacities. The rest of the time and as regards Exit capacities to GRTgazSud, subscriptions are around 50% of the marketable capacity.

Physical flows in this point do not allow identifying a situation of frequent physical congestion. There are only 10 days a year where the physical flows exceed 90% of the technical capacity.

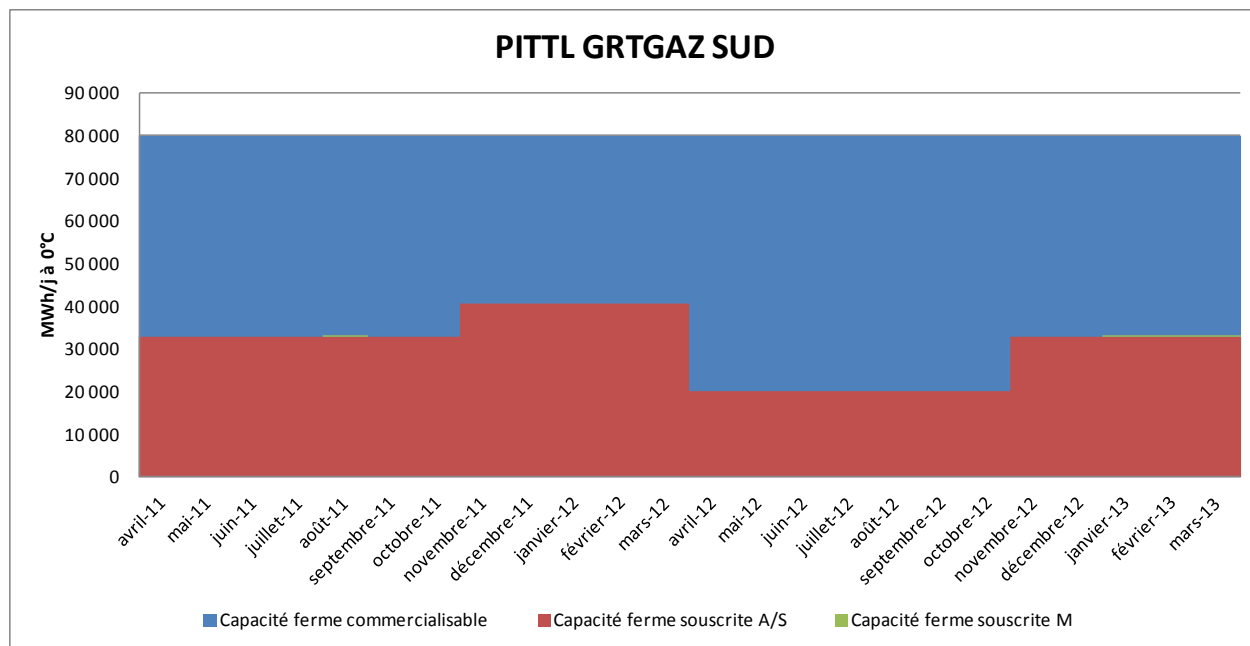
It should be noted that, according to the results of the 2013 Open Season, infrastructure developments have been conducted on the network increasing the Entry capacity to 510 GWh/d in summer and to 375 GWh/d in winter as from 1st April 2013. The level of marketable Exit capacity was multiplied by 3 (from 80 GWh/d to 255 GWh/d). This recent increase of the technical capacities does not enable having sufficient perspective and a clear view of the level of use of the infrastructure for the next year. In addition, the marketing of capacities at the interconnection with GRTgaz will be stopped on 1st April 2015 with the establishment of the common PEG.

Therefore, the implementation of the oversubscription and buy-back mechanism at the PITT GRTGAZ SUD would be unnecessary and useless.

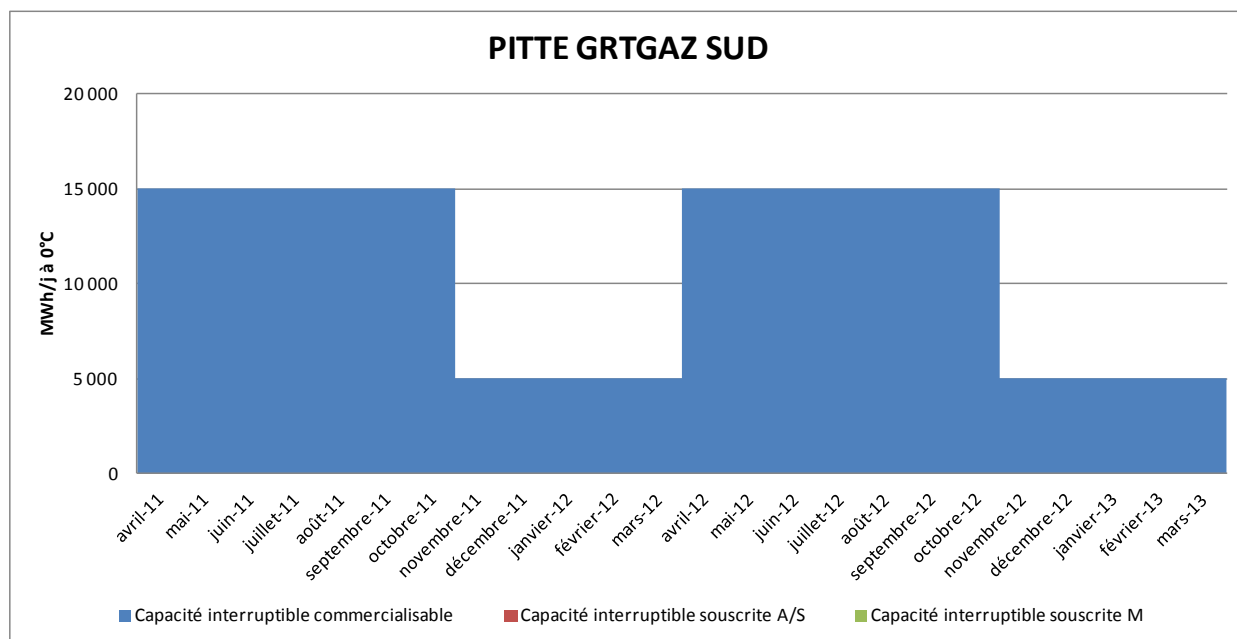
Firm Entry marketable and subscribed capacities



