

Deliberation by the French Energy Regulatory Commission of 15 November 2012 deciding on the rules for the sale of transmission capacity at the link between the GRTgaz North and South zones

Present: Philippe de Ladoucette, Chairman, Olivier Challan Belval, Frédéric Gonand and Jean-Christophe Le Duigou, commissioners.

Having regard to the French Energy Code, and in particular Article L.134-2,

This deliberation aims to define the rules for the sale of transmission capacity available at the link between the GRTgaz North and South zones in the North to South direction, from 1 April 2013.

1. Background

In its decision of 4 October 2012¹, the French Energy Regulatory Commission (CRE) defined the rules for the sale of transmission capacity available from 1 April 2013 at the link between the GRTgaz North and South zones and at the interface between the GRTgaz and TIGF networks.

On 11 October 2012, GDF SUEZ sent an informal appeal against that decision to CRE.

In its decision of 23 October 2012², CRE partially revoked its decision of 4 October 2012 in so far as it sets the rules for the sale of annual capacity at the North-South link, in the North to South direction, from 1 April 2013.

From 23 October to 6 November 2012, CRE submitted for public consultation draft rules for the allocation of this capacity taking into account requestors' physical delivery commitments.

2. Summary of the public consultation

Thirty-one parties responded to the public consultation organised by CRE: 19 shippers, 8 clients or end client associations and 4 infrastructure operators. The non-confidential responses will be published on CRE's website at the same time as this deliberation.

Most of the contributors consider that the appeal made by GDF SUEZ limits the visibility of the allocation process, in particular because of the uncertainty created regarding the allocation rules and the timetable. In that regard, the majority of contributors request that the allocation of capacity at the North-South link be carried out as soon as possible.

On a fundamental level, a large majority of contributors are in favour of the allocation principles proposed for the period from 1 April 2013 to 31 March 2014. However, many of them requested a modification of the implementation arrangements.

¹ Deliberation by the French Energy Regulation Commission of 4 October 2012 deciding on the rules for the sale of transmission capacity at the link between the GRTgaz North and South zones and at the interface between GRTgaz and TIGF.

² Deliberation by the French Energy Regulation Commission of 23 October 2012 partially revoking the decision of 4 October 2012 concerning the rules for the sale of transmission capacity at the link between the GRTgaz North and South zones and at the interface between GRTgaz and TIGF.

A few contributors are against the new rules proposed and would have preferred that the provisions in the decision of 4 October 2012 be maintained.

Given these responses, CRE considers that it is preferable to retain the allocation principle taking into account the physical delivery commitments in the south of France.

3. Analysis of the developments proposed by contributors

Phase 1: "guaranteed allocation"

Most contributors support the maintenance of the "guaranteed" allocation phase. Some of them would like for the portion of capacity dedicated to this phase to represent half of the capacity for sale (i.e. 49.4 GWh/d for firm capacity). However, other contributors consider that the rules proposed would favour shippers directly connected to the transmission networks. Some contributors that do not meet the first priority criteria for this phase would like to be able to participate in the two capacity allocation phases. One contributor requests that the maximum capacity requested per shipper during this phase be brought to 1.5 GWh/d instead of 2.5 GWh/d.

CRE considers that for the guaranteed allocation phase, maintaining a capacity volume of 23 GWh/d combined with a maximum guaranteed allocation per shipper set at 2.5 GWh/d, puts the different categories of network users on equal footing. These provisions are to apply for firm capacity on the one hand, and interruptible capacity on the other.

Moreover, some contributors request that the scope of application of level 1 priority be specified in particular with regard to the regime for holding delivery capacity. These contributors consider that all of the delivery capacity reserved by clients that are connected must enjoy level 1 priority whether or not their right of use has been transferred to a third party.

CRE agrees with this proposal: shippers directly connected to the transmission network are eligible for level 1 priority in the "guaranteed allocation" phase, within the limits of the physical delivery capacity of their sites connected to the transmission networks in the South of France. Neither the subscription regime for this capacity (full and complete subscription of capacity or the holding of rights of use), nor the identity of the subscriber of these capacities will be given consideration.

3.2. Phase 2 "allocation taking account of physical delivery commitments"

a) Calculation of physical delivery commitments

Many contributors consider that the calculation of physical delivery commitments must be completed, in one way or another, by taking into account other resources: imported gas or liquefied natural gas (LNG) capacity in the south of France, withdrawal capacity from storage points in the south, delivery and purchase commitments at the GRTgaz South PEG (title transfer point) and the TIGF PEG. However, contributors in general only propose targeted integration of some of these resources.

