

10 January 2014

Public Consultation of the Commission de régulation de l'énergie on the implementation of the European network code on the allocation of gas transmission capacity at interconnection points between entry-exit zones

1. Context and purpose of the consultation

The Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM network code) entered into force on 4 November 2013. Its provisions will become binding as of 1 November 2015.

In accordance with articles 6 and 8 of the Regulation 715/2009¹, this network code was drafted by the European Network of Transmission System Operators for Gas (ENTSOG), on the basis of the framework guideline adopted on 9 July 2011 by the Agency for the Cooperation of Energy Regulators (ACER). After the examination of the text by the representatives of the Member States through the comitology process, it was adopted as Commission Regulation on 14 October 2013.

The objective of the CAM network code is to facilitate cross-border trade of gas through the auctioning of transmission capacity at interconnection points between entry-exit systems within the European Union, in the form of products with standard durations and according to a common calendar. In so far as firm capacities are available on both sides of an interconnection point, these shall be offered as bundled capacities. In addition, the network code foresees that one or a limited number of allocation platforms shall be set up and jointly operated by the European transmission system operators.

In view of the deadline for complying with the network code, GRTgaz, TIGF and CRE have initiated discussions with the adjacent transmission system operators and regulators in order to enable a progressive and coordinated implementation of the CAM network code at cross-border interconnection points. Within the South Gas Regional Initiative, the French, Spanish and Portuguese TSOs have in particular established joint orientations, which were submitted to public consultation from 18 November to 4 December 2013. The results of this consultation have been taken into account by the TSOs of the region when preparing their proposals.

These works relating to the implementation of the CAM network code build upon the project launched in April 2012 by sixteen European TSOs, including GRTgaz, to develop a joint platform for capacity booking. The platform, called PRISMA, was launched in April 2013. In accordance with CRE's deliberation of 29 March 2013², GRTgaz now allocates by auctions and via PRISMA bundled monthly capacities at the Point d'Interconnexion Réseau (PIR) Obergailbach and bundled daily capacities at PIR Obergailbach and Taisnières H.

¹ Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) no 1775/2005

² Deliberation of the French Energy Regulatory Commission (CRE) of 29 March 2013 on rules for the early implementation of the CAM Network Code for the sale of monthly capacity products at the entry point Obergailbach and of daily capacity products at the entry points Taisnières H and Obergailbach

At the latest Madrid Forum of 15-16 October 2013, participants welcomed the development of the PRISMA project and called for further work on the implementation of the CAM network code. The geographical scope of the PRISMA platform is progressively widening. The TSOs of the South Gas Regional Initiative, comprising France, Spain and Portugal, have decided to use the PRISMA platform to implement the CAM network code in the region. As a consequence, TIGF has become a shareholder of PRISMA as of 1 January 2014.

Concerning the link between GRTgaz Nord and GRTgaz Sud, CRE defined, in its deliberation of 17 October 2013³, the rules for the allocation of capacity available from 1 October 2014 to 30 September 2018. These rules foresee the allocation of yearly capacities in a two-step process for the direction North to South: a first phase reserved for gas-intensive consumers located in the GRTgaz South area or in the TIGF area with a pro rata allocation of a part of the available capacity and a second allocation phase according to the CAM auction mechanisms and open to all shippers. In the direction South to North, all the available capacity will be allocated by auctions.

Following this deliberation and taking into account the discussions with adjacent regulators and TSOs, GRTgaz and TIGF have established proposals regarding the calendar and specific terms of the implementation of the CAM network code for the sale of the available capacities at the cross-border interconnection points via PRISMA. This consultation aims at gathering stakeholders' views on the proposals of GRTgaz and TIGF, which are enclosed to the present note.

2. Early implementation of the CAM network code for the allocation of capacity at the interconnection points of Taisnières H, Taisnières B, Obergailbach, Biriattou, Larrau, Oltingue, Dunkerque and at the link between GRTgaz Nord and GRTgaz South

2.1. Interconnection points in the scope of implementation

2.1.1. GRTgaz' proposal

GRTgaz proposes to continue, in 2014, the progressive implementation of the CAM network code for the sale of the available capacity at the PIR Taisnières H and B with Belgium and at the PIR Obergailbach with Germany.

GRTgaz proposes to study in 2014 the conditions and risks linked to the implementation of the CAM network code at the entry point of Dunkerque for 2015. As a consequence, the offer of capacity at Dunkerque will remain unchanged for 2014.