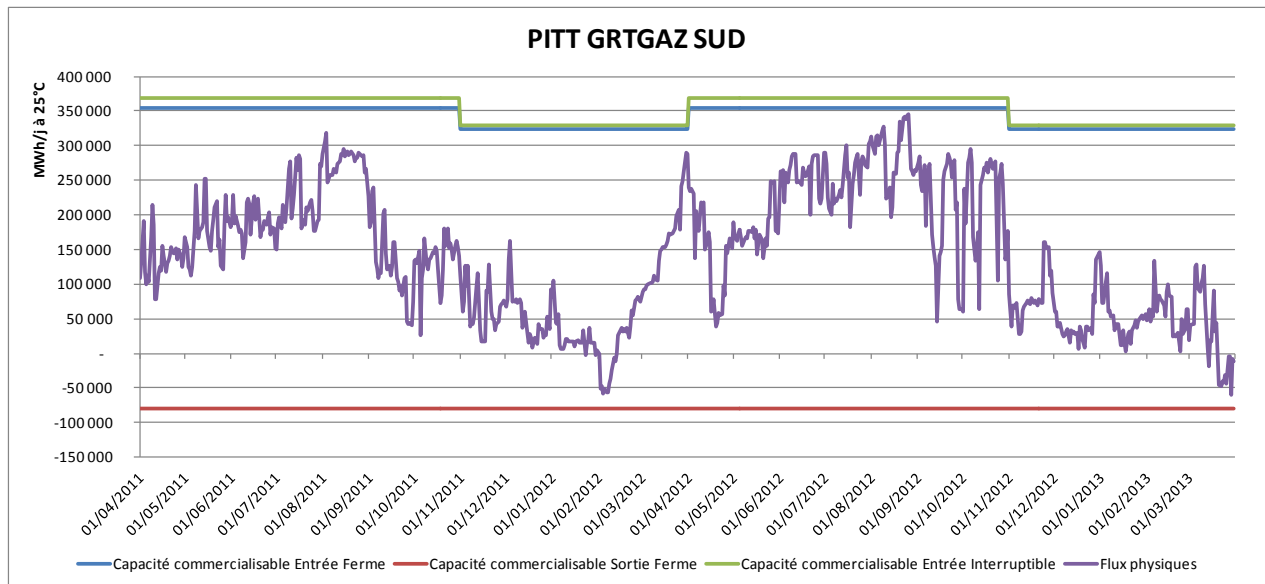
Firm Exit marketable and subscribed capacities



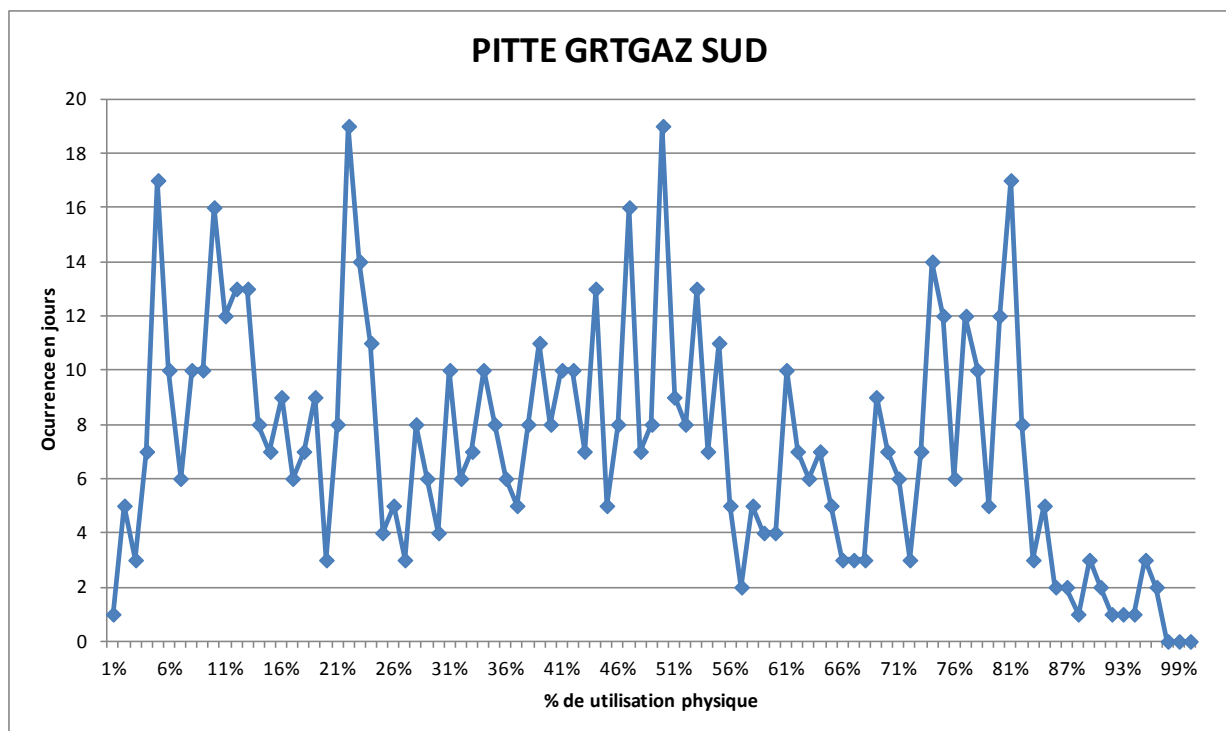
Interruptible Entry marketable and subscribed capacities



