

Public consultation on the changes in ATRT5 tariffs regarding the transitional measures before the setting up of a single PEG and the incentive regulation of the Val de Saône and Gascogne/Midi projects

In its deliberation dated May 7, 2014¹, the CRE decided to set up a single market place (PEG) in France in 2018 based on the investment plan combining the Val de Saône and Gascogne-Midi projects.

The CRE also asked GRTgaz and TIGF to prepare the implementation of several transitional measures aimed at reducing the tension in the gas supplies to the South zone before the setting up of a single PEG. The Transmission system operators (TSOs) presented those measures in Gas Concertation on 24 and 30 June 2014.

In addition, applicable transmission prices of GRTgaz and of TIGF, referred to as « ATRT5 » tariffs define a general incentive regulation framework for TSO's investments. The CRE is considering adjusting that regulation framework to apply it to the Val de Saône and Gascogne-Midi projects.

The purpose of this public consultation is to collect the player's opinion on:

- The transitional measures to be applied as from the winter of 2014 / 2015 to reduce the tension on the gas supply to the south of France;
- The incentive regulation applicable to the Val de Saône and Gascogne-Midi projects.

That public consultation will be followed by a deliberation of the CRE made after the consultation of the Conseil Supérieur de l'Énergie. Interested parties are asked to answer the questions appearing in this consultation note at the latest on 29 August 2014.

Preliminary question about the changes noted recently in the LNG market

This consultation takes place at a time when one sees changes in the Liquefied natural gas (LNG) market. Since the month of April 2014, high amounts of LNG were imported into the British market and to a lesser extent, to the Zeebrugge terminal.

During that period, a significant fraction of the capacity of the Fos terminals remained unused, whereas the prices of PEG South gas were, on average since April 2014, higher by € 4 to 5 /MWh than those in the North West Europe markets.

The CRE wishes, upon this consultation, to collect the opinion of the stakeholders on this issue. Simultaneously, the CRE will directly ask shippers with capacities in the Fos terminals, as well as the Elengy and Fosmax LNG operators, about their analysis of this situation.

Preliminary question: What is your analysis of the fact that an important fraction of the capacity of the Fos terminals remains unused whereas since April 2014, large amounts of LNG are delivered to some terminals in the North West of Europe?

¹ Deliberation of the CRE dated 7 May 2014 bearing orientations relating to the creation of a single market place in France in 2018 ([click here](#))

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I. Transitional measures before the setting up of a single PEG in France

If the current market conditions are maintained, the congestion between the North and the South zones of the transmission network of GRTgaz will remain until the commissioning of the Val de Saône and Gascogne-Midi investments scheduled for 2018. During the interim period, the supply conditions of the North and South of France will be different, leading to structurally higher market prices in the South zone than in the North zone.

The CRE believes advisable, in the interest of gas consumers, to take measures to reduce as much as possible the effects of the disadvantage that the South zone is facing. As a result, in its deliberation dated 7 May 2014, it asked the transmission system operators (TSOs) to prepare the implementation of a set of transitional measures including firstly, the optimisation of the use of the North South link by using all the gas infrastructures.

1) Optimisation of the use of the North South link

a) Measures offered by GRTgaz and TIGF

Those measures are intended to optimise the use of the North South link. They fall within the scope of the TSOs' assignments and are part of a well identified legal framework. In addition, they offer the advantage of not creating any risk of distortion in the formation of prices in the market.

Change in the distribution key between Cruzy and Castillon

In winter, the availability of the North South capacity can be limited by the South East congestion in the network of GRTgaz, which can occur when very little gas is emitted by the LNG terminals in Fos. Congestion is reached all the more faster when the flows from Cruzy are high in the GRTgaz to TIGF direction.

The interconnection agreement between GRTgaz and TIGF provides that the flows from GRTgaz to TIGF go, for 2/3, through Cruzy and, for 1/3, through Castillon. GRTgaz and TIGF are considering, for the 2014/2015 winter, changing, in the interconnection agreement, the distribution between the flows to Castillon and to Cruzy sending 2/3 of the flows through Castillon and 1/3 through Cruzy. This will allow an increase of the availability of the North to South link.

