CRE public consultation on the open season launched by GRTgaz and FluxSwiss to develop entry capacity from Switzerland to France at the interconnection point of Oltingue

This public consultation takes place in the context of the open season launched by GRTgaz and FluxSwiss to develop entry capacity from Switzerland to France at the interconnection point of Oltingue.

This consultation aims at gathering views of stakeholders on:

- The types of capacity products which are offered and the rules of the open season ;
- Tariff provisions ;
- Allocation rules.

CRE invites stakeholders to reply to this public consultation by 13 July 2012 at the latest.

1. Context

The existing transmission infrastructure has been designed to flow gas from France to Italy through Switzerland. The Italian, Swiss and French transmission network operators (Snam Rete Gas, FluxSwiss and GRTgaz) plan to carry out investments to allow for reversing flows from Italy to France.

In this perspective, the Italian and Swiss TSOs have already decided to create by 2016-2017 100 GWh/d (365 000 Nm3/h) of firm exit capacity from Switzerland to France. About 77 GWh/d of this exit capacity were allocated to two shippers during a previous open season held in November 2010. No corresponding entry capacity on the French side has been offered yet.

GRTgaz and FluxSwiss launched an open season on 5 June 2012 in order to allow for developing this entry capacity to France. The capacity bids are expected by 21 September 2012.

GRTgaz investment decision to develop the new entry capacity will depend on the result of this open season procedure. .

2. Offered capacity

Creating this entry capacity at Oltingue would increase the quantity of gas that may enter the current North zone of GRTgaz network. Today, there is a congestion between the North zone and the South zone of GRTgaz network. Developing some new entry capacity in the GRTgaz north zone could have a detrimental effect on this congestion; in the scenario of a merger of the two GRTgaz zones, developing some entry capacity at Oltingue could make the elimination of the congestion even more difficult. Therefore, two different scenarios are being considered.

a. Development of interruptible capacity

In the first scenario, GRTgaz would develop 100 GWh/d of interruptible capacity. In this case, some modifications to the Oltingue and Morelmaison interconnections would be necessary to reverse the gas flow . Modifications could be done by 2016, with an estimated cost of 11 M€.

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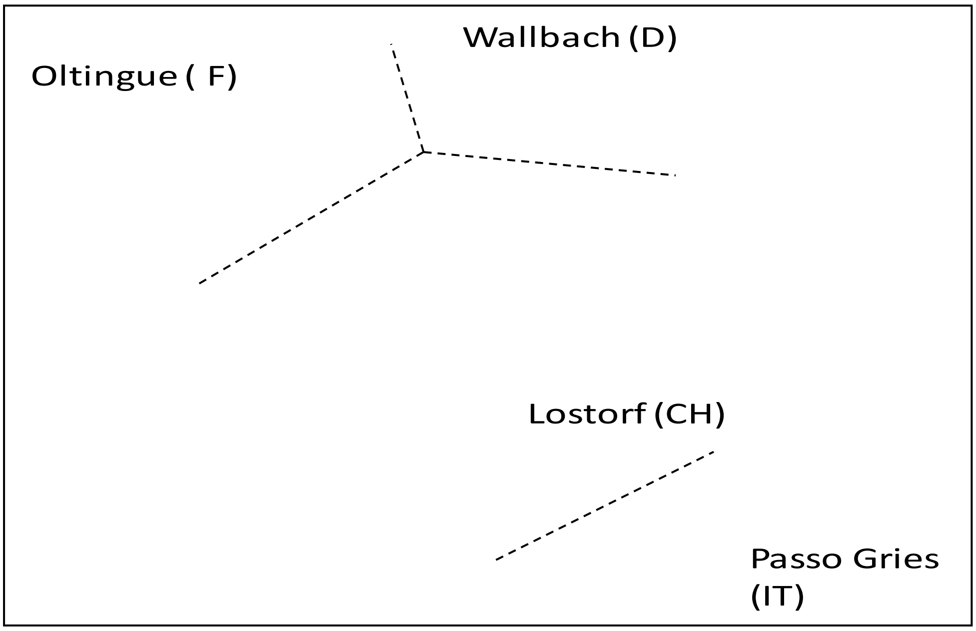
In its Information Memorandum, GRTgaz gives some information about the circumstances under which capacity can be interrupted (once the “Arc de Dierrey” pipeline is completed). An interruption of the capacity may occur in case too much gas is flowing from Taisnières H, Oberglaibach and Oltingue simultaneously.

Considering the flows observed between 1 January 2010 and 31 March 2012 (821 days), global or partial interruptions would only have occurred 18 times. The rate of availability of the capacity would have been close to 98% over the period.