CRE does not agree with partially taking into account gas resources in the South zone which would inevitably lead to discrimination between shippers depending on the actual resources that they hold.

Therefore, CRE considers that resources would have to be fully taken into account. The approach that consists of taking into account the overall portfolio made up not only of physical delivery commitments but also all of the available resources already subscribed would then lead to capacity allocation depending on the specific needs of each shipper.

Such an approach was thoroughly examined within the framework of Concertation Gaz in 2010, supplemented by a public consultation. This work highlighted that most players did not support the implementation of a needs-based allocation, which has the following major disadvantages:

- in practice, this method is very difficult to implement by the transmission system operator (TSO), given its complexity;
- this method does not encourage capacity booking at other entry points in the South and TIGF

zones or purchases at the South and TIGF PEGs; it therefore does not contribute to the security of supply or the liquidity of the wholesale markets in the south of France.

CRE considers that the analyses conducted in 2010 are still relevant. Furthermore, the difficulty in implementing this method would be increased due to the need to allocate this capacity without delay.

Given all of these elements, CRE is not in favour of implementing an allocation system based on needs assessments which would integrate, apart from physical delivery commitments, capacity already subscribed and purchase or sale contracts in the wholesale markets.

CRE recalls that limiting individual demands to 76 GWh/d for firm capacity and 114 GWh/d for interruptible capacity significantly limits the demands of shippers that have the greatest physical delivery commitments.

b) Client development coefficient of 1.2

Some contributors consider that the application of the same client development coefficient to all requestors is arbitrary and that therefore, it would be preferable to apply to each shipper or category of shipper, a coefficient representative of the actual development observed or anticipated.

CRE believes that the application of a normative development coefficient would enable competition dynamics in the south of France to be maintained. Moreover, taking into account different coefficients could only be based on subjective criteria.

c) Organisation of phase 2 in three successive rounds

In order to increase the predictability of allocated capacity, some contributors propose dividing this phase into three successive rounds according to current use. CRE agrees with this proposal. At each round, a third of the capacity available would be proposed, to which would be added, where applicable, any capacity left unsold during the previous round. For each round, the request submitted by the shipper is limited to the minimum between:

- a third of the capacity volume proposed for sale as part of phase 2;
- the maximum between a third of the shipper's physical delivery commitment multiplied by 1.2, and a third of 2.5 GWh/d.

d) Date at which physical delivery commitments are taken into account

Some contributors would like for the date at which delivery commitments are taken into account to be as recent as possible. CRE agrees with this proposal. The commitments taken into account are therefore as follows:

- delivery capacity held as at 1 November 2012 at the GRTgaz South and TIGF customer interface points (industrial clients);
- delivery capacity held as at 1 October 2012 at the GRTgaz and TIGF transport distribution interface points (public distribution), since the TSOs have stated that the data for 1 November 2012 at these points would not be available;
- transmission capacity held as at 1 November 2012 at the Savoie and Monaco regional network interconnection points (PIRR) and the Jura network interconnection point (PIR);
- exit capacity to Spain (Larrau, Biriadou) held as at 1 November 2012 for the period starting 1 April 2013;
- injection capacity held as at 1 November 2012 in TIGF's and Storengy's storage points located in the GRTgaz South zone.

e) Organisation of the next capacity sale

TIGF proposes that CRE carry out the next sale of annual capacity at the North to South link in order to avoid any commercially sensitive information specific to one TSO being passed on to another TSO.

CRE recalls that in accordance with Article L.111-77 of the Energy Code, TSOs are required to preserve the confidentiality of all information "the communication of which would be likely to breach the rules of free and fair competition and non-discrimination".

Some contributors request that the TSOs inform them of the state of their physical delivery commitments that may be taken into account during allocation. CRE considers that this request cannot be implemented within the time allowed.

CRE is therefore in favour of the following process:

- shippers will communicate their physical delivery commitments to GRTgaz in good faith as described above;
- GRTgaz will check these requests against the data in its possession;
- GRTgaz will forward to TIGF the data that concerns it for verification;
- GRTgaz will allocate capacity according to the results of these verifications.

For clarification purposes, the provisions described above apply independently to the sale of firm capacity and interruptible capacity. Shippers are free to choose to participate in either phase, independently, for each type of capacity (firm or interruptible).