As a result, GRTgaz indicates that it is in a position to offer, for the 2014-2015 winter, 20 GWh/d of extra firm North South capacity that would be marketed in the form of monthly products as well as 20 GWh/d on average intended to increase the availability of the interruptible North to South capacity.

GRTgaz suggests selling the extra firm monthly capacities at auction on the PRISMA platform according to the schedule provided by the European network code on the allocation of capacities (network code CAM).

JTS for the 2014/2015 winter

In 2013, GRTgaz and Storengy set up a joint storage transmission service (JTS²) allowing to offer extra firm capacity to the North South link for the next day and to improve the access to the North Atlantic and South Atlantic storages.

In winter, that service consists in using all the available storage and capacities of the North South link. It requires firstly setting up a gas inventory in the saline storage of the South East downstream from the congestion, and secondly exchanging amounts of gas between the south storage and the north storage depending on congestions. This allows to release additional daily North to South capacities. GRTgaz and Storengy propose to renew that offer for the 2014/2015 winter.

Unlike the situation of the 2013/2014 winter, the Salins storage group is fully subscribed by shippers. In order to ensure the JTS service at the beginning of the winter, GRTgaz will have to relocate part of its safety stock in the Salins.

For informational purposes, GRTgaz believes that the JTS will allow at the beginning of the winter, to offer approximately 10 GWh/day North South capacity. Such amounts will be used by GRTgaz to

² « Joint transport storage » service

market more North to South capacity and to increase the entry capacities on the network from the South – Atlantic Storage interface point. They can be increased as winter moves in, based on inventory levels in the salines.

GRTgaz is studying the possibility of marketing the daily capacities of JTS on PRISMA in the future.

Circulating gas for the 2014/2015 winter

GRTgaz, in cooperation with Elengy, Fosmax LNG and Storengy, offers to set up a circulating gas system for the 2014/2015 winter.

The system would be based on exchanges of gas between storage upstream from the North South congestion and natural gas previously stored in the terminal tanks of Fos. It would allow GRTgaz to smooth the availability of the interruptible North South capacity.

In periods of low availability of the North South link, the gas stock of GRTgaz in tanks should be withdrawn from the Fos terminals to improve the availability of the link.

In high availability periods of the North South link, the availability of the link would be reduced to restore the LNG stock from the storage upstream from the congestion. The physical inventory of LNG in tank would be restored by limiting send-out from the Fos terminals.

The service offered by Elengy and Fosmax LNG to GRTgaz would be interruptible and would not have any effect on the Fos terminals users.

In addition, GRTgaz is studying with TIGF the opportunity of using the storages of TIGF.

Estimation of the cost of those measures

GRTgaz indicates that the marginal compression cost to transport one additional MWh of gas from the north to the south is € 0.75 /MWh. That cost will apply to the extra amounts carried thanks to the change in flow distribution between Cruzy and Castillon and thanks to the JTS service, i.e. respectively 6 TWh for the 2014/2015 winter and 4.8 TWh for the year 2014 according to the estimations of GRTgaz. The respective costs would therefore be € 4.5 million and € 3.6 million.

For circulating gas, Elengy and Fosmax LNG offer to charge that service to GRTgaz based on a fixed term of € 40 k/month and a variable term of € 0.50 per cycled MWh. GRTgaz indicates that the stock of gas in tank should first be bought and should range between 200 and 400 GWh.

b) Preliminary analysis of the CRE

JTS and change in the Cruzy-Castillon distribution key

At this point, the CRE is in favour of the measures offered by the TSO and the operators of adjacent infrastructures to improve the situation in the South of France by optimising the use of the gas infrastructures. It welcomes favourably the extension of the JTS as well as the change in the flow distribution key at the interfaces between the networks of GRTgaz and TIGF.

In order to give visibility to the market, it is favourable to GRTgaz's proposal to market in the form of monthly products 20 GWh/d of North to South capacities generated by the change in flow distribution between Cruzy and Castillon. It also wants such capacities to be marketed according to the CAM network code on PRISMA, by limiting shippers' demand to 20% of the marketed capacity.

