

Deliberation of the French Energy Regulatory Commission (CRE) dated 9 February 2012 deciding on the allocation rules for long-notice transmission capacities

The following were present at the meeting: Olivier CHALLAN BELVAL, chairing the meeting, Jean-Christophe LE DUIGOU and Michel THIOLLIÈRE, Commissioners.

Having regard to the French Energy Code and in particular article L. 134-2:

1. Background and purpose of the deliberation

The entry into force of the European network code Capacity Allocation Mechanisms (hereinafter CAM) around 2014, with regard to the allocation rules of gas transmission capacities, will bring about widespread capacity allocation via auctions at interconnection points. In order to prepare this coming change, it is necessary to modify the “first come, first served” allocation method currently used for available multi-annual capacities over the transitional period.

The steering committee of the gas consultation body Concertation Gaz has therefore requested that the “capacity allocation” working group draw up changes to the marketing rules for multi-annual bookable long-notice capacities. This work will aim to mitigate the risk of available capacity pre-emption during the transitional period and to propose an allocation method more in line with future European regulations. This would ensure the transition to widespread auction-based allocations in the best conditions by the time the future CAM network code enters into force.

Following the work conducted as part of Concertation Gaz, GRTgaz has proposed a new marketing procedure for long-notice transmission capacity to the French Energy Regulatory Commission (CRE). TIGF has proposed to continue to apply its current allocation rules, as very few capacities are concerned on its network.

This deliberation aims to define the marketing rules for long-notice bookable transmission capacity and releasable capacity at network interconnection points until the entry into force of the CAM network code.

2. Proposals from the TSOs

2.1. GRTgaz's proposal

GRTgaz's proposal can be found in the appendix of this deliberation.

2.1.1. Products concerned

The changes proposed concern long-notice bookable firm capacities and releasable capacities at the following network interconnection points: Dunkerque, Taisnières B, Taisnières H, Obergailbach and Oltingue.

2.1.2. Marketing timetable

GRTgaz proposes to open two booking windows (*Open Subscription Periods*), the first from 10 to 20 October in year y-1, the second from 10 to 20 February in year y, each one regarding capacities commencing on the first day of October in year y.

2.1.3. Allocation rules

GRTgaz proposes two possible allocation methods without expressing a preference:

- Allocation by duration: requests with a duration of five years or more are given priority. Requests with durations of less than five years shall be allocated successively in decreasing order of duration. A pro-rata rule shall be applied, for each duration, in the event of demand exceeding supply. Shippers shall submit requests based solely on quantity and duration,
- Allocation year by year: requests shall be allocated on a year-by-year basis with no rule regarding priority. A pro-rata rule shall be applied, for each year, in the event of demand exceeding supply for the same year. Shippers shall submit requests based on the quantities requested for each year.

For each of these two allocation methods, GRTgaz proposes to leave shippers the choice between two options: “band” or “maximization”. The profile of capacity allocated to shippers depends on the option selected. For “band” requests, the level of capacity is the same for all the years included in the request. For “maximization” requests, the level of capacity allocated may vary from one year to another.

2.1.4. Simultaneous marketing periods for releasable capacity and long-notice capacity

GRTgaz plans to merge the marketing periods for releasable capacity with the new allocation method for long-notice capacity. This proposal involves marketing, twice a year and simultaneously, long-notice capacity and releasable capacity with a duration of two to four years.

2.2. TIGF’s proposal

At this stage, TIGF proposes to continue to use its current long-notice transmission capacity marketing rules. TIGF states that this transitional change would only affect the Biriadou network interconnection point and a limited capacity of 2 GWh/d and is therefore of little interest.

3. Public consultation and CRE’s analysis

From 12 December 2011 to 6 January 2012, the draft allocation rules proposed by GRTgaz and TIGF were submitted for public consultation by CRE.

CRE received eleven contributions:

- six from shippers or associations representing them,
- two from associations:
- three from gas infrastructure operators.

Most players are in favour of replacing the current “first come, first served” allocation method with an open subscription period system. Most also state their preference for an allocation method based on priority given to duration. Players believe that such a change would ensure satisfactory conditions for the transition to widespread use of auctions for capacity allocation.

3.1. Withdrawal of the “first come, first served” method for the sale of long-notice capacities at network interconnection points

3.1.1. Public consultation

In response to the public consultation, most players are in favour of abolishing the “first come, first served” system for the sale of long-notice capacities at GRTgaz network interconnection points, and of the continued use of this allocation method at the Biriadou network interconnection point for TIGF.

In addition, most players voiced their interest in the future CAM network code being implemented as soon as possible.