4. CRE's decision

Pending the implementation of an auction mechanism as from 1 April 2014, only capacity available from 1 April 2013 to 31 March 2014 will be sold by GRTgaz during the next sale window.

Moreover, CRE recalls that pursuant to its deliberation of 4 October 2012, 30 GWh/d of annual interruptible capacity will be reserved for allocation to market coupling for the period running from 1 April 2013 to 31 March 2014.

The sale of firm and interruptible capacity is organised, for each case, into two separate phases: a first guaranteed allocation phase and a second pro rata allocation phase with a limit on requests, taking into account physical delivery commitments.

Phase 1 - "guaranteed allocation":

The principles retained, both for firm and interruptible capacity, are as follows:

- Phase open to all shippers; however, shippers that take part in phase 1 will not be able to participate in phase 2;
- capacity volume proposed: 23 GWh/d of annual firm and interruptible capacity;
- each individual shipper's request limited to 2.5 GWh/d;
- if demand exceeds supply, capacity is allocated proportionally to requests by applying the following priority rule: requests from shippers directly connected to the transmission network are allocated at level 1 priority, within the limits of the delivery capacity of the sites concerned connected to GRTgaz South or TIGF networks as at 1 October 2012 increased by 20%; neither the subscription regime for this capacity (full and complete subscription of the capacity or holding of the rights of use), nor the identity of the subscriber of this capacity will be given consideration;
- other requests are allocated at level 2 priority;
- any capacity that is unsold at the end of this phase will be sold in the following phase.

Phase 2 "allocation taking account of physical delivery commitments":

The principles retained for this phase are as follows:

- open to all shippers (except those that choose to participate in phase 1);
- capacity volume proposed: 76 GWh/d of annual firm capacity and 114 GWh/d of annual interruptible capacity;

- each shipper's request limited to its physical delivery commitments within the limits of the portion of capacity sold (as defined below);
- if demand exceeds supply, capacity is allocated proportionally to requests;
- this phase will be carried out in three successive rounds,
 - at each round, a third of the capacity available is proposed, to which is added, where applicable, any capacity left unsold during the previous round. For each round, the request submitted by the shipper is limited to the minimum between:
 - a third of the capacity volume proposed for sale as part of phase 2;
 - the maximum between a third of the shipper's physical delivery commitment multiplied by 1.2, and a third of 2.5 GWh/d.

Conditions for determining the physical delivery commitment and each shipper's request limit

Each shipper's request is limited according to their physical delivery commitment.

Their physical delivery commitment is defined as the maximum between the following two terms (A) and (B):

- (A) the sum of actual reservations concerning:
 - delivery capacity held as at 1 November 2012 at the GRTgaz South and TIGF customer interface points (industrial clients);
 - delivery capacity held as at 1 October 2012 at the GRTgaz and TIGF transport distribution interface points (public distribution);
 - transmission capacity held as at 1 November 2012 at the Savoie and Monaco regional network interconnection points (PIRR) and the Jura network interconnection point (PIR);
 - exit capacity to Spain (Larrau, Biriadou) held as at 1 November 2012 for the period starting 1 April 2013;
- (B) the sum of injection capacity held as at 1 November 2012 in TIGF's and Storengy's storage points located in the GRTgaz South zone.

In order to preserve the potential for competition development, each shipper's request is limited to its physical delivery commitment multiplied by 1.2. This request may not exceed the total volume of capacity proposed for sale (i.e. 76 GWh/d for firm capacity and 114 GWh/d for interruptible capacity) to which is added any capacity left unsold during phase 1.

All shippers may request a capacity of 2.5 GWh/d if its physical delivery commitment as calculated above limits its request to a volume lower than 2.5 GWh/d.

The allocation process is conducted in the following manner:

- shippers will communicate their physical delivery commitments to GRTgaz in good faith as described above;
- GRTgaz will check these requests against the data in its possession;
- GRTgaz will forward to TIGF the data that concerns it for verification;
- GRTgaz will allocate capacity according to the results of these verifications.

Moreover, CRE requests GRTgaz to communicate the timetable for North-South capacity allocation to shippers as soon as possible.

This deliberation will be published in the *Journal officiel de la République française*.

Paris, 15 November 2012

For the French Energy Regulatory Commission,
The Chairman,

Philippe de Ladoucette