



CRE consultation on the functioning of the Trading Region France



EFET response – 17 November 2019

We thank CRE for the opportunity to provide our views on the functioning of TRF one year after its go-live and comments on the proposed evolutions of a series of market design proposals.

Question 1: Do you share the positive assessment of CRE on the implementation of the Trading Region France?

We generally agree with CRE's positive assessment of the implementation of the reform. The process leading to the go-live of TRF in November 2018 went smoothly, on time, and did allow market participants to input into the possible design choices. The go-live itself of TRF went without technical problem and market participants were well prepared.

Following the go-live, the functioning of the new hub proved efficient and did not constitute any problem for the market until the CRE decision of 29 May (on this point, please see our response to question 3). The present consultation and upcoming decision of CRE, possibly changing ex-post the conditions under which market participants will bid in the November 2019 storage auctions, creates again uncertainty on the market and could affect market participants' existing open interests (on this point, please see our response to questions 4 and 5).

Question 2: *Do you share CRE's analysis of the firm capacities actually available at the South-West and Atlantic PITS?*

We have limited capacity and return of experience since the go-live of TRF to judge the assessment made by the TSOs and taken over by CRE as to the firm capacities actually available at the South-West and Atlantic PITS.

CRE's analysis regarding the management costs of congestions after the merger should be published. This analysis should include costs that market participants face (e.g. capacity interruptions to solve congestions), and benefits for consumers such as the avoided cost of investment in further capacity to remove congestions in the network.

Whereas we cannot provide any genuine view on the exact firm injection capacities which can be proposed to the market, EFET calls for a level of firm injection capacity high enough to ensure the flexibility required for the market to cope with various constraints such as storage tunnels or crossing point assigned by TSOs, unavailability for maintenances, flexibility needs for congestions management, as well as other hazards (on both supply and demand side, especially in transitory months).

Finally, we share CRE's view regarding the direct impact of small maintenance (small works below the 30 GWh/day threshold) on the increase of congestions in the summer. We note that most of the congestions occurred on days during which small maintenance took place.

Question 3: *Do you have any comments on the consequences of the emergency measures taken by the CRE in its deliberation of 29 May 2019?*

As already mentioned in a letter to CRE and subsequent meeting, we were taken aback by their snap decision of 29 May 2019 to amend the level of firm exit capacities of market participants. We are disappointed that market participants were not involved in this process, especially considering the high degree of involvement of the gas industry in the implementation of the French price zones merger.

Despite our request in this letter and during our bilateral meeting with CRE, no cost-benefit analysis of the 29 May decision has been published yet.

Looking forward, EFET calls for the implementation of regulatory measures with an adequate notice period, in order to avoid eroding the value of storage products already booked by market participants or at, least, to enable them to adapt and adjust their booking strategies in due time. In this sense, the present consultation and upcoming decision of CRE risk once again affecting market participants' existing open interests (on this point, please see our response to questions 4 and 5).

Question 4: *Do you support setting the level of firm exit capacity from the network at PITS Atlantic at 340 GWh/d?*

Question 5: *Do you support setting the level of firm exit capacity from the network at PITS South-West at 300 GWh/d?*

As mentioned in our response to question 2, the level of detail provided in the analysis of the TSOs and CRE on firm capacities actually available at the PITS Atlantic and South-West does not allow us to judge the pertinence of the proposed measure.

Whether the cap on firm exit capacity at the two PITS would remain at its current level or be lowered, we recall the obligation from article 6 of the European network code on capacity allocation mechanism (NC CAM) for system operators to make the maximum capacity available to the market, in order to reflect as accurately as possible the scarcity of flexibility of the system.

In any case, the timing of this proposal is very problematic. With storage capacity auctions on Storengy and Terega starting mid-November, CRE's proposal creates uncertainty as to what market participants would be buying into during the auctions. Hence, some clarification on this issue still needs to be provided from our point of view.

In order to solve this uncertainty at the time of the auctions, EFET proposed four alternative options:

- a) before the first storage auction day, CRE withdraws its proposal to reduce firm exit capacity at the PITS South-West and Atlantic;
- b) before the first storage auction day, CRE commits that any potential change in the firm exit capacity at the PITS South-West and Atlantic applies only to seasons whose first auction date is after the CRE decision on the subject;
- c) before the first storage auction day, CRE requests and obtains from storage operators the postponement of the auction rounds until after CRE takes its decision on the subject; or
- d) CRE makes sure to advance its decision on questions 4 and 5 of the present consultation to a date prior to the first auction day.

Generally, we believe that the upcoming CRE decision should not impact market participants holding contracts awarded in the storage auctions held prior to the publication of the decision (November 2019). A level-playing field in the storage auctions requires the maximum level of regulatory certainty. The present consultation and proposed changes to the regulatory framework mean that market participants have to bid in the November 2019 storage auctions without any certainty as to volume of firm exit capacities at the PITS that will eventually be available. This sudden regulatory uncertainty for market participants is likely to affect bidding behaviour in the auctions.

Question 6: *Do you have any other comments on exit capacity at the PITS?*

No further comments.

Question 7: *Do you support the publication by TSOs of the impact of maintenance below 30 GWh/d on the volume of gas missing downstream of the congestion lines?*

We welcome the objective of CRE to provide more transparency on small maintenance work. Particularly, we are supportive of creating an indicator based on the number and volume of small works to be introduced in the TSO's regulatory framework in the ATRT7 tariff to come.

Question 8: *Do you support the publication of a single annual joint maintenance plan joint of all operators of gas transmission networks, storages and LNG terminals?*

We welcome the publication of a single annual joint maintenance plan of the TSOs, SSOs and LNG terminal operators. This exercise is already done between GRTGaz and Storengy, and proves very useful. Its extension to all TSOs, SSOs and LNG terminal operators would be a plus.

Particular attention should be paid to avoiding any delay compared to the current timeline of the maintenance publication in order not to affect market participants in the storage auctions over the November 2019 - February 2020 period.

Question 9: *Do you support including the B-to-H gas conversion service in the network elements eligible for congestion management mechanisms?*

We have no opposition to the inclusion of the B-to-H gas conversion service to the set of tools used by TSOs for congestion management.

Question 10: *Do you support the TSOs' proposals for changes in the calculation of the financial guarantee and the terms of suspension of the shipping contract?*

In general, we support the need for a sturdy financial guarantees framework. Regarding the changes proposed by the TSOs, we have the following comments:

- the changes to the calculation of the financial guarantee are not properly explained in our opinion; we call on TSOs to provide details in their updated methodology and we warn against a "blank check" approval of their proposal;
- the concept of "partial suspension", in case a shipper oversteps the level of open position authorised by its financial guarantee, is welcome; it will allow shippers to get back to their authorised level of exposure, with benefits for the system – TSOs can let market participants manage the imbalance as they can still act on the market – and for shippers – as they will be able to restart market activities as soon as they have remedied the situation;
- we have concerns with regard to the proposal to have immediate suspension of transmission agreements without warning or any form of notice in case of "suspicion of fraud"; in such a scenario, we wonder what would be the exact criteria for TSOs to decide on an immediate suspension or to follow the normal procedure? How is "suspicion" defined? The immediate suspension without warning being a very drastic measure, we consider a CRE approval should be contingent to this measure being tightly defined. Clear definitions and processes would ensure continued confidence of market participants in the overall system.