However, if the merger of the North and South zones of GRTgaz network is decided, it could trigger important changes in flow patterns compared to the past. In particular, in the case of a significantly higher price of LNG compared to the price of the gas coming from Northern or Eastern Europe, quantities delivered in Fos LNG terminals could decrease and quantities entering Taisnières H and Obergailbach could increase. In this scenario, the capacity rate of availability in the entry of Oltingue would be lower.

b. Development of conditional firm capacity

In a second scenario, GRTgaz considers developing 100 GWh/d of “conditional” firm capacity. This capacity could be guaranteed as firm on GRTgaz network, provided the pressure of delivery from Switzerland at Oltingue is high enough (i.e. equivalent to the pressure on the other entry points of the network of GRTgaz). At present, this pressure of delivery cannot be guaranteed if the Swiss network receives gas from Germany and exports gas to both France and Italy (see the figure below). FluxSwiss is currently examining the possibility of realizing the investments necessary to guarantee a sufficient pressure at any time.



The creation of 100 GWh/d of conditional firm capacity requires important investments to eliminate the risks of congestion generated by this new entry capacity in the North of France:

- Investment at Oltingue metering station and Morelmaison interconnection (GRTgaz estimates investments to make available interruptible capacity at 11M€);
- Laying of an additional 87 km pipeline between Morelmaison and Voisines (GRTgaz estimates investments at 185 M€ for a diameter of 1050 mm and a maximum working pressure of 68 bar);
- Modifications to the interconnections at Morelmaison and Voisines in order to connect a new pipe (investment estimated at 62 M€ by GRTgaz).

According to GRTgaz, the total cost of these investments - which could come into service by 2018 - would be of 258 M€.

3. Allocation rule and tariff

a. Allocation rule

The Open Season is organized in two parallel phases:

- FluxSwiss offers to allocate the exit capacity in direction of France still available on its network (23.25 GWh/d, i.e. 85 000 Nm3/h);
- GRTgaz offers 100 GWh/d of capacity (either firm conditional or interruptible) to the market.

The allocation process will be ruled by the following priorities:

- GRTgaz will allocate entry capacity at Oltingue to the upstream owners of capacity on the Swiss side in priority. Capacity will be sold for a duration of 15 years ;
- Requests concerning shorter time periods will be allocated if they match capacities allocated in Switzerland.

b. Tariffs

CRE considers the investments enabling the creation of capacity from Swiss to France should not generate an increase of GRTgaz tariffs except for the term of entry at Oltingue, all things being equal. In fact:

- 75% of the capacity has already been allocated to two market actors in Switzerland, through an earlier Open Season held in 2010. Thus, the actual capacity offered to the market during the current Open Season is limited to 23 GWh/d.
- GRTgaz already offers 45 GWh/d of interruptible backhaul capacity at Oltingue at a price of 71.92 €/MWh/d/y. This capacity has not been used in 2011, even though it has never been interrupted. Furthermore, during the public consultation led by CRE in 2011 concerning the Ten-Year Network Development Plan, only one actor has shown an interest for the creation of firm entry capacity at Oltingue.
- The creation of firm conditional capacity at Oltingue generates important additional investment costs in order to address the risk of congestion triggered by this new entry capacity in the North of France (258 M€ against 11 M€ for the creation of interruptible capacity). However, creating firm conditional capacity does only add real value in case of simultaneous and important entry flows at Taisnières H, at Oberglaibach and at Oltingue. This scenario may only happen if the Italian market is in a position to be a net exporter and if the price of LNG is significantly higher than the price of the gas coming from Northern and Eastern Europe.

Concerning tariffs:

- A tariff equal to the tariff applied for interruptible capacity at the other entry points in the North zone (Dunkerque, Obergailbach and Taisnières H), which is 51.5 €/MWh/d/y, would cover the costs linked to the project of interruptible capacity development at Oltingue;
- Regarding the actual regulatory framework and GRTgaz projected investment budget for the development of firm conditional capacity at Oltingue, a tariff of 400 €/MWh/d/y would be necessary to cover the costs, provided the level of capacity request is at least equal to 75 GWh/d booked for a duration of 15 years.

4. Questions

CRE wishes to collect the market's opinion about the procedure that can lead to the creation of entry capacity on the French market at Oltingue, coming from Switzerland.

Q1 Do you think it is worth making physical interruptible capacity available from Swiss to France at the interconnection point of Oltingue? How do you estimate the probability of interruption circumstances outlined by GRTgaz?

Q2 Do you think it is worth making physical firm conditional capacity available from Swiss to France at the interconnection point of Oltingue?

Q3 What do you think about the suggested allocation rule?

Q4 What do you think about the commitment duration required for capacity bids?

Q5 What do you think about the considered tariffs for the interruptible capacity?

Q6 What do you think about the considered tariffs for the firm conditional capacity and what do you think about the minimum level of requests to realize the investment?

Q7 Do you have other remarks concerning this Open Season?

5. Terms of public consultation

CRE asks interested parties to address their contribution no later than the 13th of July 2012:

- By e-mail at the following address: dirgaz.cp2@cre.fr;
- By contributing directly on the internet site of CRE (www.cre.fr), in the section "Documents/Consultations publiques";
- By return of post at the following address: Commission de régulation de l'énergie
Direction des infrastructures et réseaux de gaz
15, rue Pasquier
75379 Paris Cedex 08
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A summary of the contributions will be published by CRE, subject to the preservation of confidential elements protected by the law. Contributors are asked to indicate for which elements of their contribution they wish to stay anonymous and/or to benefit from confidentiality.