GRTgaz proposes to progressively implement the CAM network code for the allocation of the available capacities at PIR Oltingue with Switzerland, but without implementing capacity bundling for the reason that there is no agreement on the matter with the adjacent TSO, Fluxswiss. Concerning the PIR Jura with Switzerland, GRTgaz is not considering implementing the CAM network code because of the administrated nature of the allocation rules in place at that point; the allocation rules applied by GRTgaz are determined according to the allocations performed by the adjacent operator, Gaznat.

2.1.2. TIGF's proposal

TIGF proposes to progressively implement the CAM network code for the sale of the available capacity at the physical interconnection points of Biriattou and Larrau, with Spain. To this end, TIGF proposes to set up a Virtual Interconnection Point gathering the two physical interconnection points, as of October 2014.

2.1.3. CRE's preliminary analysis

³ Deliberation by the French Energy Regulatory Commission of 17 October 2013 deciding on the rules for the sale of transmission capacity at the link between the GRTgaz North and South zones, at the GRTgaz/TIGF interface and at interconnections with Spain

CRE welcomes the TSOs' proposal to progressively implement the CAM network code for the sale of capacity at PIR Taisnières H and Taisnières B, Obergailbach, Biriadou and Larrau. These proposals are in line with the provisions of article 2 of the CAM network code, which foresee that the code shall apply to interconnection points between entry-exit systems within the European Union, in so far as these points are subject to booking procedures.

This same article states that the provisions of the code may also apply to entry points from and exit points to third countries, subject to the decision of the relevant national regulatory authority.

With the objective of ensuring consistency with the allocation rules proposed for the other PIR, CRE is in favour, at this stage, of GRTgaz's proposal to apply as of 2014 the auction mechanisms of the CAM network code at the PIR Oltingue. It will nonetheless be necessary to continue the discussions with the adjacent TSO, Fluxswiss, in view of implementing capacity bundling as a second step. With regards to PIR Jura, CRE is in favour of GRTgaz's proposal not to apply the CAM network code because of the administrative nature of the allocation rules.

CRE shares GRTgaz's analysis according to which the rules for booking capacity upstream of PIR Dunkerque are specific. Holding an exchange with the adjacent operator and network users will be necessary in order to analyse the possibility for implementing the CAM network code as of 2015.

CRE is in favour of the introduction of a Virtual Trading Point between France and Spain, gathering the physical interconnection points of Biriadou and Larrau for the capacities available as of October 2014. In so far as the total technical capacity at PIR France-Spain is not lowered, this change should contribute to facilitating the access to cross-border capacity and meets the requirements set out in article 19(9) of the network code.

Lastly, CRE notes that GRTgaz has not formulated a proposal for the sale of the available capacity at PIR Veurne with Belgium, which is scheduled to start operation in 2015. In accordance with CRE's deliberation of 11 December 2013⁴, GRTgaz will have to study together with Fluxys the rules for operating this new IP and the terms for the potential creation of a Virtual Interconnection Point between Belgium and France, gathering PIR Taisnières H and Veurne. GRTgaz will submit to CRE the results of this work before the end of the first semester of 2014.

Q1: Are you in favour of the progressive implementation of the CAM network code as of 2014 for the sale of the available capacity at PIR Taisnières H and B, Obergailbach, Oltingue and at the Virtual Interconnection Point France-Spain?

2.2 Capacity products on offer

2.2.1. TSOs' proposals

Taking into account the discussions with the adjacent TSOs and regulators, GRTgaz and TIGF propose to allocate as of 2014 the following capacity products according to the auction mechanisms of the CAM network code:

- Yearly products offered in March for a time horizon of 15 years at PIR Obergailbach (forward and backhaul), Oltingue (forward and backhaul) et at PIR France-Spain (in the two directions) ;
- Quarterly products offered in June for the coming gas year at PIR Obergailbach (forward and backhaul), Oltingue (forward and backhaul) and at PIR France-Spain (in both directions) ;
- Monthly products offered on a rolling basis at PIR Obergailbach (forward and backhaul) as well as at PIR Taisnières H (forward and backhaul) and Taisnières B (forward) and Oltingue (forward and backhaul) as of April 2014 and at PIR France-Espagne (in both directions) as of September 2014;
- Daily products offered on a day-ahead basis at PIR Obergailbach (forward and backhaul), Taisnières H (forward and backhaul) as well as at PIR Taisnières B (forward) and Oltingue (forward and backhaul) as of 1st April 2014 and at PIR France-Spain (in both directions) as of 1st October 2014.