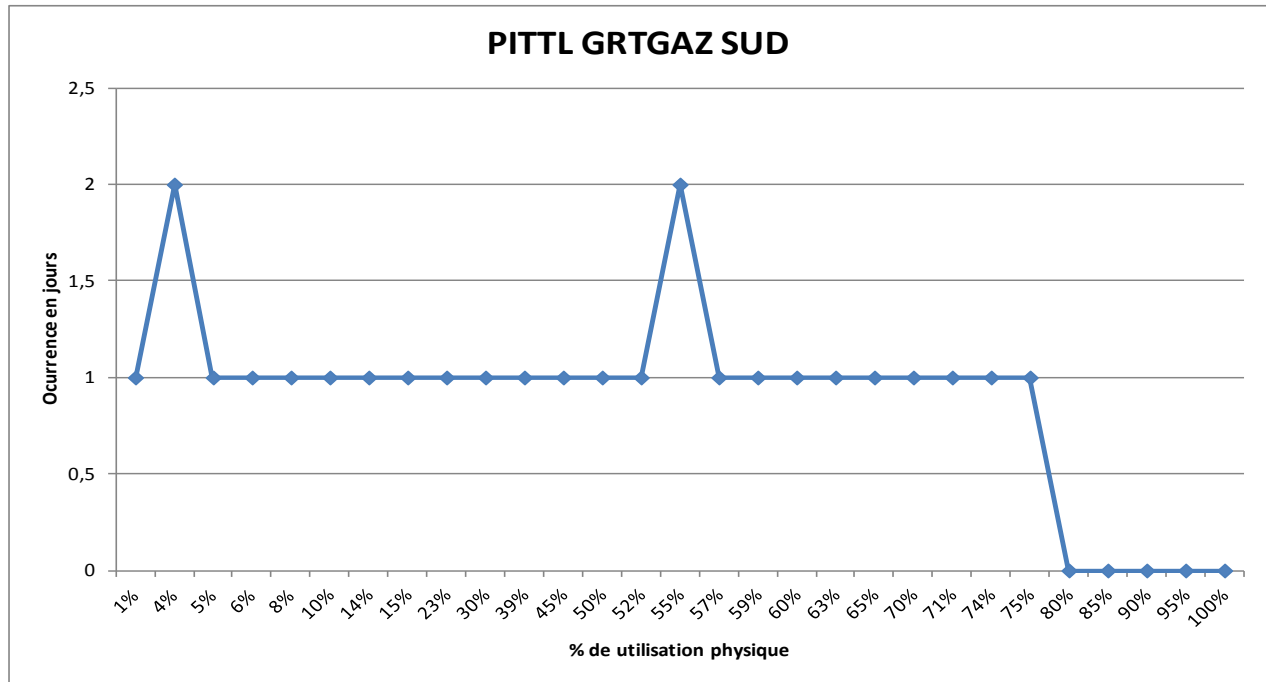
Marketable capacities / physical flows



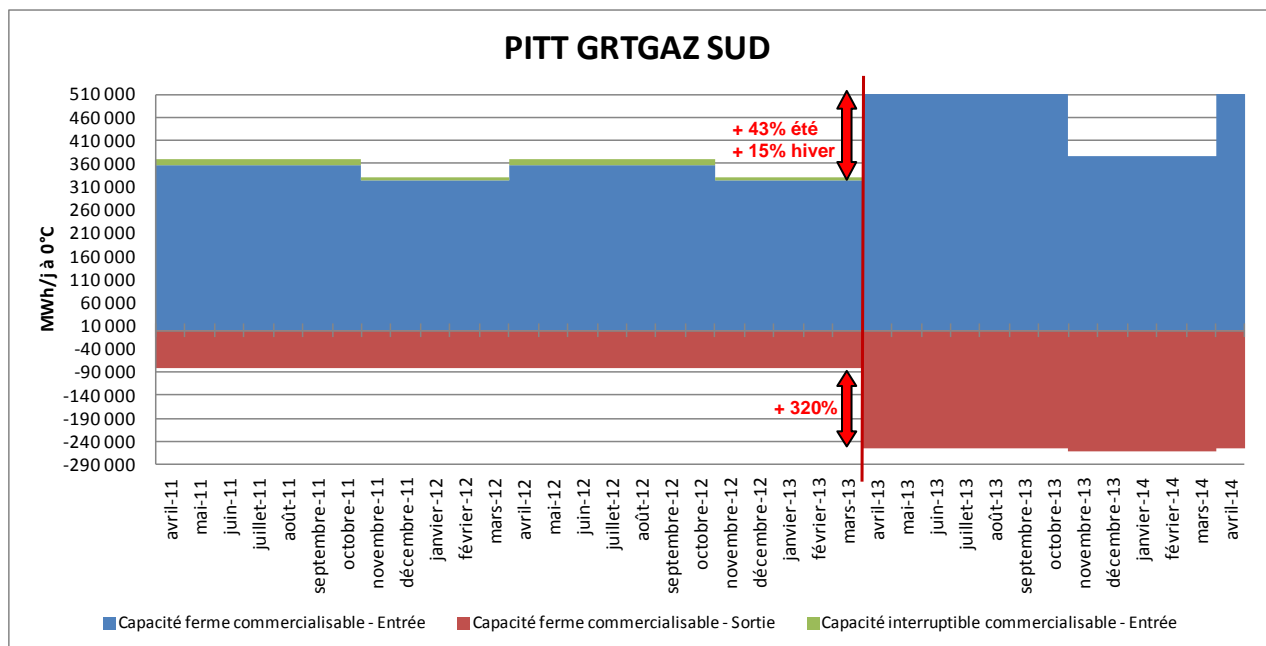
Physical congestion occurrence - Entry



Physical congestion occurrence - Exit



Evolution of marketable capacities



4- PITT LARRAU

The Larrau France-Spain interconnection point presented a high level of contractual congestion during the analysed period. Subscriptions were most of the time close to 100% of the marketable capacity between 2011 and 2013.

Regarding the physical flows, only flows to Spain have been observed in the last two years. The analysed data shows a situation of recurrent physical congestion with a high level of congestion. Physical flows overrun technical capacity more than 50% of the analysed days.

As in the case of the interconnection with GRTgaz, as a result of the 2013 Open Season, capacities at PITT LARRAU were increased significantly. Entry capacity was multiplied by 3 and exit capacity has been increased by 65% as from 1st April 2013.

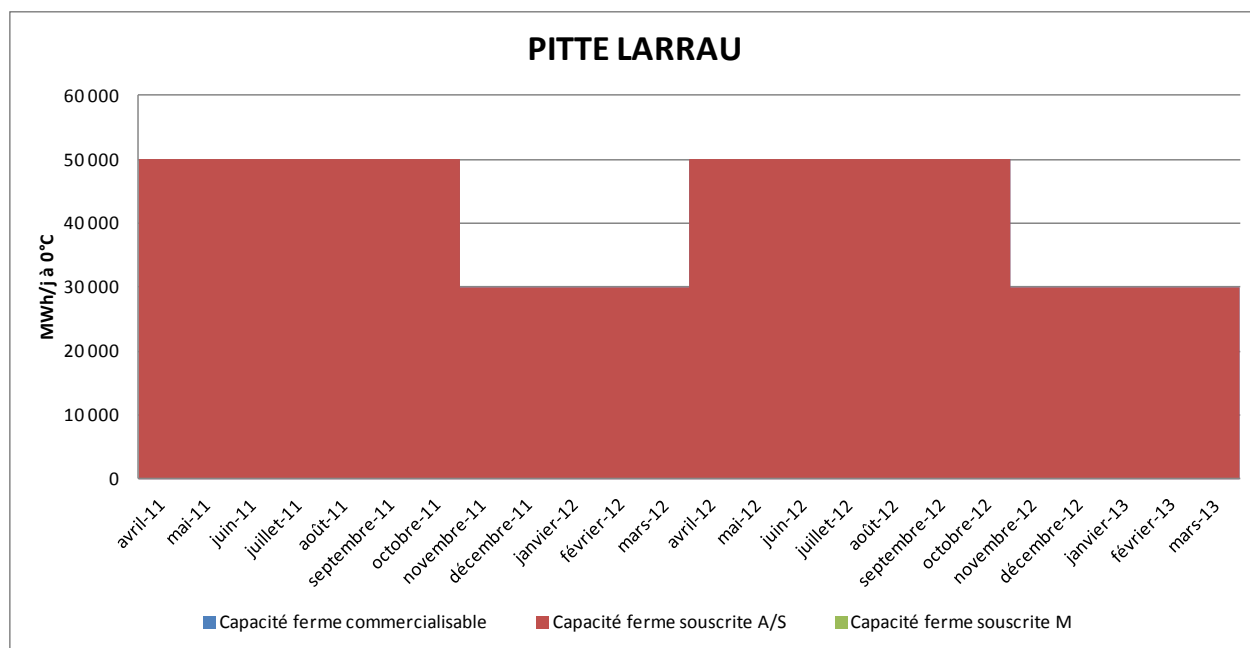
As part of the implementation of the CAM network code, in 2014 capacity marketing at the Spanish border will be carried out through auctions on PRISMA platform. Capacity will be auctioned at a virtual interconnection point (VIP) to be created early 2014. This virtual interconnection point will include marketable capacity at PITT LARRAU and PITT BIRIATOU.