Circulating gas

The CRE notes that circulating gas does not generate any North South capacity but give more visibility to the capacity availability rate, the availability of the interruptible being smoothed between the days when the availability is high and those days when it is low. Regarding the management by GRTgaz of the gas upstream from the congestion, two variants are possible:

- subscription, as proposed by GRTgaz, of extra storage capacity with Storengy. That solution allows not using market mechanisms. As Storengy did not provide the price of the service that it would provide to GRTgaz, the CRE is not in a position to pronounce on the overall cost of that variant. In addition, the used gas should then be held and compensated at the weighted average cost of capital during its holding. That gas however would not be amortised;
- intervention by GRTgaz in the PEG North to buy the gas which would then be stored in tanks

and to sell the gas when it is issued from the PITTM in Fos. In that variant, the only cost borne by GRTgaz (which should therefore be passed on to its transport tariff), in addition to those charged by Elengy and Fosmax LNG, would be the difference between the purchase and sale prices of the gas used. Legal, economic and technical feasibility of that solution are being studied by GRTgaz.

Estimation of the cost of such measures

Regarding the JTS and the change in the distribution key, the CRE is currently analysing the marginal 0.75 €/MWh cost of North to South transport provided by GRTgaz.

Regarding circulating gas, the CRE believes at this point that a variable term of approximately € 0.1 to 0.2 /MWh would reflect more the costs than the € 0.5 /MWh term offered by Elengy and Fosmax LNG. Based on a 600 GWh/d use assumption in winter and assuming that GRTgaz uses the services of two operators, the overall cost of the system would approximately be of € 500 k.

The CRE regrets that the cost of a possible service by Storengy to GRTgaz for circulating gas is not known at this point.

Question 1: Are you in favour of the TSO's proposal regarding the change in the distribution key between Cruzy and Castillon? Are you in favour of the marketing of 20 GWh/d in the form of firm monthly North South capacity and the use of the 20 GWh/d remaining on average to improve the availability of the interruptible North South capacities?

Question 2: Are you in favour of the proposal of GRTgaz regarding the continuation of JTS's service this winter? Are you in favour of selling JTS capacities on the PRISMA platform?

Question 3: Are you in favour of the circulating gas system offered by GRTgaz to reduce the magnitude of the variations of the North South link interruption? If so, what variant will you prefer?

Question 4: Do you have other comments about the proposals of GRTgaz and TIGF for the optimisation of the gas infrastructures?

2) Tariff reduction at the Fos PITTM

a) Presentation of the considered measure

In its deliberation dated 7 May 2014, the CRE asked for a study in Gas Concertation of a tariff reduction to the Fos PITTM for the amounts of LNG unloaded beyond a defined threshold.

The purpose of the measure is to reduce price peaks in the South. In theory, the price of South PEG would then be limited to the price of the LNG in the world market minus the reduction, since it would be the value or opportunity cost of the marginal LNG for the shippers. Currently the price of the South PEG is assumed to be limited to the price of LNG in the world market.

That measure could lead to increase marginally the amounts of LNG imported to the south of France.

Several threshold definition variants have been identified and submitted at the Gas Concertation meetings:

- Variant 1: individual threshold calculated based on the send-out of the shipper over a reference period, for instance the send-out of the previous year. The reduction is granted for each shipper beyond that threshold;
- Variant 2: overall threshold calculated based on the total send-out from the Fos terminals over a reference period, for instance the LNG emissions of the previous year from the Fos terminals. The discount is granted when the sum of the amounts brought by the shippers exceeds the threshold, the overall discount amount being redistributed to the shippers in proportion of their send-out from Fos;
- Variant 3: individual threshold based on the average proportion of LNG for the supply of the South of France (approximately 40%). The threshold per shipper would be reached if the send-out from the shipper to the PITTM Fos compared with the shipper's gas releases in the

South exceed that average proportion. A shipper is therefore granted the discount if the share of LNG in its portfolio exceeds the average fraction of LNG in the overall supply to the South zone.

In order to give more visibility to the shippers, the discount could be defined previously to the effective date of the measure. It should be limited to the difference in price between the North and South PEG.

b) Preliminary analysis of the CRE

The purpose of that measure is not, and it should not result in a significant increase in LNG amounts in the South, which would imply an increase of the overall gas supply cost of the country. However, a marginal increase in the amounts imported to the South could have a beneficial effect on the market price in the South, with no impact on the overall supply cost.

