

## Deliberation of the French Energy Regulatory Commission (CRE) of 29 March 2013 on rules for the early implementation of the CAM Network Code for the sale of monthly capacity products at the entry point Obergailbach and of daily capacity products at the entry points Taisnières H and Obergailbach

Present: Philippe de LADOUCETTE, President, Olivier CHALLAN BELVAL, Michel THIOLLIERE Commissioners.

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

The purpose of this deliberation is to define the arrangements for the early and partial implementation of the Network Code on Capacity Allocation Mechanisms<sup>1</sup> (CAM Network Code hereafter) for the sale of monthly capacity at the entry point Obergailbach and daily capacity at the entry points Taisnières H and Obergailbach.

### 1. Context

In accordance with articles 6 and 8 of the Regulation 715/2009, the European Network of Transmission System Operators in Gas (ENTSOG) drafted a Network Code on capacity allocation mechanisms (CAM), on the basis of the Framework Guidelines adopted by the Agency of Cooperation of the Energy Regulators (ACER) on 3 August 2011. Following ACER's recommendation, the European Commission (EC) launched in January 2013 the Comitology process during which the Member States and the EC will examine the Network Code in the view of its adoption as Regulation of the Commission. The final adoption of the text is likely to take place in summer 2013, which would require that the code is implemented in all Member States by the end of the first semester of 2015.

The CAM Network Code foresees that capacity at interconnection points (IP) between entry-exit systems within the European Union is allocated by auctions, in the form of products with standard durations and according to a common calendar. In so far as firm capacities are available on both sides of an IP, these should be offered as bundled capacities. The code also foresees that booking platforms jointly operated by the European transmission system operators (TSOs) are set up.

Building on their respective experiences with the platforms Capsquare, Link4Hubs and TRAC-X, sixteen TSOs of North-West Europe, including GRTgaz, have announced in April 2012 their plan to anticipate the implementation of the Network Code by creating a joint booking platform. This project has been launched in the North-West region but is open to other TSOs and puts forward its European ambition. The Austrian and Italian TSOs have recently joined the initiative. In addition, during the Stakeholders Group meeting of 27 September 2012, the South Gas Regional Initiative has expressed its support for the efforts of TIGF and of the Spanish and Portuguese TSOs to join the common platform within the shortest timeline.

The common platform will be operated by the company PRISMA, created on 1 January 2013 and of which the 19 TSOs are shareholders. The PRISMA platform will be operational as of April 2013 and will allow for

<sup>1</sup> It refers to the version of the CAM Network Code submitted by ACER to the European Commission on 9 November 2013, in the view of its final adoption through the Comitology procedure, subject to certain modifications.

the allocation of all capacity products defined in the CAM Network Code, with the exception of intra-day products for which the allocation will not be possible via PRISMA before 2014.

As founding member of the project, GRTgaz proposes, in collaboration with Fluxys, Open Grid Europe (OGE) and GRTgaz Deutschland, to allocate by auctions, as of April 2013, monthly capacities at the Network Interconnection Point (PIR) with Germany (Obergailbach) and daily capacities at the PIR with Germany and with Belgium (Taisnières H) via the PRISMA platform.

CRE, as well as the Belgian regulator (Commission de Régulation de l'Electricité et du Gaz) and German regulator (Bundesnetzagentur), welcome the TSOs' proposal to implement the CAM Network Code at an early stage. This project fulfills the request of the Madrid Forum, which encouraged the launch of pilot projects on capacity allocation during its meeting on 2-3 October 2012. Indeed, the auctioning of interconnection capacities has been identified as a key step towards the integration of the European gas market and the gradual implementation will allow network users to acquire better comprehension of the new rules before their full application in the course of 2015. Auctions will be progressively implemented at all interconnection points to which the CAM Network Code applies, according to a calendar which will need to be submitted by the French transmission operators to CRE for approval.

The specific arrangements for the early implementation of the CAM Network Code to monthly products at the PIR Obergailbach and to daily products at the PIR Obergailbach and Taisnières H have been submitted to a public consultation organised by CRE from 31 January 2013 to 18 February 2013. Eleven responses have been received: three from associations and eight from shippers.