This new capacity marketing methodology with higher levels of marketable capacity (combining the two interconnection points) together with the technical capacity increase at Larrau from 2013 make impossible the elaboration of a reliable statistical analysis. Moreover, this does not allow the elaboration of a solid forecast of shippers' behavior and capacity utilisation levels.

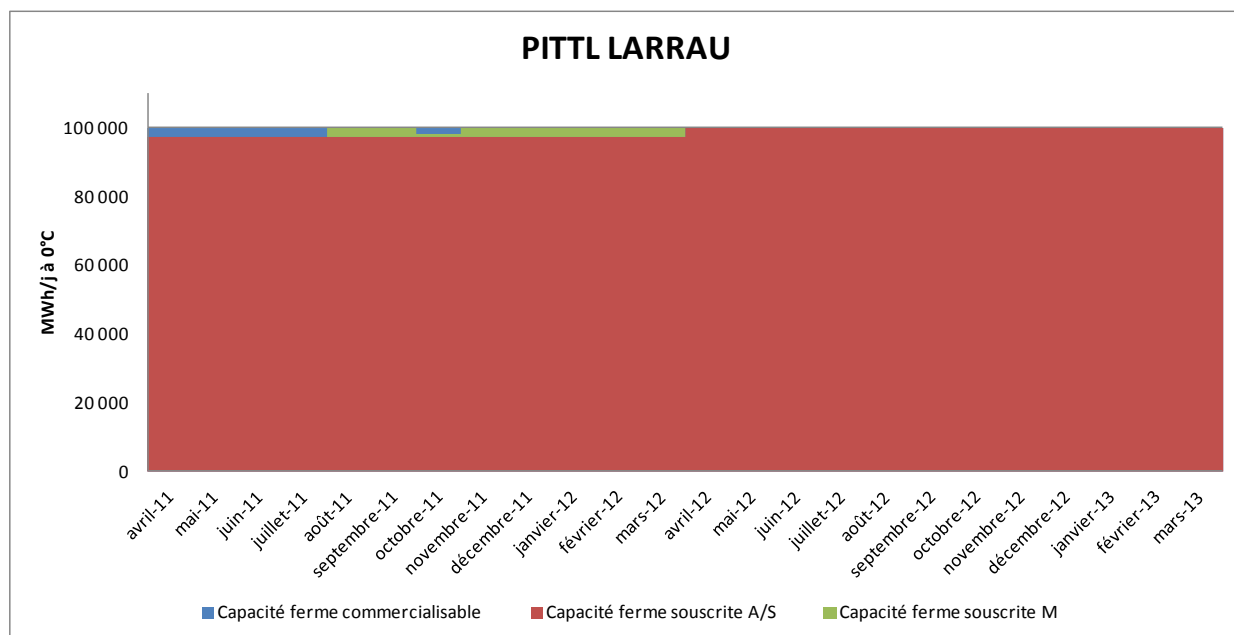
For the above stated reasons, TIGF considers that in the current situation the implementation of the oversubscription and buy-back mechanism on 1st October 2013 at the France-Spain border would expose the TSO to a too high financial risk as a result of the uncertainty of the buy-back requirements.

The implementation of this mechanism as from 1st October 2014 will be reviewed in the contractual and physical congestion annual analysis to be conducted in June 2014.

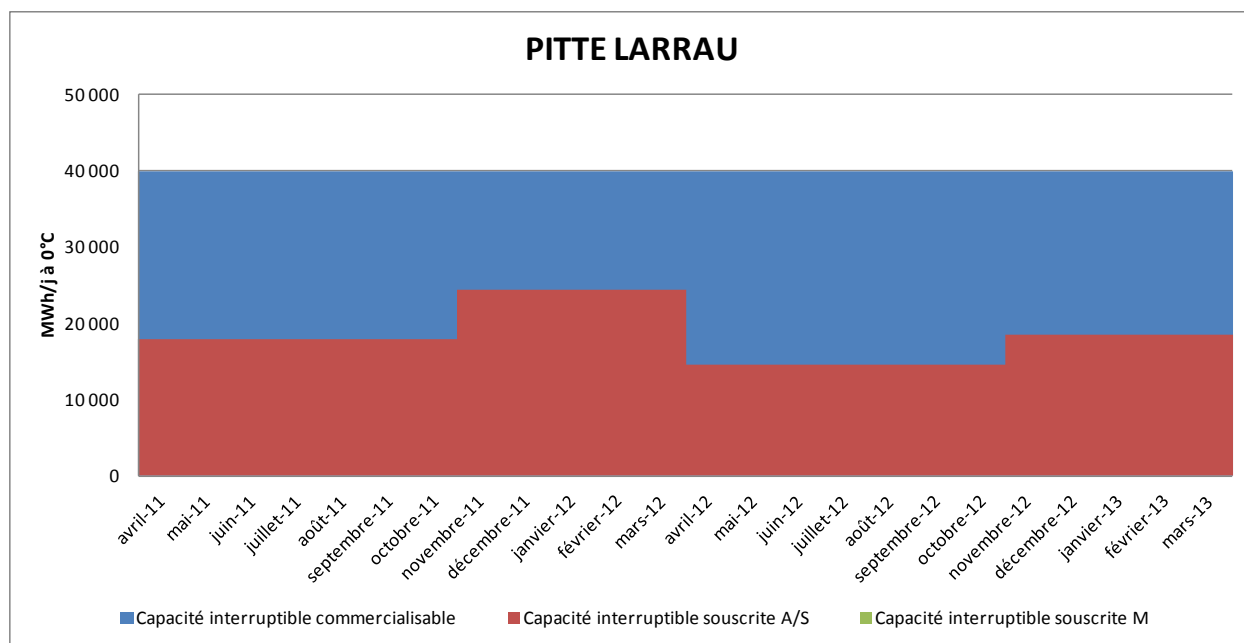
Firm Entry marketable and subscribed capacities



