



The French Energy Regulatory Commission (CRE) consults the market players.

## **PUBLIC CONSULTATION OF JANUARY 24, 2018 N° 2018-002 RELATING TO THE CHANGE IN THE CAPACITY SELLING ARRANGEMENTS AT THE DUNKIRK PIR**

GRTgaz sells capacity in the upstream transmission network, mainly at network interconnection points (PIRs), at the North/South link, at transmission/storage interconnection points (PITS), and at LNG terminal transmission interconnection points (PITMs).

Commission Regulation (EU) 2017/459 of 16 March 2017, establishing a network code on capacity allocation mechanisms (CAM code) <sup>1</sup> in the gas transport systems, applies at all PIRs within the European Union, but does not apply at the Dunkirk PIR, entry point on the Franpipe system connecting France to Norwegian production fields.

In order to be more in line with the selling arrangements as defined in the CAM network code, and to meet the demand of several clients, the CRE changed the capacity selling rules at the Dunkirk PIR in its deliberation of 27 July 2017<sup>2</sup>. This new selling arrangement shall be applied starting on the month of July 2018.

In this deliberation, the CRE has estimated that the arrangements that may be applied to the quarterly products of the Dunkirk PIR, needed to be deepened in the context of Concertation gas, and asked GRTgaz to submit a proposal concerning these arrangements before the end of 2017. This subject was delivered in Concertation gas on 10 October 2017, and GRTgaz sent CRE a proposal for development on 21 November 2017. This proposal is attached to this public consultation document.

In accordance with the provisions of Article L.134-2, 4° of the French energy code, CRE plans to deliberate during the first quarter of 2018 to define the rules regarding the capacity selling arrangements at the Dunkirk PIR. In this context, the CRE wishes to consult the stakeholders.

Paris, on 24 January 2018.

For the French Energy Regulatory Commission,  
The President,

Jean-François CARENCO

<sup>1</sup> Network code on capacity allocation mechanisms in the gas transmission systems (*Capacity Allocation Mechanisms*)

<sup>2</sup> Deliberation of the French Energy Regulatory Commission of 27 July 2017 deciding on the change in the capacity selling arrangements at the Dunkirk PIR, the change in interruptible capacity selling arrangements, and the creation of entry capacity at the Oltingue PIR.

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## **1. SELLING ARRANGEMENTS PROPOSED FOR JUNE 2018**

Since the Dunkirk PIR does not connect the French transmission system to that of another European Union Member State, the CAM network code does not apply, and the capacity booking arrangements applicable upstream from this point are specific.

At the Dunkirk PIR, GRTgaz sells network entry capacity in three forms:

- firm capacity, the use of which is guaranteed by GRTgaz under normal operating conditions;
- returnable capacity, which a shipper having booked over 20% of the firm annual capacity proposed commits to returning to GRTgaz under certain conditions;
- interruptible capacity, the availability of which mainly depends on the use and the configuration of the network.

This capacity is proposed for different time periods: plurennial (long notice), yearly (short notice), monthly (calendar month) and daily.

### **1.1 Long-notice plurennial capacities**

Long-notice plurennial capacities are sold by the OSP (« *open subscription period*<sup>3</sup> ») mechanism in June of the Year N for the capacities starting on 1 October of years N+1 to N+14. The capacities are sold independently for each year.

If demand is greater than supply, capacity is allocated in proportion to the requests expressed by shippers.

To facilitate access to new entrants, only 80% of capacity for sale is proposed in the form of plurennial capacity. The remaining 20% is reserved for shorter-term sale (yearly, monthly and daily capacity).

When all firm and returnable capacities are sold, GRTgaz offers the sale of interruptible capacities.

### **1.2 Short-notice annual capacities**

Short-notice yearly capacities are sold in the form of rolling annual products every month from the 11th to the 20th of month M-4 for the M month by the OSP mechanism, then from the 21st of month M-4 to the last day of month M-2 by the "first-come, first-served" selling mechanism.

During each OSP, returnable capacity is sold simultaneously with short-notice firm annual capacity. Firm capacity is allocated first and foremost to returnable capacity and interruptible capacity is sold when all firm and returnable capacity has been allocated.

If demand is greater than supply, capacity is allocated in proportion to the requests expressed by shippers.

#### **1.1 Monthly and daily capacities and UBI**

Monthly capacities for a month M are sold by the OSP from the 1<sup>st</sup> to the 10<sup>th</sup> of the month M-1. Available remaining capacities are then proposed following the "first-come, first-served" selling mechanism until the 20th of the month M-1.

The daily capacities for a gas day J of month M are sold following the "first-come, first-served" selling mechanism from the 21st of M-1 until J-1 at 13h.

In addition, intra-day capacities are accessible via the UBI (*Use it or Buy It*) mechanism, which allows an actor to access the capacity by naming more capacities than which he possesses in his portfolio, from 14h on J-1 until 3h on J.

The detailed selling arrangements for the monthly, daily and intra-day capacities are specified on GRTgaz website<sup>4</sup>.

<sup>3</sup> *Open subscription period*: subscription demands experimented during the reservation closure are deemed to have arrived simultaneously. The capacities are allowed on the basis of these demands, with application of a proportion cumulation request between the available capacity.