At this point, the CRE has not identified any solution allowing the implementation of that system in a satisfactory manner. Each considered variant has major drawbacks:

The first variant would result in a different treatment between the shippers by giving an advantage to shippers that did not bring LNG during the reference period. In addition, LNG exchanges between shippers upstream of the PITTM before the arrival at the terminal or through in-tank exchanges could lead to LNG amounts being subject to a discount as from the first imported kWh for a shipper bringing significant amounts of LNG.

The second variant, based on an overall threshold, would allow an undifferentiated treatment for all of the shippers. Nonetheless those shippers with low LNG importing capacities in the South would know belatedly if the total emissions over the period are likely to exceed the overall threshold. That system would not give enough visibility to shippers without significant LNG importation capacity.

The third variant for calculating the threshold also presents difficulties: the use of gas emissions from the South zone to define the threshold could prompt some shippers to reduce their nominations at transmission network exit via sales of capacity or use rights. As a result, the volume benefiting by the discount would be increased, whereas the situation in the south would not be improved. In addition, like variant 1, that method would allow shippers arbitrages via exchanges of LNG upstream of the PITTM.

At this point, the CRE is therefore not in favour of the implementation of this system.

Estimation of the cost of that measure:

The costs of that measure are difficult to quantify, since it is impossible to predict the amount of LNG that will be indeed taken to the Fos terminals beyond the threshold applied.

As an illustration, if the incentive volume was limited to 10 TWh and the unit discount set between 2 and 5 €/MWh, the measure cost limit would be between 20 M€ and 50 M€ annually.

The costs would be shared between the prices of GRTgaz and of TIGF according to a distribution key representing their size and would be compensated over a period of one year at most.

Question 5: Are you in favour of the principle of a tariff decrease at the Fos PITTM? Do you share the analysis of CRE which sees the difficulty in finding an efficient implementation? Do you have other solutions to offer?

3) Rebalancing, via market mechanisms, of the flows at the Spanish border in the event of a significant tension situation in the South

That measure would consist in rebalancing the flows at the interconnection between France and Spain, via a market mechanism, in the event of significant tension on the price of gas or on supply in the South of France.

GRTgaz and TIGF would launch a joint call for bids, which could cover two types of products or services:

- Purchase of France to Spain transmission capacity;

- Spain to France Flow commitment.

At this point, the CRE is in favour of the implementation of a call for bids in the form of a flow commitment rather than in the form of a capacity purchase.

The product requested for the call for bids could be firm commitment in the region of 50 GWh/d of Spain to France nomination everyday for one month. During the period where that system is in place, the Spain to France nominations would balance partly the dominating France to Spain flows. The net maximum flow from France to Spain would then be 115 GWh/d instead of 165 GWh/d. The call for bids would be initiated, on the TSOs proposals and CRE's decision, in the event of a very high price difference between the prices of the North and South PEGs found in the *day ahead* and *month ahead* products.

Estimation of the cost of that measure:

The cost of that measure will depend on the market conditions in the South of France and in Spain at the time of the completion of the call for bids and will consequently be impossible to assess in advance.

CRE considers at this point that these costs should be limited prior to the launch of the call for bids. Too high offered prices would therefore lead to declaring the call for bids unsuccessful.

As an illustration, based on the result of the bids for quarterly Spain to France capacities for the first quarter of 2015, the unit cost could be approximately € 2 /MWh. A flow commitment of 50 GWh/d for one month would account for a volume of 1.5 TWh of gas i.e. an overall cost of about € 3 million for the respective month.

The costs would be shared between the prices of GRTgaz and of TIGF according to a distribution key representing their size and would be made up for over a period of one year at most.

Question 6: Are you in favour of the system suggested by CRE of a call for bids for flows from Spain to France in the event of significant tension in the South of France? Do you have any suggestion regarding the terms of implementation of that system?

4) Incentive control of extra firm capacities of the North South link

Currently, GRTgaz returns all the income related to the JTS service to the market and to Storengy.