3.1.2. CRE's analysis

With regard to GRTgaz, CRE believes that it would be appropriate to replace the current “first come, first served” allocation method with open subscription periods in light of the transition to the implementation of the CAM network code.

In principle, CRE is in favour of a standardisation among rules applicable on the French transmission networks. However, in the case in point and given the limited volumes concerned by such a change (2 GWh/d for the direction France-Spain) and the transitional nature of these changes, CRE agrees with the continuation of the current rules applied on the TIGF network.

Furthermore, CRE has noted the expectations of the players who replied to the consultation with regard to the swift entry into force of the CAM network code, which has not yet been officially adopted by ENTSOG. Various phases remain before its adoption, in particular the formal opinion of ACER and the comitology procedure. It is therefore impossible at present to conduct detailed work on the implementation of the code. CRE nevertheless believes it is necessary to start to consider the conditions of the future implementation of the CAM network code on the French networks as part of Concertation Gaz.

3.2. Organisation of open subscription periods simultaneously for long-notice capacity and long-notice releasable capacity

3.2.1. Public consultation

In response to the public consultation, most players are in favour of the organisation of open subscription periods linking long-notice capacity and releasable capacity. A minority of players is however against such a change as it would reduce the frequency of availability for releasable capacity.

3.2.2. CRE's analysis

In line with the results of the public consultation, CRE believes that the simultaneous sale of long-notice firm capacity and releasable capacity would simplify the allocation process for shippers. Moreover, CRE reminds that releasable capacity for one-year durations will continue to be proposed for marketing on a monthly basis.

3.3. Capacity allocation with a duration priority rule

3.3.1. Public consultation

A large majority of players are in favour of capacity allocation based on a duration priority rule.

3.3.2. CRE's analysis

CRE believes that the duration allocation method must be adopted. This would provide increased visibility for shippers in terms of long-term capacity availability and for TSOs in terms of income stability. While the adoption of a year by year allocation method would be closer to the rules to be implemented at the entry into force of the future CAM network code, this is not preferable for pro-rata based allocations. Such a system would mean that the capacity actually allocated to shippers would vary from one year to the next, which would not be manageable for them.

3.4. Implementation of a choice between “maximization” or “band” options

3.4.1. Public consultation

Most players are in favour of the implementation of a choice between the “maximization” or “band” options.

3.4.2. CRE's analysis

The allocation method proposed by GRTgaz implies that all shippers are allocated capacity in proportion to their requests, without giving precedence to shippers who have selected either the “maximisation” or “band” options. As such, CRE is in favour of shippers being able to choose between the two options.

3.5. Marketing timetable

CRE believes it is necessary to bring forward, for each year, the subscription period proposed in October by GRTgaz to September in order to take into account the capacity subscribed to in the capacity subscription estimations used in the tariff updates.

The strict application of the marketing timetable proposed by GRTgaz would lead to the first subscription period opening as of February 2012. Given the timeframe and so as not to disturb the sale of annual capacities taking place in March, CRE believes it is necessary for GRTgaz to hold, exceptionally for 2012, a single open subscription period for long-notice bookable transmission capacity in September 2012.

Moreover, in order to leave shippers sufficient time, CRE believes it is necessary to extend the application of the current allocation method to 31 March 2012.

4. CRE's decision

Through this deliberation, CRE adopts the marketing rules for long-notice bookable transmission capacity in accordance with GRTgaz's proposal found in the appendix hereafter, modified as stated above. With regard to the two methods proposed by GRTgaz in the penultimate paragraph of its proposal, CRE has selected the method giving priority to allocation of requests with a duration of five years or more, then successively requests of four, three and two years.

CRE asks GRTgaz to bring forward, for each year, the open subscription period proposed from October to September.

CRE asks GRTgaz, exceptionally for 2012, to open a single open subscription period for long-notice bookable transmission capacity in September 2012.

CRE asks GRTgaz to suspend, as of 1 April 2012, marketing of long-notice bookable transmission capacity concerned by this deliberation under the “first come, first served” allocation method.

With regard to TIGF, CRE accepts the continuation of the current allocation rules for long-notice bookable transmission capacities on its network.

In conclusion, pending the entry into force of the CAM network code, CRE asks GRTgaz and TIGF to launch considerations on the conditions of the future implementation of the CAM network code by contacting TSOs in neighbouring member states, and to present an initial overview of the issue as part of Concertation Gaz, by 1 July 2012.

This deliberation shall be published in the *Journal officiel de la République française* (official bulletin of laws and official announcements).

Executed in Paris, 9 February 2012

On behalf of the Commission de Régulation de l'Énergie,

Olivier CHALLAN BELVAL
Commissioner