<sup>4</sup> GRTgaz website: Capacity subscriptions for Dunkirk PIR and Jura

## 2. DEVELOPMENT PROPOSAL FOR QUATERLY PRODUCTS

### 2.1 Deliberation of 27 July 2017

The question concerning the introduction of quarterly capacities at the Dunkirk PIR was raised during the work on the evolutions of 2017. CRE deliberation of 27 July 2017 has evidenced the incompatibility of rolling annual products and quarterly products. It stipulated that if quarterly products are sold, the selling arrangements should be similar to those in effect at the points where CAM network code applies, according to which four quarterly capacity auctions are organized each gas year.

The CRE has also considered that, in the event that quarterly products at the Dunkirk PIR are introduced, multipliers increasing the price of the capacity should apply.

Finally, the CRE considers that if quarterly products are introduced at the Dunkirk PIR, a request for a quarterly capacity could not arise a refund of capacity by another shipper. Otherwise, the holders of returnable capacities would be forced to return the most interesting quarters to the market by keeping only the least interesting quarters.

### 2.2 GRTgaz Proposal

GRTgaz has proposed the introduction of quarterly products at the Dunkirk PIR and the suppression of the rolling annual products during the work group « Capacity Allocation » of 10 October 2017. During this working group, the majority of the parties involved advocated towards the introduction of quarterly products.

GRTgaz considers that the introduction of quarterly products at the Dunkirk PIR will allow the reconciliation of the existing principles with the ones from the other PIRs of the network. Moreover, GRTgaz considers that these products are of interest to shippers, because although the quarterly price is higher than the annual price (in €/MWh), shippers who only want capacity in one or two quarters would have lower overall costs for their capacity.

GRTgaz proposes the following developments:

- Annual rolling products are removed;
- During the OSP for long-notice capacity, from 11 to 20 June of the year N, all available capacities for the period starting on 1st October of the year N until 30 September of the year N+1 shall be sold;
- The unsold capacities are sold in the form of quarterly products according to a calendar similar to the calendar defined by the CAM network code:
  - all the quarters for the gas year to come (from October N to September N+1) shall be sold between 11 and 20 July of the year N;
  - the last three quarters shall be sold again from 11 to 20 October of the year N;
  - the two last quarters shall be sold again from 11 to 20 January of the year N+1;
  - the last quarter shall be sold again from 11 to 20 of April of the year N+1;
- the tariff (in €) that would apply to the quarterly products would be of 1/3 in comparison with the annual products;
- a request for a quarterly capacity will not be subject to a return of capacity by another shipper.

### 2.3 CRE Analysis

The CRE considers that if the quarterly products are introduced, the annual rolling products should be removed. In effect, the OSP for the short-notice annual selling arrangements gives rise to subscriptions for years which do not correspond to the gas years. The profile of reserved capacity, is thus irregular from one month to the next and decreases the capacity accessible by quarterly products.

For the record, Gassco, the Norwegian TSO operating upstream of the Dunkirk PIR, does not sell capacity in rolling yearly bands or in quarterly products.

Regarding the choice to be made between quarterly products and rolling yearly products, CRE considers that quarterly products allow the capacity selling arrangements at the Dunkirk PIR to be harmonised with the other PIRs. At this stage, it favours their introduction and the removal of the rolling annual products.

Price multipliers apply on all PIRs for booked capacities of a duration shorter than one year. The goal of these multipliers is to encourage shippers to book capacities of a minimum term of one year in priority. They do not apply to the PIRs considered congested, when the selling price of capacities is higher than the reserve price. Moreover, such multipliers are applied to the sale of monthly products at the Dunkirk PIR. Therefore, if quarterly products are

proposed at the Dunkirk PIR, CRE considers that multipliers marking up the price of capacities should apply. GRTgaz provides a multiplier by proposing that the tariff (in €) that applies to quarterly products is 1/3 compared to that of the annual products, and not of 1/4. The CRE agrees with this proposal.

If a shipper holds more than 20% of the firm annual capacity sold at the Dunkirk PIR, 20% of the portion of the capacity that it holds beyond these 20% is converted into returnable capacity. If there is no more or not enough firm capacity available, the returnable capacity of a shipper may be returned to benefit another shipper that books a capacity for a duration of one or more full years, up to a limit of four years, and which holds a capacity strictly below 20% of the total firm annual capacity after having benefited from this return. CRE considers that if quarterly products are introduced at the Dunkirk PIR, a request for quarterly capacity would not give rise to a return of capacity by another shipper. Otherwise, the holders of returnable capacities would be required to return the most desirable quarters for the market and keep only the quarters that are less desirable.

In this stage, the CRE supports the proposal made by GRTgaz.

**Question:** Are you in favor of the introduction of quarterly products to the Dunkirk PIR and of the suppression of the annual rolling products, following the arrangements proposed by GRTgaz ?

### **3. HOW TO PARTICIPATE IN THE PUBLIC CONSULTATION**

The CRE invites the interested parties to provide their contribution, at the latest by 23 February 2018:

- By e-mail to the following address: [dr.cp2@cre.fr](mailto:dr.cp2@cre.fr) ;
- Directly on the CRE website ([www.cre.fr](http://www.cre.fr)), under the heading «Documents / Public Consultations»;
- By postal mail: 15, rue Pasquier - F-75379 Paris Cedex 08.

The contributions will be published by the CRE; please indicate the elements you wish to keep confidential. Interested parties are invited to reply to the following by arguing the answers.

#### **Appendices:**

GRTgaz proposal on the development of selling arrangements at the Dunkirk PIR.