In the latest price estimation of the ATRT5 (deliberation dated January 29, 2014), CRE introduced a financial incentive to the creation of extra firm North to South capacities, which constitutes the only compensation of GRTgaz for the JTS service. Each GWh suggested by GRTgaz for selling (either by the JTS service, or in the form of firm monthly capacity) over a threshold of 3 TWh is paid € 0.2/MWh.

In its deliberation dated 7 May 2014, CRE planned to increase the incentive by setting up a 5 TWh threshold beyond which each MWh would be compensated at € 0.4 /MWh.

a) Proposal by GRTgaz

GRTgaz considers that the system considered by CRE does not allow, for the year 2014, to cover the extra compression costs needed to offer the JTS and the change in the distribution key between Cruzy and Castillon.

GRTgaz asks that the price incentive start as from the first MWh at € 0.2, then that MWh over 1.2 TWh be compensated at € 0.48.

GRTgaz is considering marketing a total of 6 TWh in 2014 (4.8 TWh of JTS and 1.2 TWh in monthly firm North South capacity in November and December). Applying that rule would therefore generate in 2014 an income of €2.5 million for GRTgaz, to be compared with costs not covered by the applicable ATRT5 tariff estimated at € 0.7 million.

According to GRTgaz, that potential 2.5 M€ income should allow to cover the extra costs related to the implementation of those new products (non covered compression OPEX estimated at 0.7 M€, implementation of, and follow up on contracts with the operators of adjacent infrastructures, product marketing, ...) and set up for GRTgaz a financial incentive to develop those services more broadly.

In addition, according to GRTgaz, the level of that incentive would therefore be comparable with that of the incentive set up by the CRE for the sale of the capacities at the other entrance / exit points in the main network (50% of the regulated income from the extra capacities sold).

b) Preliminary analysis of the CRE

The CRE considers that the extra compression costs supported by the TSO to offer new services should be covered.

If the volume sold in 2014 was indeed close to 6 TWh, the rule proposed in the deliberation of May 7, 2014 would generate an income for GRTgaz of € 0.8 million, exceeding the non covered compression cost estimated by GRTgaz at € 0.7 million.

The CRE is considering at this point confirming that rule for the year 2014, which covers the costs of GRTgaz and creates a strong incentive for GRTgaz to market extra North South capacity.

The price treatment of those services for the year 2015 will be defined by the CRE in the framework of the evolution of tariffs as at 1 April 2015.

Question 7: Are you in favour of the incentive regulation of the extra capacity of the North to South link offered by the CRE?

5) Decrease in the price of the monthly capacity to the North to South link

In its deliberation dated 7 May 2014, the CRE planned to reduce from 1.5 to 1 the multiplier between the annual and monthly products applicable to the regulated tariff of the monthly capacities in order to facilitate North to South flows even in the event of low tension in the market of the South of France. As a result, the controlled price of the daily capacity equal to 1/30th of the price of the monthly capacity would be reduced in the same proportion. The CRE is considering confirming that measure.

Question 8: Are you in favour of a decrease in the regulated price of the monthly capacities of the North to South link?

II. Incentive regulation applicable to the Val de Saône and Gascogne-Midi projects

The CRE, in its deliberation dated 7 May 2014, chose the investment plan associating the Val de Saône project on the network of GRTgaz and the Gascogne-Midi project on the networks of GRTgaz and TIGF. In accordance with that deliberation, the CRE is conducting an audit on the costs, the time and technical options of those projects, with a view to defining the target budget of the cost regulation incentive system.

1) Val de Saône and Gascogne-Midi projects

a) Val de Saône

The Val de Saône project on the network of GRTgaz was submitted to a public debate from 18 September to 18 December 2013. Based on the studies that were completed in the first quarter of 2014, GRTgaz provided the CRE with the best estimations that it has on the budget and the project schedule. GRTgaz expects a total budget of 744 M€ and a launch in late 2019.

The budget appears to be up from the estimation prepared in 2012 and appearing in the deliberation of the CRE dated 19 December 2013³ approving the investment programme of GRTgaz, which was € 605 million.