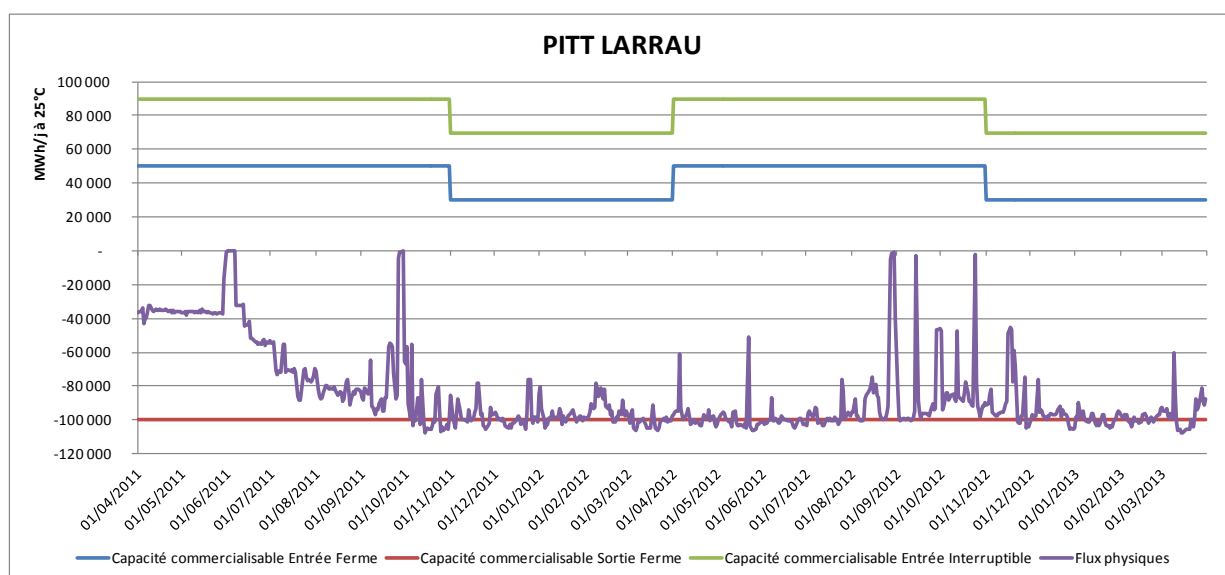
Firm Exit marketable and subscribed capacities



Interruptible Entry marketable and subscribed capacities



Marketable capacities / physical flows

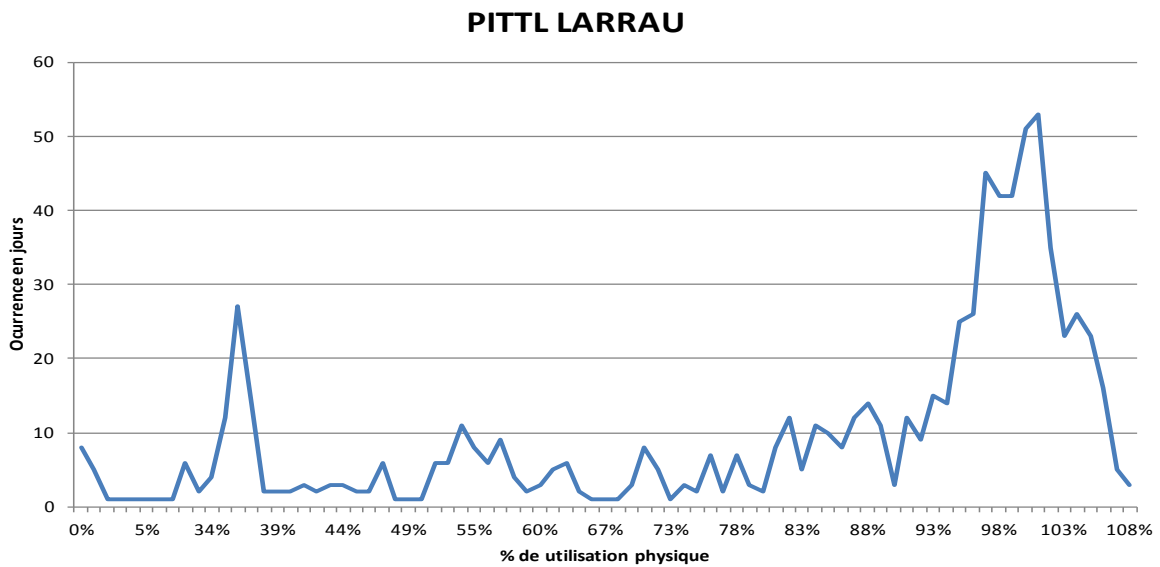


Note: The technical capacity overruns observed can be explained by the physical operational management of interconnections with Spain, particularly in the context of a specific agreement with the adjacent operator (OBA).

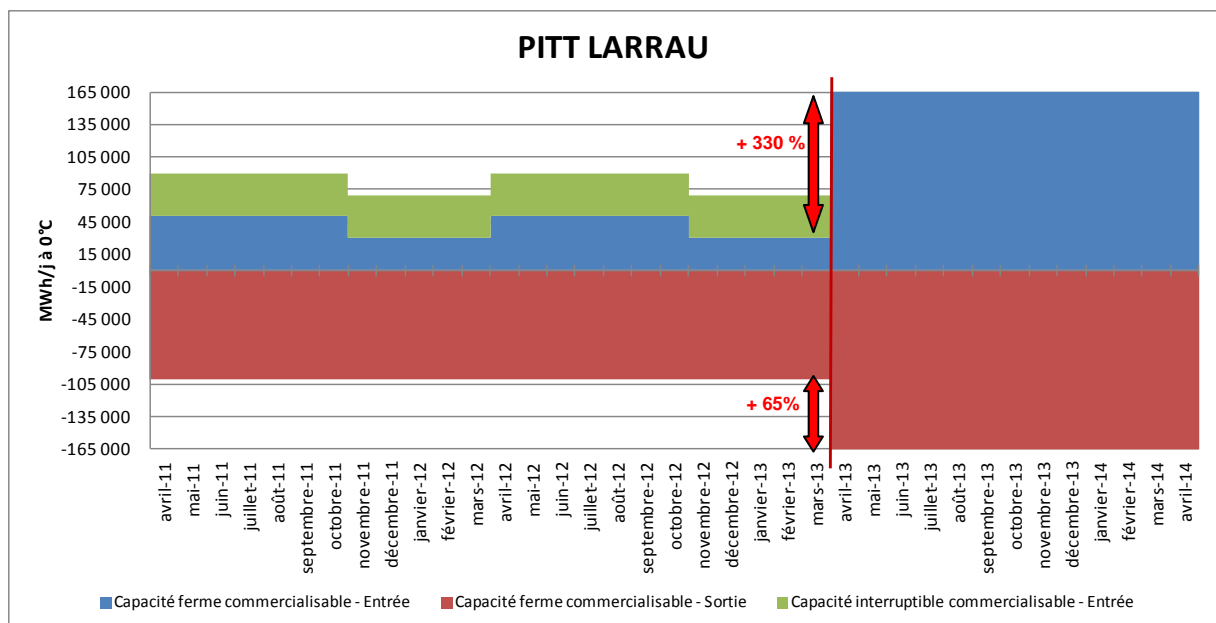
Physical congestion occurrence - Entry

There was no physical flow at PITT LARRAU during the analysed period.

