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Subject: Public Consultation by the CRE on the update of gas transmission tariffs from 1 April 2014.

BP is pleased to contribute to CRE consultation on gas transmission tariffs from 1 April 2014 onwards.

Questions 1, 2

Are you favourable to keeping the same PITS tariffs in GRTGaz and lowering down TIGF ones? Which factor between PITS tariffs in GRTGaz and TIGF seems more appropriate?

Do you consider necessary to harmonize the structure of PITS tariffs between GRTGaz and TIGF?

On the basis of the information Poyry presented, BP supports CRE proposals in terms of harmonizing methodologies to determine PITS tariffs across GRTGaz and TIGF. We consider that this harmonization should be implemented on the basis of a cost reflective approach and of a systematic application of discounts to tariffs in comparison to those applied to Entry and Exit tariffs across PEGs.

In general terms, non cost-reflective differences in transportation rates to and from storage could unduly distort commercial decisions, as well as generating cross subsidies among users. By the same token, no approach should determine storage tariffs on the basis of their impact on commercial attractiveness, as at times Poyry report seems to imply. Generally speaking, an approach to determine transportation tariffs should be in BP view completely separated from the other charges to use the storage service, regardless of the fact that shippers usually consider all costs in the loop and evaluate them against time value changes of natural gas deliveries.

BP also supports discounts to storage injection and withdrawal rates, because of the positive impact arising from storage in terms of optimised network investment and system operation and load. These should be embedded systematically in the calculation of tariffs, together with further differences to account for the interruptibility of flows.

3 - Do you support CRE proposal to maintain N-S tariffs in constant Euros?

BP considers that the circumstances of the PEG merger makes beneficial to have a stable and predictable tariff like the one CRE is proposing for PEG N-S tariff.

In general terms BP consider methodologies which promote tariff predictability have beneficial effects on the commercial side, by helping long term commercial planning and possibly increasing hub liquidity. Hence BP expects that, as the implementation of the merger progresses, the market could benefit from CRE offering multi-annual visibility over the course of evolution of PEG N-S tariff, thus reducing risks of abrupt changes in gas hub pricing.

4 - Do you support maintaining Entry and transit tariffs in the French network at current levels? Do you consider more appropriate to have constant value or RPI adjusted tariffs?

In line with question 3, BP welcomes CRE decision in terms of maintaining current tariffs and increasing the predictability around tariff evolution.

Given that current entry transportation tariffs to access the French market are among the highest in Europe, BP is also convinced of the fact that further increases and especially uncertainty around the impact on tariffs coming from physical investments to support the merger could have deteriorated the attractiveness of PEGs in comparison to other hubs.

As CRE outlines, such tariff stability could imply more than proportional increases in exit tariffs. However BP considers very likely that the impact of overall charge increases should be neutral from a customer perspective. In addition the tariff predictability could enact benefits in terms of liquidity and competition which could likely reduce the net impact at consumer level.

On the other hand it seems plausible to expect that the auction mechanism will determine at each session and for each entry point a tariff in line with the expected transportation value, increasing tariffs at a congested point like PEG N-S and France to Spain interconnections. From this perspective, as we outline in more detail in question 6, we see the opportunity to channel extra revenues from auctions to at least reinforce stability of tariffs if not to evenly redistribute excess revenues to all users by reducing all other entry and exit tariffs. Such measure could in our view offer more benefits than solely reducing tariffs to deliver gas in local networks.

5- Do you support tariffication of quarterly products like 1/3 of yearly products, when the interconnection is not congested? Do you support tariff of quarterly products to be ¼ when the interconnection is congested?

BP supports the application of discounted pricing to transportation products with a longer duration, because they compensate risks and disadvantages of long term commitments. We consider such differentiation would help sustaining certainty of revenue collection for GRTGaz and TIGF and in turn improve tariff predictability.

This topic closely interacts with the tariffication developments at EU level. Specifically, BP is aware of some criticism that the above approach has attracted, because of the possible hindrance to wholesale marketing development. Our current view on the matter is that, in order to address such concerns, short term products could be more competitively priced, as long as holders of long term products are given an option to walk away from their long term contracts to compensate them for the structural disadvantage generated to their commitments.

6 - Do you support CRE proposal to redistribute the excess revenue coming from auctions to shippers delivering to final clients? Do you support this principle to redistribute the excess revenue in the interconnection at the North of France and in the interconnection with Spain

In line with a response to a similar question that CRE posed earlier this year, BP supports returning extra revenue to all shippers according to their volumes of capacity subscription or using it on a priority basis to ensure stability of all tariffs. A second solution, whose practical implementation will depend on the EU level work on the incremental capacity regime, would be to channel the extra revenue for additional investment, depending on the volume and duration of capacity bids presented in auction sessions.

We consider that returning extra revenue evenly to all shippers has the fundamental advantage of avoiding discrimination between shippers. CRE proposal to compensate only shippers with end users on the basis of their exit capacity subscriptions could generate an incentive to overbid at relevant auctions, given the greater certainty of return of a percentage of the extra price paid. As a consequence, such approach could generate a structural advantage for more established shippers, especially once GRTGaz and TIGF fully implement the CAM based auction regime.

As an alternative, BP would consider acceptable that in case of overall revenue shortfall at TSO level, extra revenue from a single congested point would be used first to ensure stability and predictability of entry tariffs. Hence In our view, extra revenues from an auction would be channelled towards tariffs to local networks only in case of an overall extra collection. Conversely, assuming CRE allows tariffs to local networks to systematically obtain all excess revenue from entry auctions, BP would consider at least necessary that all revenue shortfalls would be similarly collected exclusively through such delivery points.

With regards to the channelling of extra revenue to finance upgraded investments, BP understands the concerns of CRE in terms of low fiscal efficiency associated with the extra revenue being escrowed in a separate account. However, we would welcome further work from CRE in terms of enabling appropriate legal and regulatory changes to modify the current status. We consider such opportunity valid, especially as the Incremental Capacity work at EU level progresses. The approach BP proposes certainly has risks arising from how interpreting the bidding signals to make sure they represent sufficient interest to justify an infrastructure upgrade. However we consider that CRE could draw from the general work and the experience already developed, in order to choose strict enough economic tests to filter the signal coming from shippers.

7 - Do you support CRE proposal to reduce to 0 the cost of intraday line package from 1 April 2014

On the basis of GRTGaz points that CRE reported, BP supports the decision.

8 - Do you support CRE proposal to apply the same PITTM tariff at Dunkerque and Montoir and FOS? Do you support the €45 MWh/d/y proposed for the PIR Veurne?

BP considers that entry transportation tariff from Dunkerque should be determined primarily considering the cost reflectiveness of applying a similar tariff to that of Montoir and Fos. In our review the analysis should in particular consider how a single entry tariffs across the three terminals would compare in terms of system operation and balancing to a case where some locational pricing incentivize delivery at certain points. BP considers such analysis could be particularly useful in light of the problems that non-cost reflective single transportation tariffs cause to system operation, such as in the case of Spain, by exacerbating the presence of short and long areas within the hub.

9 - Do you support to consider the revenue coming from the PEG N-S Daily Auction Service to be at 50% of CRCP?

BP supports CRE decision.

10 - What's your perception of the quality of service of GRTGaz and TIGF from the introduction of the new price control period? What your perception of the balancing indicators? Do you have additional propositions for the GRT quality of service?

BP has no comments in this regard.

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

Yours Sincerely

Antonio Ciavolella