Sub-project		Current €M
Val de Saône	Val de Saône artery	539
	Voisines Interconnection	51
	Palleau Interconnection	43
	Etrez Interconnection and compression	108
	Total	744

GRTgaz has informed the CRE of the administrative constraints weighing on meeting the deadlines. Indeed, due to regulatory changes in the ministerial building and operating permit investigation time and in the forest code, GRTgaz considers that the installation work is not likely to start before the summer of 2018, which would imply commissioning in late 2019.

b) Gascogne-Midi

That project, made up of investments in the network of the two operators, was identified during the cost-profit study on the creation of a single PEG in France achieved by the CRE in the second quarter of 2013. It is made up:

- On the network of TIGF, by the reinforcement of 60 km of pipe between Lussagnet and Barran (Gascogne artery) and the adjustment of the Barbaira compression station;
- On the network of GRTgaz, of the adjustment of the two interconnection stations of Cruzy and Saint Martin de Crau.

The forecast budget is € 151.4 million for TIGF and € 21.3 million for GRTgaz.

Sub-project		Current €M	
Gascogne-Midi	TIGF	Barbaira compression station	27.1
		Gascogne artery (DN 800)	124.3
		Total	151.4
Gascogne-Midi	GRTgaz	Adjustment of the Cruzy station	7.8
		Inversion in direction in Saint Martin de Crau	13.5
		Total	21.3

³ CRE deliberation dated 19 december 2013 relating to the review of the ten year development plan and containing a decision to improve the investment programme for the year 2014 if GRTgaz and TIGF ([click here](#))

TIGF is also studying the opportunity of making the Gascogne artery with a DN 900 pipe, instead of DN 800. That technical option would cause an overrun of € 13.5 million compared with the forecast budget of the project at TIGF, taking the cost of the project to € 164.9 million.

TIGF and GRTgaz expect the Gascogne-Midi project to be started in late 2018.

2) The incentive control framework defined by the ATRT5 prices

The CRE, in the gas transmission tariff (referred to as « ATRT5 ») decided to apply a 300 basis point (bps) premium for 10 years « *to the two major projects remaining to be completed to improve the operation of the French market and its integration in the European market:*

- *the doubling of the Burgundy artery, which is a necessary project for the merger of the North and South areas;*
- *the decentralised odourisation of the natural gas, allowing a physical flow of gas from France to Germany or to Belgium. »*

In addition, with a view to encouraging operators to control their costs for projects entitled to the 300 bps premium, the ATRT5 tariff provide for the following system:

- within a limit of 110% of the target budget, the TSO is compensated for its investment at the weighted average cost of the capital plus the 300 bps premium for ten years;
- if the investment expenses exceed 110% of the target budget, the TSO no longer gets the 300 bps premium for the fraction exceeding that threshold;
- the share of the cost of the project exceeding 130% of the target budget is compensated at the rate of current fixed assets;
- if the investment expenses are under 90% of the target budget, the TSO receives a premium equivalent to the application of the 300 bps premium for ten years on the difference between the budget achieved and 90% of the target budget.

The target budget of each project will be determined by the CRE after an in-depth audit of the costs submitted by the operators.

3) Changes in the framework defined by the ATRT5 prices considered by the CRE

a) Extension to the Gascogne-Midi project of the incentive control applicable to the Val de Saône project

The Gascogne-Midi project was identified after the effective date of the ATRT5 tariff. Since that investment is crucial, like the Val de Saône project, to the creation of a single PEG in France, the CRE will consider applying to the Gascogne-Midi project the incentive regulation defined in the ATRT5 tariff (300 bps premium, incentive system).

Question 9: Are you in favour of the extension to the Gascogne-Midi project of the incentive regulation system applicable to the Val de Saône project?

b) Introduction of an incentive on the commissioning of the Val de Saône and Gascogne-Midi projects

The schedule submitted by GRTgaz provides for the start-up of the Val de Saône project in late 2019. GRTgaz indicates that it is a reasonable schedule that takes into account the maximum time of administrative procedures and adverse weather risks. GRTgaz agrees that a start-up of Val de Saône in 2018 is possible, subject to factors that it does not control.