Physical congestion occurrence - Exit



Evolution of marketable capacities



5- PITT BIRIATOU

The Biriadou France-Spain interconnection point presents no contractual congestion since winter 2011 in the Spain-France flow direction. As regards Exit capacities, only firm capacities are sold in summer seasons. In the summer 2012 all marketable capacities were subscribed.

Physical flows observed demonstrate the absence of physical congestion for exit capacities even if capacity utilisation is much larger than entry capacity. On the other hand, in the Spain-France flow direction, the physical flows exceeded 90% of the technical capacity more than 10% of the time.

Capacity at PITT BIRIATOU will also be developed as a result of the 2015 Open Season. As from 1st December 2015 entry capacity will be increased to 65 GWh/d in summer and 60 GWh/d in winter. An offer of exit interruptible capacity will be added to the currently proposed firm capacity bringing the total capacity level to 60 GWh/d.

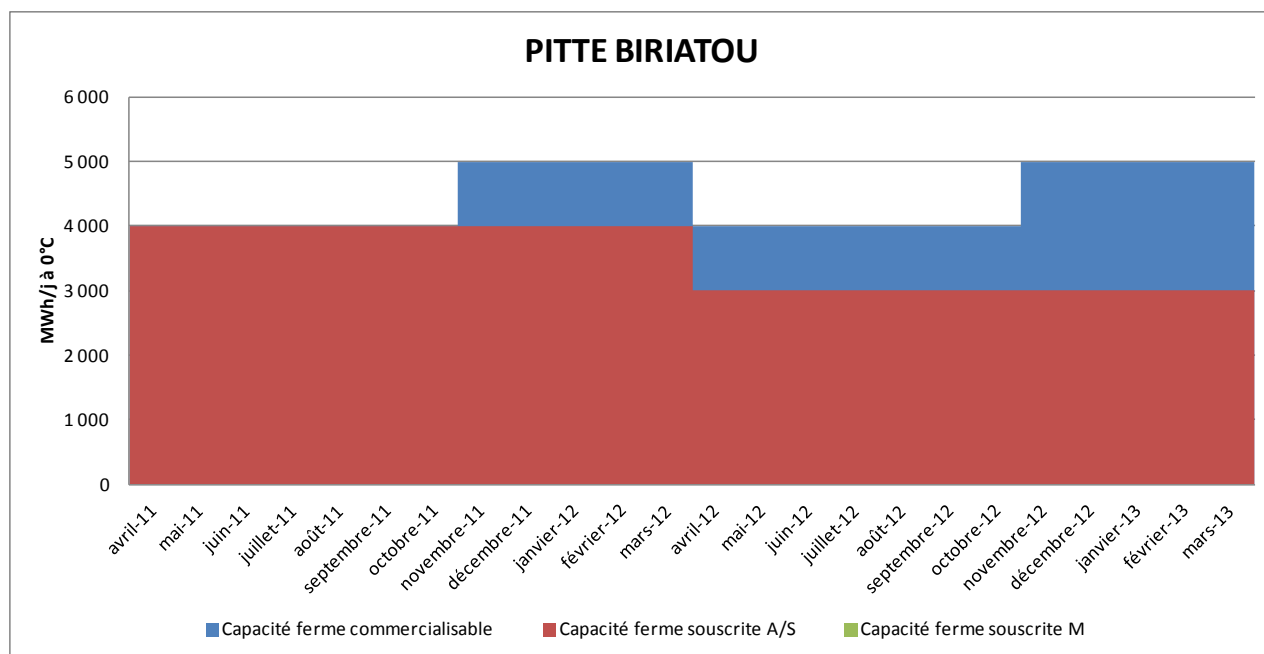
As explained for the PITT LARRAU, marketing of capacities at PITT BIRIATOU in 2014 will be done through auctions on a VIP gathering Larrau and Biriadou capacities.

This new capacity marketing methodology with higher levels of marketable capacity (combining the two interconnection points) together with the technical capacity increase at Larrau from 2013 make impossible the elaboration of a reliable statistical analysis. Moreover, this does not allow the elaboration of a solid forecast of shippers' behavior and capacity utilisation levels.

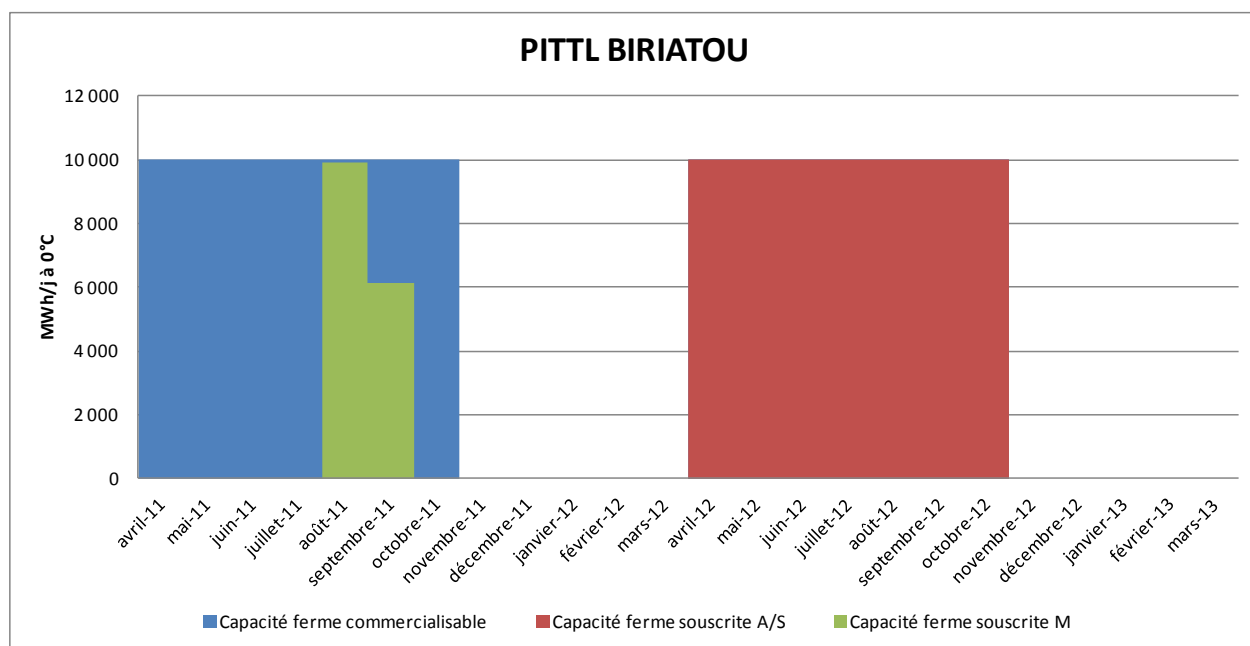
For the above stated reasons, TIGF considers that in the current situation the implementation of the oversubscription and buy-back mechanism on 1st October 2013 at the France-Spain border would expose the TSO to a too high financial risk as a result of the uncertainty of the buy-back requirements.

