

Deliberation of the French Energy Regulatory Commission of the 28th of May 2014, approving the allocation rules for backhaul capacities marketed by GRTgaz at the Jura interconnection point

Present : Philippe de LADOUCKETTE, Chairman; Olivier CHALLAN BELVAL, Catherine EDWIGE and Jean-Pierre SOTURA, Commissioners.

Article 13, Paragraph 1 of Regulation 715/2009 of the European Parliament and of the Council of the 13th of July 2009 regarding the conditions for access to natural gas transport networks sets forth that: "[...] Member States can decide that tariffs can also be set according to market-based methods, such as auctions, provided that such methods and the revenue arising therefrom are approved by the regulating authorities. [...]"

The CRE deliberation of the 13th of December 2012 ruling on the changes in tariffs for the use of natural gas transport networks sets forth that "*The proposals of the TSOs [regarding gas transport capacity auction methods] shall be submitted to CRE for approval.*"

1. Context

In its deliberation of the 29th of January 2014 ruling on the changes in tariff for the use of natural gas transport networks as on the 1st of April 2014, CRE declared that it is in favour of the creation by GRTgaz and the Swiss operator Gaznat of 5 GWh/d of backhaul capacity at the Jura Network Interconnection Point (PIR) for the winters of 2014/2015, to contractually bring gas from Switzerland to France when the physical flows in the direction from France towards Switzerland are positive. The creation of this capacity requires no investment by GRTgaz.

This device will help reduce the level of tension in the south of France.

2. GRTgaz proposal

GRTgaz proposes to market 5 GWh/d of backhaul capacity at the Jura interconnection point, for the period from the 1st of October 2014 to the 31st of March 2015, by the means two quarterly products. These capacities would be marketed through the PRISMA platform by quarterly auction in June 2014, according to the ascending auction mechanism set forth by the CAM network code¹. From an analysis of the historical data, GRTgaz considers that the availability of the 5 GWh/d of backhaul capacity at the Jura interconnection point will be about 60%.

GRTgaz indicates that shippers who are granted entry capacity in France at the Jura interconnection point pursuant the auction will be able to obtain an equivalent amount of Gaznat exit capacity from Switzerland at La Cure point.

Pursuant to the deliberation of the 29th of January 2014, the yearly backhaul product reserve price shall be equal to the regulated price, that is, 20% of the reserve price in the direction from France towards Switzerland. GRTgaz suggests that the quarterly capacity reserve price be equal to one quarter of the yearly capacity reserve price, when the point is considered as congested.

¹ EU Regulation No. 984/2013 regarding the establishment of a Network Code on Capacity Allocation Mechanisms for gas transport networks ("CAM network code").

Moreover, GRTgaz proposes that, during the auctions, the large price step² be equivalent to 150% of the reserve price and that the small price step³ be equivalent to 15% of the reserve price.

GRTgaz is considering not placing on sale again as a monthly product any capacities that may remain unsold at the end of the marketing phase if their quantity is less than 1 GWh/d.

3. CRE analysis

To date, the CAM network code does not apply to interconnection points between France and Switzerland⁴. However, GRTgaz proposes to allocate the backhaul capacities at the Jura interconnection point according to principles similar to those set forth by the CAM network code. CRE considers that the allocation by auction of the backhaul capacity at the Jura interconnection point according to such principles ensures a transparent and non-discriminatory capacity allocation .. This also helps harmonising allocation procedures and schedules of the quarterly capacities at the Jura interconnection point, at the Oltingue exit point (from France towards Switzerland) and Wallbach exit point (from Germany towards Switzerland). CRE is thus in favour of the proposal by GRTgaz regarding the marketing methods for the backhaul capacity at the Jura interconnection point for the period from the 1st of October 2014 to the 31st of March 2015.

Given that no yearly backhaul product has ever been marketed by auction at the Jura interconnection point and that the product proposed by GRTgaz will allow gas to be conveyed from the North GRTgaz area to the South GRTgaz area, a highly congested flow, CRE considers acceptable the assumption that the point is congested in the direction from Switzerland towards France. Setting the quarterly capacity reserve price at one quarter of the yearly capacity reserve price thus conforms to the provisions set forth by the deliberation of the 29th of January 2014 for the points covered by the CAM network code.

In addition, CRE considers that the price levels proposed by GRTgaz will allow a reasonable duration of the auctions as well as an efficient capacity allocation.

Given the complexity induced by the coordinated marketing by the Swiss and French transport operators of the backhaul capacity at the Jura interconnection point, CRE is in favour of the GRTgaz proposal not to place on sale again the capacities that may remain unsold over a period of time shorter than the quarter if the unsold quantity is minimal, that is to say, if it does not exceed 1 GWh/d.

4. CRE Decision

CRE approves the proposal by GRTgaz regarding the marketing of the backhaul capacity at the Jura interconnection point for the period from the 1st of October 2014 to the 31st of March 2015.

In Paris, on the 28th of May, 2014

For the Energy Regulation Commission CRE,

The chairman,

Philippe de LADOUCETTE

² Article 3 of the aforementioned CAM network code defines the "large price step" as "a fixed or variable amount defined by interconnection point and by capacity standard product".

³ Article 3 of the aforementioned CAM network code defines the "small price step" as "a fixed or variable amount defined by interconnection point and by capacity standard product, which is lower than the higher price level".

⁴ Article 2 Paragraph 1 of the aforementioned CAM network code sets forth that it "can" be applied "to the entry and exit points to and from third countries, as long as the competent national regulating authority decides to that effect".