⁴ Délibération de la CRE du 11 décembre 2013 portant projet de décision sur l'évolution des tarifs d'utilisation des réseaux de transport de gaz naturel au 1er avril 2014

These products will be offered in the form of bundled products in so far as firm, or backhaul, capacity is available on both sides of the interconnection point, except at Oltingue for all products and at PIR France-Spain for the day-ahead product. In fact, the auctioning of day-ahead products would start in September 2014 for TIGF whereas Enagas has announced that would not be able to launch the daily auctions before November 2015.

Moreover, GRTgaz and TIGF propose to offer in an unbundled way the firm or backhaul available capacity, which could not be bundled because of a lower amount of firm or backhaul capacity available with the adjacent TSO. The unbundled capacities will be sold according to the same mechanism as the bundled capacities. The unbundled capacities will be offered up to a time horizon to going beyond the subscription duration of the corresponding unbundled capacity on the other side of the interconnection point or, by default, up to one year.

Finally, GRTgaz and TIGF suggest that, on all interconnection points apart from Dunkerque, a first quota of 10% of capacity will be dedicated to quarterly products over the coming gas year. A second quota of 10% of capacity dedicated to yearly products up to five years will be applied at the points where yearly capacities are offered via PRISMA.

2.2.2. CRE's preliminary analysis

CRE welcomes the TSOs' proposals with regards to the offer of the standard capacity products defined in article 9 of the CAM network code.

CRE regrets that the discussions between GRTgaz and Fluxys have not lead, at this stage, to an agreement on the auctioning of yearly and quarterly capacity as of 2014. However, CRE notes that the discussions between GRTgaz and Fluxys are still ongoing about the auctioning of quarterly products in June 2014. CRE encourages the two TSOs to find an agreement on this matter as soon as possible and CRE will take into account the outcome of these discussions in its forthcoming deliberation.

CRE notes that the auctioning of intra-day products, foreseen in the network code, is not yet possible on PRISMA and that it will require significant work from the TSOs in order to introduce this measure by November 2015.

Finally, CRE is in favour, at this stage, of the TSOs' proposals relating to capacity bundling and to the rules for the offer of the unbundled capacity. The time horizon up to which capacity would be offered is in line with the provisions of article 19(5) of the CAM network code and will require a regular exchange of information on the amount of capacity booked with each TSO.

Q2: Do you have remarks concerning the capacity products that GRTgaz and TIGF propose to offer according to the rules of the CAM network code?

Q3: Are you in favour of the rules envisaged for the offer of the unbundled capacity?

2.2. Interruptible capacities

2.2.1. TSOs' proposals

GRTgaz and TIGF propose to offer interruptible capacities according to the same auction mechanisms as firm capacity products.

TIGF proposes to limit the offer of interruptible capacities to products with a duration equal or lower than a quarter as of October 2014.

GRTgaz proposes to offer interruptible capacity in the form of yearly, quarterly and monthly products. GRTgaz would convert this interruptible capacity into firm capacity, on a monthly basis, in case not all firm capacity offered during the rolling monthly auction has been allocated. The capacities converted would be paid at the regulated price of the corresponding firm capacity to which the potential auction premium of the interruptible capacity would add up.

Finally, the TSOs propose to trigger the offer of interruptible capacity only if 98% of the firm capacity has been allocated during the corresponding auction.

2.2.2. CRE's preliminary analysis

CRE is in favour of the TSOs' proposal to offer the interruptible capacities according to the same rules as the firm capacities.

Given that the ascending clock auction mechanism may generate unsold quantities, CRE is of the view that it is necessary to adapt the principle according to which the offer of interruptible capacity is triggered when all the firm capacity has been allocated. In this regard, CRE considers that the introduction of a 2% threshold would constitute a relevant measure.

With regards to the conversion of interruptible capacity into firm on a monthly basis, CRE expresses reservations on the compatibility with the CAM network code and in particular with the principle according to which the unsold quantities of an auction are offered in the subsequent auction for products with a lower duration. In the present case, the conversion rule would lower the volume of firm capacity offered during the firm day-ahead auctions.