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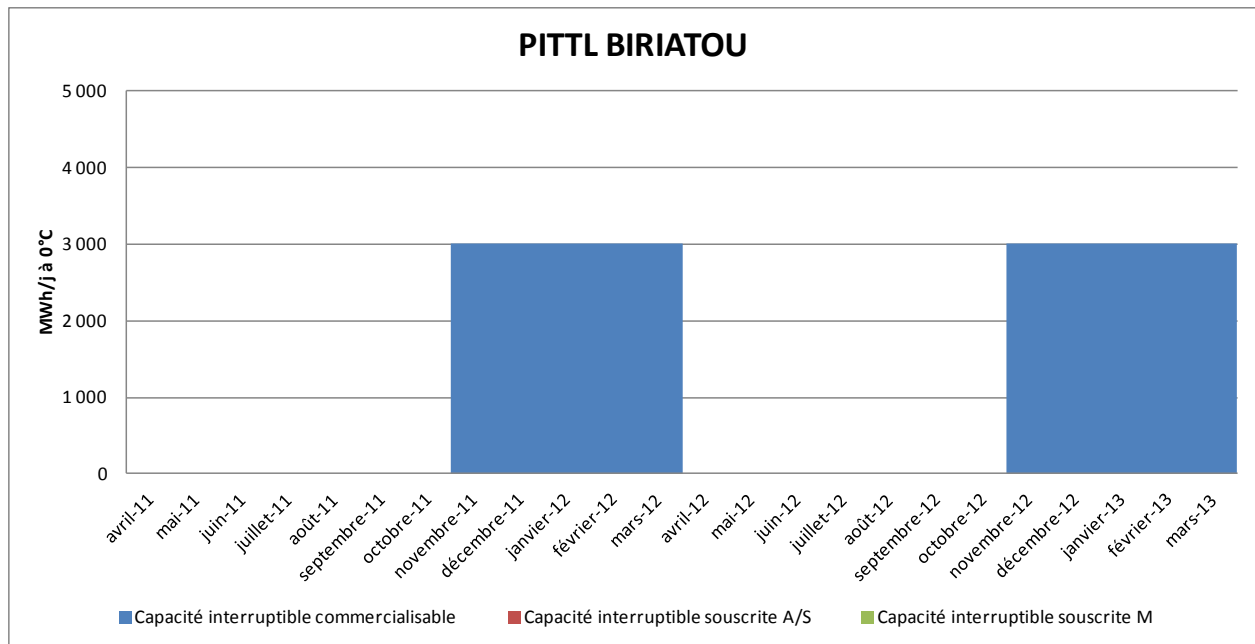
Firm Entry marketable and subscribed capacities



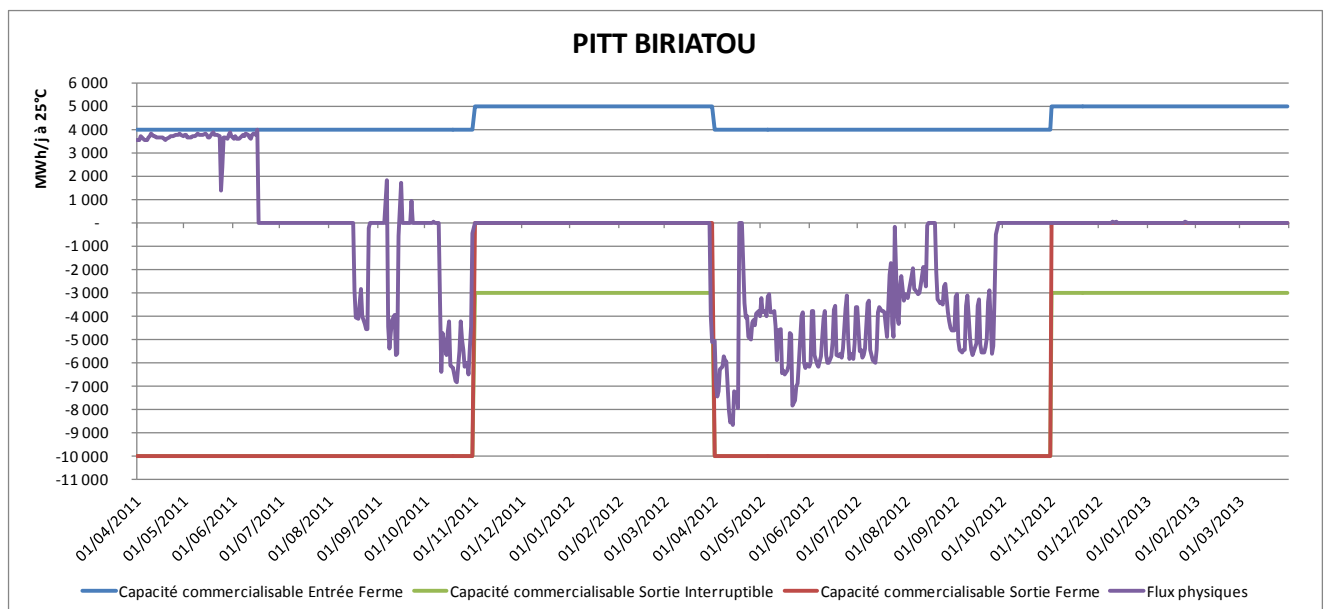
Firm Exit marketable and subscribed capacities



