



Antonio Ciavolella

European Regulatory Affairs
Gas Trading Europe and LNG



BP Gas Marketing
20 Canada Square
Canary Wharf
London
E14 5NJ

Commission de Régulation de l'Energie
15, rue Pasquier - 75739 PARIS Cedex 08

Direct: +44 (0)20 7948 5147
Main: +44 (0)20 7948 4000
Mobile: +44 (0)78 2528 3854
Fax: +44 (0)20 7948 7844
Email: antonio.ciavolella@bp.com

Subject: Public Consultation by the Energy Regulatory Commission on conditions for access to gas transmission networks for gas intensive consumers.

BP is pleased to share three key detailed comments about CRE amended proposal to access capacity on the PEG N-S link. BP views apply indistinctively to both options envisaged to access Southern hubs from PEG North and are hence presented together. These comments are to be considered in conjunction with BP views expressed in June 2013 consultation response.

In particular, BP expects that current CRE amended proposals could generate the following consequences:

- exacerbate undue restriction to access Southern hubs from PEG North, regardless of recent experience highlighting the positive impact of competitive access to capacity
- increase the volatility of the current regulatory regime and reduce its perceived fairness, due to the double amendment in less than twelve months, which points at a higher subjectivity of the regime to the demands of specific stakeholders
- reduce clarity around the actual volume of market infrastructure supply, due to the multiple unexpected changes in the firm capacity offered to the market in the last months

Restrictions and uncertainty in accessing Southern hubs from PEG North

The key reason for BP dissatisfaction with CRE proposal is that it does little to enhance competitive and equal access terms to the South of France. Adding 40 GWh/d of firm capacity in a physically congested interconnection point represents a significant addition to the balance of the South, which could contribute significantly to relieving part of the structural congestion observed in the last two years, and contribute significantly to a more stable wholesale gas market.

Such view is grounded on evidence from regulatory practice across hubs, which shows that competitive mechanisms and equal access terms has often maximized the benefits of physical infrastructure. Under competitive terms, even incremental additions have often led to exponential effects in terms of price convergence, via developing liquidity, ensuring lower operational risks and improving price discovery. In BP view, the impact of the summer daily auction at PEG N-S has been itself is a reflection of such view.

In light of the magnitude of the infrastructure addition, BP considers that CRE priority based access regime has a limited chance to reap those benefits. BP doubts regard especially the capacity allocation regime that CRE proposes for the interim April-September 2014 period, which it is likely to systematically exclude market players with no physical commitments from primary allocation. Doubts also extend to the regime being operated from October

2014, which will offer unduly favourable terms for allocating capacity at tariff to certain market players, and at auction price to others.

BP considers a key limitation the fact that existing physical suppliers may be less inclined to reveal prices at Southern hubs compared to wholesale players. With specific reference to CRE Option 1, the allocation regime could to an extent even pre-empt the very rationale of a wholesale gas market. In addition, a “show of contracts” approach to capacity allocation implements at best poorly the rationale of the CAM code within the EU Third Package. Under CRE amended approach, shippers without physical commitment would seem to operate in South of France under licence entitling them to a lower status, regardless of the wealth of evidence suggesting the beneficial impact of a greater diverse presence.

Under CRE proposal, BP expects a higher risk that the benefits accruing to industrial users could be at the expenses of other customers. BP expects that CRE options could unduly channel to industrial users a material portion of the benefits arising from the infrastructure optimization, rather than distributing it evenly across customers through the enhanced competitive dynamic.

Therefore from BP perspective the market could benefit from CRE alternative proposals in terms of granting preferential market access to industrial users without distorting wholesale gas market behaviour. Such measures could revolve around preferential terms for industrial users to access exit capacity, or other equivalent measures delivering easier access to competitive gas in the South of France.

In case CRE is still persuaded by the benefit of a differential access regime, BP would urge to at least review the consistency of the differential access regime to guarantee equal access opportunities and include priority assets more rigorously, with special reference to capacity allocation in summer 2014. Such measures could at least reduce the current prospects of total exclusion from competitive market access reserved to shippers with no physical commitment.

Among the key incremental changes, there could be a further strip of capacity made available to all shippers with no physical commitments. Similarly, the results of the session to allocate exit capacity at Larrau could be included in the capacity assets allowing access to priority volume for PEG N-S. These changes look particularly desirable as in our view, they would require little or no changes necessary to the allocation regime and could therefore be implemented in a very short timeline.

Stability of Regulatory Regime

The newly amended CRE proposal represents the latest change applied to the capacity allocation mechanism across France in less than twelve months. While partly reflecting the transposition of the EU CAM regulation, in BP view the increasingly discriminatory conditions for small shippers sheds doubts over the commitment of CRE to a competitive and levelled wholesale gas market.

BP would therefore consider beneficial that CRE produces a more transparent roadmap to implement future changes to capacity allocation and other fundamental elements of the market design. Similar beneficial measures could revolve around a renewed commitment and a sustained implementation of regulatory changes to deliver the creation of a single gas market place by 2018.

Clarify around methodology to make capacity available

The very object of this consultation, is the second increase in six months to the volume of available firm capacity in PEG N-S link. BP considers that such modifications could increase uncertainty as to the available capacity. The lack of full clarity could produce distorted incentives to take positions on the expected volume of available capacity. Such incentives could also work against mechanisms to prevent capacity hoarding, as they would affect the market fundamentals rather than the daily reallocation of hoarded capacity.

In this sense BP would welcome CRE moves to achieve as much clarity and transparency as possible regarding the underpinning methodology for such additional volume and regarding the notice by which GRTGaz could present any further changes in firm capacity that arise from optimizing network operation. Such measures would be particularly beneficial in view of the windows to book capacity being extended until 2018.

Do not hesitate contacting us should you wish to discuss in more detail our comments.

Yours Sincerely

Antonio Ciavolella