For cross-border interconnection points, CRE is thus in favour of the general rule proposed by TIGF according to which interruptible capacity is offered, at the earliest, after the firm quarterly auction. However, as a transitional measure, it would be acceptable that GRTgaz offers in 2014 the interruptible yearly capacities available between 1st October 2014 and 30 September 2015 at PIR Taisnières H, Taisnières B, Obergailbach and Oltingue, before the implementation of the general rule for capacities available as of October 2015.

For the link between GRTgaz North and South, CRE considers that it is necessary to maintain the offer of yearly interruptible capacity products, to the extent that significant volumes are concerned. In addition, the potential difficulties linked to the automatic conversion on a monthly basis are lower at this point because of the level of congestion and the limitation of the offer of capacity up to 2018, as defined in CRE's deliberation of 17 October 2013.

With regards to the price to be paid for converted capacities, CRE is in favour of GRTgaz's proposal.

Finally, CRE reminds that article 24 of the CAM network code provides that the order in which interruptions are performed shall be determined based on the contractual timestamp. The TSOs will need to study, within the Concertation Gaz, how compliance with this rule can be achieved by November 2015.

Q4: What are your views with respect to the proposals of GRTgaz and TIGF concerning the offer of interruptible capacity at the cross-border interconnection points?

Q5: Do you share CRE's analysis concerning the adjustments to the TSOs' proposals that are being considered?

2.3. Price increments for yearly, quarterly and monthly capacity auctions

2.3.1. TSOs' proposals

The ascending clock auction mechanism introduced by the CAM network code for yearly, quarterly and monthly capacities requires the use of price increments, in case demand goes beyond offer at the end of the first auction round. The TSOs proposes to set up the price increments for all capacity auctions according to the rules defined by CRE in its deliberation of 17 October 2013 concerning the North-South link. Therefore, the TSOs propose to inform CRE of the price increments envisaged, one month before the auction. CRE will have one week to oppose the TSOs' proposals if deemed necessary.

2.3.2. CRE's preliminary analysis

CRE reminds that the price increments shall be set in a way that fulfills two objectives: the auctions need to close within a reasonable timeline and the volume of capacity remaining unsold needs to be

minimised. CRE considers appropriate to apply to all capacity auctions organised on PRISMA the rules defined by CRE in its deliberation of 17 October 2013.

2.4. Reminder concerning the treatment of auction revenues

2.4.1. Rule for sharing auction premia for bundled products

In situations where there are auction premia after the sale of bundled capacity products, the rule for sharing the extra-revenues has been jointly established by GRTgaz, TIGF and the adjacent TSOs, in coordination with the National Regulatory Authorities concerned. In line with CRE's deliberation of 11 December 2013, the principle retained for all interconnections is an equal split between TSOs at the interconnection point.

2.4.2. Tariff treatment of auction extra-revenues

In line with CRE's deliberation of 11 December 2013, the extra-revenues generated by the auctions :

- At the North-South link in the direction North to South will be redistributed to shippers delivering to end customers in the South zone proportional to the volumes consumed in the South zone. The volumes consumed linked to the capacities obtained between 1 October 2014 and 30 September 2018 by a gas-intensive consumer or an agent representing a gas-intensive consumer during the first allocation phase are not eligible to this redistribution ;
- At interconnections within the GRTgaz North zone will be redistributed to shippers delivering to end customers in the North zone proportional to the volumes consumed in the North zone ;
- At the interconnections with Spain will be redistributed to shippers delivering to end customers in the TIGF zone proportional to the volumes consumed in the TIGF zone.

2.5. Secondary capacity market

2.5.1. GRTgaz's proposal

Concerning transfers of use and assignments, GRTgaz proposes to transfer its secondary trades offer from the Capsquare platform to the PRISMA platform as of 1 April 2014.

2.5.2. TIGF's proposal

2.5.2.1 Unbundled capacities

As previously, the unbundled capacities subscribed with TIGF may be subject to assignments or transfer of use. TIGF proposes that yearly and quarterly capacity bookings can be subject to assignments for a period starting on the 1st day of a calendar month and covering a complete number of quarters, and no longer a season. The rules concerning transfers of use will remain unchanged.

2.5.2.2 Bundled capacities

The Spanish TSO, Enagas, will have a pilot contract with PRISMA which does not include the use of the secondary market functionalities of the platform for the year 2014.