The CRE shares the point of view of GRTgaz as to the fact that GRTgaz does not control all the factors and that it is impossible for it to guarantee commissioning in late 2018. However, the CRE

considers, after in-depth analysis of the items provided by GRTgaz, that the start-up times of the project also depending widely on the TSO's action. GRTgaz can act on the quality of the administrative files and of the relationship with the agencies in charge of the project, the organisation of contractual relationships with the chosen providers, the increase, as needed, in the laying speed.

Regarding the Gascogne-Midi project, the CRE finds that the schedule submitted by TIGF is more optimistic. The project is less complex than Val de Saône but it started later. Commissioning in late 2018 will require, like for Val de Saône, the mobilisation of TIGF and of all stakeholders concerned and may result in overruns.

The GRTgaz part of the Gascogne-Midi project should be started up in late 2018 without difficulty.

In addition, the commissioning of the Val de Saône and Gascogne-Midi projects in 2018 rather than in 2019 would contribute a significant benefit to the French gas market. As an illustration, if the current market conditions are maintained, the financial profit provided by a one year gain on the start-up date would be approximately € 300 million (70 TWh of additional gas carried from North to South with a North / South price difference of € 4 /MWh). The socio-economic gains induced by the improvement of the competitiveness of the intensive gas industries would also be significant.

The benefits are not comparable with the possible additional costs that GRTgaz and TIGF could face to speed up the project schedule.

Based on those elements, the CRE is considering giving a financial incentive to GRTgaz and TIGF to start up those investments in 2018. The incentive could be in the form of a premium, defined beforehand. At this point, a bonus in the region of 5 to 10% of the estimated market gain, i.e. € 15 to 30 million to be shared between the two operators in proportion of the target investment budgets that will be defined by the CRE.

Question 10: Are you in favour of the allotment of a premium to encourage the TSOs to start up the Val de Saône and Gascogne-Midi projects in 2018? If so, what amount do you think should be applied?

Question 11: Do you have any other comments?

III. Question summary

Preliminary question: What is your analysis of the fact that an important fraction of the capacity of the Fos terminals remains unused whereas since April 2014, large amounts of LNG are delivered to some terminals in the north west of Europe?

Question 1: Are you in favour of the TSO's proposal regarding the change in the distribution rules between Cruzy and Castillon? Are you in favour of the marketing of 20 GWh/d in the form of firm monthly North South capacity and the use of the 20 GWh/d remaining on average to improve the availability of the interruptible North South capacities?

Question 2: Are you in favour of the proposal of GRTgaz regarding the continuation of JTS's service this winter? Are you in favour of selling JTS capacities on the PRISMA centre?

Question 3: Are you in favour of the circulating gas system offered by GRTgaz to reduce the magnitude of the variations of the North South link interruption? If so, what variant will you prefer?

Question 4: Do you have other comments about the proposals of GRTgaz and TIGF for the optimisation of the gas infrastructures?

Question 5: Are you in favour of the principle of a price decrease at the Fos PITTM? Do you share the analysis of the CRE which sees the difficulty in finding an efficient implementation? Do you have other solutions to offer?

Question 6: Are you in favour of the system suggested by the CRE if a call for bids for flows from Spain to France in the event of significant tension in the south of France? Do you have suggestions regarding the terms of implementation of that system?

Question 7: Are you in favour of the incentive control of the extra capacity of the North to South link offered by the CRE?

Question 8: Are you in favour of a decrease in the regulated tariff of the monthly capacities to the North to South link?

Question 9: Are you in favour of the extension to the Gascogne-Midi project of the incentive regulation system applicable to the Val de Saône project?

Question 10: Are you in favour of the allotment of a premium to encourage the TSOs to start up the Val de Saône and Gascogne-Midi projects in 2018? If so, what amount do you think should be applied?

Question 11: Do you have any other comments?

The CRE asks interested parties to send their contribution, at the latest on 29 August 2014:

- By e-mail to the following address: dirgaz.cp1@cre.fr;
- By post: 15, rue Pasquier - F-75379 Paris Cedex 08.

Non confidential contributions will be published by the CRE, subject to law-protected secrets.

Please indicate in your reply if you want your answer to be considered as **confidential or anonymous**. Failing, your contribution will be considered as non confidential and non anonymous. Interested parties are asked to send their observations with arguments to support their points.