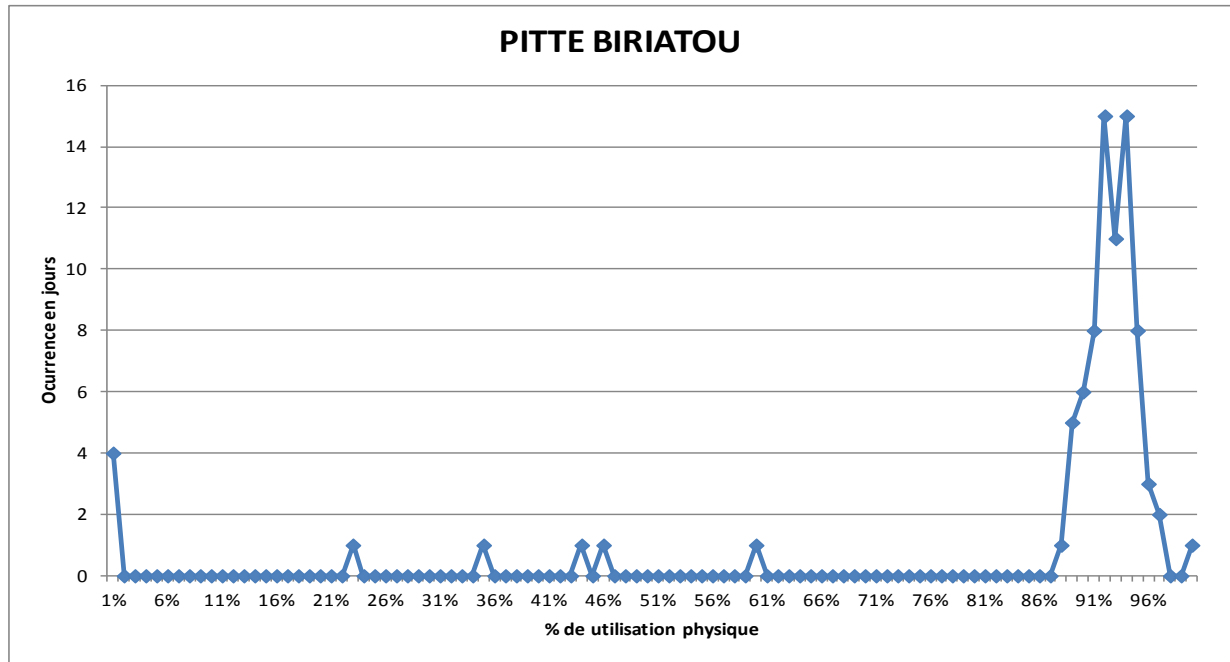
Interruptible Exit marketable and subscribed capacities



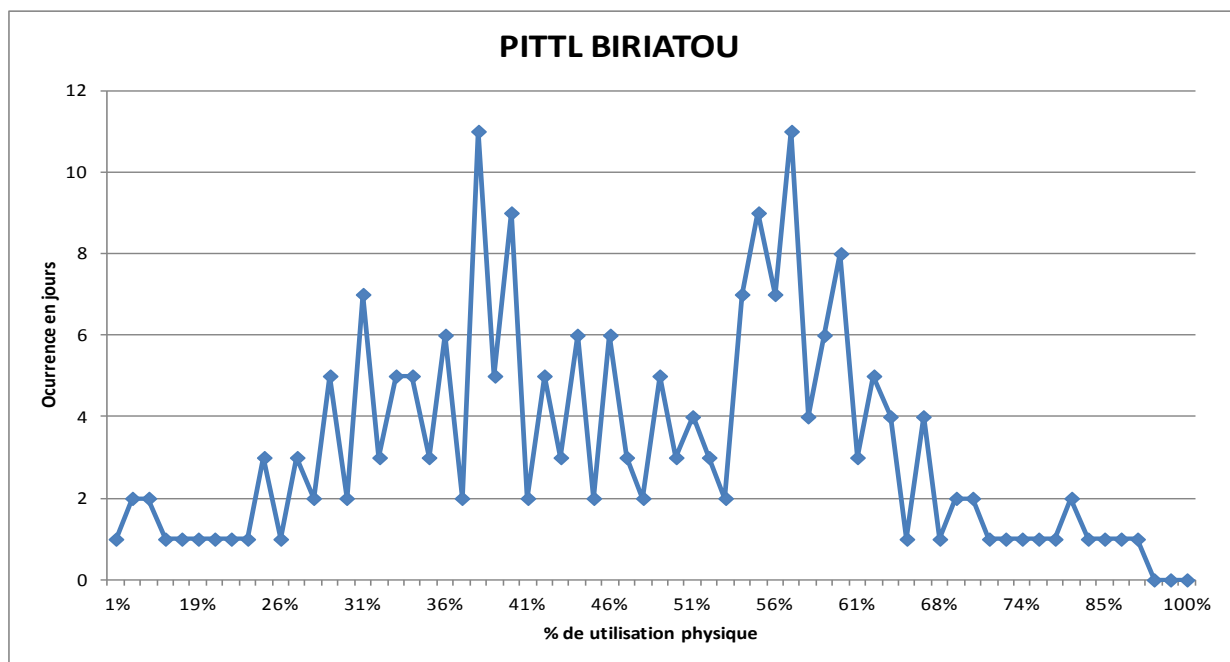
Marketable capacities / physical flows



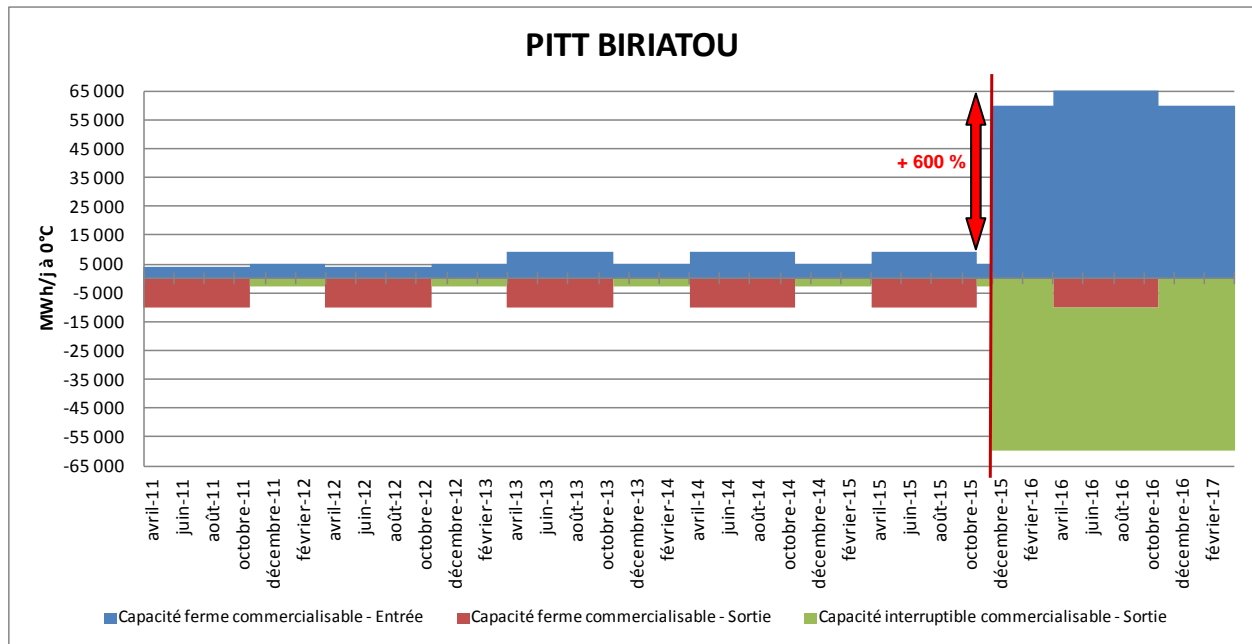
Physical congestion occurrence - Entry



Physical congestion occurrence - Exit



Evolution of marketable capacities



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