Consequently, TIGF and Enagas propose to put in place, as a transitional measure, an electronic procedure allowing network users to notify assignments of bundled capacity products to the two TSOs. The initial holder would have the possibility, as of the fifth working day following the publication of the auction results, to assign its capacity, in full or part of it. This assignment of rights and obligations would start on the first day of a calendar month and cover a complete number of months. The assignment would be notified by electronic means to TIGF and Enagas by the initial holder. The beneficiary would also notify its confirmation to the two TSOs, at the latest 10 days before the start of the period of transfer. TIGF and Enagas would finally indicate by electronic means to the initial holder and the beneficiary that the assignment is accepted.

Ultimately, the two TSOs envisage using the PRISMA platform for organising the secondary market at the interconnection point between France and Spain.

2.5.3. CRE's preliminary analysis

CRE welcomes the implementation of a secondary market platform on PRISMA, as a complement to the primary capacity offer, and which enables assignments and transfers or use. Three mechanisms can be used on the platform for organising the secondary trades :

- Over the counter trading, where an Offering and a Requesting Shipper trade bilaterally and know each other;
- Call for order, where a Shipper submits a proposal to trade (Trade Proposal) open to Responses of Shippers whereas the proposing Shipper may choose his counterparty;
- First-come-first-served, where a Shipper submits a Trade Proposal open to the Responses of Shippers whereas the Responses are accepted according to the time stamps order.

In line with the general terms and conditions of the platform⁵, the functionalities of the secondary market are free of charge for all users but registration on PRISMA is a requirement.

In addition, CRE considers that the implementation of a European-wide secondary market platform will facilitate compliance with the provisions of article 19(8) of the network code according to which capacities initially allocated as bundled can only be resold in the form of bundled capacities on the secondary market.

Consequently, CRE welcomes the proposal of GRTgaz to transfer its secondary market offer on PRISMA as of 1 April 2014.

At this stage, CRE considers satisfactory the procedure jointly proposed by TIGF and Enagas, as a transitional measure, for the organisation of assignments of bundled products. However, CRE considers necessary that the secondary market offer is transferred on PRISMA as of 2015 and that transfers of use for bundled products are also made possible at this date.

Finally, with a view of ensuring consistency with the procedure proposed for the assignments of bundled capacities, CRE considers, at this stage, that the period of transfer for assignments of unbundled capacities should also cover a complete number of months, and not quarters.

Q7: Are you in favour of the participation of GRTgaz and, ultimately, of TIGF to the PRISMA secondary platform?

Q8: Do you have remarks concerning the transitional procedure proposed by TIGF and Enagas for the assignments of bundled products in 2014?

2.6. Cross-border coordination and interoperability of the networks

The provisions of the CAM network code go beyond the procedures for allocating capacity and cover the aspects linked to the interoperability of the networks. CRE notes that, at this stage, GRTgaz and TIGF have not submitted detailed procedures concerning the implementation of the following articles:

- Articles of Chapter II of the CAM network code relating to the principles of cooperation with respect to maintenance (article 4), standardisation of communication (article 5), capacity calculation (article 6) and the exchange of information between adjacent TSOs (article 7) ;
- Article 19(7) according to which holders of bundled capacity shall have the possibility to nominate the flows of their bundled capacity via a single nomination ;
- Article 23 relating to the coordination of the interruption process between the adjacent TSOs.

⁵ PRISMA General Terms and Conditions for Use of the PRISMA Capacity Platform – 1 January 2014: <https://primary.prisma-capacity.eu/center/download.xhtml?jsessionid=9065A6199E64BF64D256931D78C122D3.node01?conversationContext=1#>

CRE considers that these provisions relating to the operational cooperation between TSOs are key elements of the CAM network code. Consequently, GRTgaz and TIGF will need to engage discussions with the adjacent TSOs in a timely manner in order to ensure full compliance with the network code in 2015.

Q9: Do you have remarks concerning the work to be undertaken in order to ensure full compliance with the provisions of the network code in 2015?

CRE invites all interested parties to submit their contribution, at the latest by 31 January 2014:

- by e-mail to the following address: dirgaz.cp3@cre.fr ;
- by submitting their contributions directly on CRE's website (www.cre.fr), under the section "Documents /Consultations publiques";
- by regular post: 15, rue Pasquier - F-75379 Paris Cedex 08;
- by entering into contact with the Directorate for Gas Infrastructures and Networks: + 33.1.44.50.89.01

We invite you to indicate explicitly whether your contribution has a confidential dimension.