



27th August 2014

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

Public consultation regarding the
transitional measures before the
setting up of a single PEG.

Dear Sir/Madam,

ExxonMobil¹ is a longstanding participant in the European gas business involved across the supply value chain including upstream production, storage and processing, LNG receiving terminals and marketing. ExxonMobil also operate refineries and chemical plants in Europe, including facilities in France. As such we highly appreciate opportunities to comment on the "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".

ExxonMobil welcomes initiatives that improve the functioning of the French gas market and promote further integration towards a single European gas market, in order to facilitate gas trade, increase market liquidity and enhance security of supply. We support measures which are market based and ensure a level playing field for all market participants and aim at harmonization of gas regulations across the EU. In this context we have appreciated the CRE initiatives to merge the different zones in France into a single PEG. We understand that the merger of PEG North and PEG South requires debottlenecking of the North-South transmission capacity which may only be completed late 2019. This response covers our comments on possible transitional measures during the interim period.

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?*

Answer: The flows of LNG into Europe are dependent on many different factors including LNG terminal access conditions, the regulation framework for access to the market, existing contractual agreements and the market conditions in terms of pricing and liquidity. The fact that since April 2014, an increased amount of LNG was delivered to terminals in North West Europe while capacity at the Fos terminals remained unused suggests that there may be factors limiting its use.

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?*

Answer: We support the TSO's proposal to change the distribution key between Cruzy and Castillon to increase the availability of the North to South link. We suggest assigning the entire volume to improve the availability of the interruptible North South capacities, as we believe the current average

time this service is interrupted (~35%) is a-typically high for an interruptible service. In addition, the marginal supply which determines the PEG South price will continue to rely on interruptible North South capacity. This will benefit more from reducing the interruptions as compared to making more firm capacity available.

***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?*

Answer: We are in favour of the proposal regarding the continuation of JTS's service as it makes additional capacity available on the North to South link at limited extra cost.

***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?*

Answer: We are not in favour of the proposals regarding the circulating gas system. The consultation document states that the service would be interruptible and would not have any effect on the Fos terminals users. We do not agree with this statement and believe it could have a negative effect on the Fos terminals users because (1) GRTgaz would be holding physical inventory of LNG in tank and (2) when GRTgaz builds inventory it could limit the amount of LNG that can be received by the terminal. This could make it less attractive to bring LNG to the Fos terminals and work contrary to the desired solution which is to make the Fos terminals more attractive.

In addition the proposals would require GRTgaz to actively participate in the market and buy/store/sell gas. Since these activities could also be undertaken by market participants, GRTgaz would start competing activities. We believe this would be in conflict with GRTgaz's role as TSO.

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

Answer: We have no other comments.

***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?*

Answer: We share CRE's concerns with the suggested tariff decrease at the Fos PITTM. A tariff decrease might improve the attractiveness of the Fos terminals, but without an analysis of the potential factors that limit the use of the terminals it is unclear whether a tariff decrease will have any effect at all. In addition, we believe that regulated transmission tariffs should reflect the underlying costs and should not be set artificially low, or high, as this introduces discrimination and cross-subsidies. Finally, network users want tariffs to be predictable. The suggested tariff decrease would be limited to certain thresholds or periods, which would make it difficult to predict the benefit thereof.

***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?*

Answer: We do not support a call for bids for flows from Spain to France because it aims to create an artificial barrier to flow gas from France to Spain. We believe that gas should flow freely across markets. In addition, we question the net effect of this measure since the cost of the flow commitment would normally be reflective of the market price differential. The suggested measure will only add complexity to the system and might even have short term adverse effects if market conditions change within one month.

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

Answer: We support the CRE's view that the extra compression costs supported by the TSO to offer the extra capacity of the North to South link should be covered. We believe that CRE is best placed to decide on any incentive regulation taking into account the extra compression costs, development cost for new services and the additional revenue generated by the sale of the extra capacity.

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

Answer: We are in favour of the proposed decrease of the multiplier between annual and monthly products for the North to South link. Considering that this link is physically congested, there is little concern that network users would buy less capacity (and cause TSO under recovery) when short-term products are priced proportionately with a multiplier of 1

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?

Answer: We are in favour of this extension as we see no reason to discriminate between the two projects.

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?


Answer: We have no comment on this.

Question 11: Do you have any other comments?

Answer: We have no other comments.

We hope the foregoing comments prove useful in the development of CRE's final position on the transitional measures towards creation of a single gas marketplace in France. This response does not contain confidential information. For further information, or if you want to discuss the above, please don't hesitate to contact me.

Regards,



Peter Dorsett

ⁱ The term "ExxonMobil" may include the affiliated business stewarded by Exxon Mobil Corporation, as well as Exxon Mobil Corporation itself and does not refer to any one particular affiliate of the ExxonMobil group of companies.