## **2. Auctioning of monthly capacities at the PIR Obergailbach**

### **2.1. GRTgaz's proposal**

GRTgaz proposes to sell the following bundled monthly products starting on 1 May 2013, via the PRISMA platform:

- Bundled monthly product FZK OGE (NCG VTP) / GRTgaz (PEG North) in the main direction;
- Bundled monthly product FZK GRTgaz Deutschland (NCG VTP) / GRTgaz (PEG North) in the main direction;
- Bundled monthly product DZK GRTgaz Deutschland (NCG VTP) / GRTgaz (PEG North) in the main direction;
- Backhaul bundled monthly product OGE (NCG VTP) / GRTgaz (PEG North);
- Backhaul bundled monthly product GRTgaz Deutschland (NCG VTP) / GRTgaz (PEG North).

GRTgaz sells only one type of firm capacity whereas there are different types of firm capacities on the German side.

In the main direction, the firm entry capacities to GRTgaz network will be bundled with firm exit capacities of FZK type on OGE's side and of FZK and DZK types on GRTgaz Deutschland's side. As defined in the Entry/Exit contract documentation of the TSOs concerned<sup>2</sup>, FZK capacities allow use of the network from all entry points to the NCG area, including the Virtual Trading Point, to Medelsheim exit point. However, the DZK exit capacities offered by GRTgaz Deutschland are firm, provided they are exclusively used for the purpose of a balanced transport between the entry and exit points within the system of GRTgaz Deutschland, without the inclusion of the Virtual Trading Point. The DZK capacities allow network usage from the Virtual Trading Point to Medelsheim on an interruptible basis only.

---

<sup>2</sup> The different types of firm capacity products offered by GRTgaz Deutschland are described under section 9 of the General Terms and Conditions of the Entry/Exit Contract and the supplementary term of conditions that are published on GRTgaz Deutschland's website: <http://www.grtgaz-deutschland.de/en/content/downloads>  
The different types of firm capacity products offered by OGE are described under section 9 of the General Terms and Conditions of the Entry/Exit Contract and the supplementary term of conditions that are published on OGE's website: [http://www.open-grid-europe.com/cps/rde/xbcr/SID-7447CA98-9C15C92C/open-grid-europe-internet/SEAV\\_engl\\_01012012.pdf](http://www.open-grid-europe.com/cps/rde/xbcr/SID-7447CA98-9C15C92C/open-grid-europe-internet/SEAV_engl_01012012.pdf)

The coexistence at the exit point from Germany of different types of firm capacity with different regulated tariffs implies that different bundled capacity products will be offered at the PIR Obergailbach in the main direction for the same duration. These different firm bundled capacity products will be offered simultaneously, as foreseen in the CAM Network Code.

Moreover, GRTgaz proposes to offer in an unbundled way, via the PRISMA platform, the monthly capacities available at the PIR Obergailbach, which could not be bundled, because of a lower amount of available firm capacity on the German side. Bundled and unbundled monthly capacities will be allocated according to the same procedures and the auctions for both types of products will be held simultaneously.

Interruptible entry capacities at the PIR Obergailbach will be sold unbundled using the same auction mechanism as for firm capacities. These auctions will be held in a different bidding window, which is to be open after the closure of the auctions for firm capacities. These capacities will only be offered in the case all firm monthly capacities have been sold.

In accordance with the provisions of the CAM Network Code, GRTgaz plans to sell month-ahead products via a multi-stage auction algorithm for which the reserve price is equal to the regulated tariff and the price increments are predefined. In order to maximise the amount of capacity allocated, two types of price increments are introduced.

GRTgaz proposes to set the level of the large price increment at 0.418€/MWh/d, which amounts to 3% of the regulated tariff applicable as of 1 April 2013. This level, in absolute value, is the same as the one used by German TSOs.

With regards to the small price step, GRTgaz proposes to use a 1/5<sup>th</sup> ratio between the large and the small price increments, which is in line with the ratio PRISMA plans to use for all auctions. If appropriate, this level may be adjusted at a later stage for all auctions carried out via PRISMA. The application of a 1/5<sup>th</sup> ratio leads to small price steps of 0.0836€/MWh/d for monthly capacities.

With regards to bundled capacity products, the reserve price is equal to the sum of the price increments of the two capacity products concerned.

GRTgaz indicates that a certain level of flexibility should be kept for the definition of the large price increment for future auctions, so that they can be adjusted taking into account the experience feedback and the market situation.

The proposed rules are intended to replace the capacity allocation rules currently in place.

## **2.2. Public Consultation**

All respondents are in favour of the early implementation of the CAM Network Code for the sale of monthly capacities at PIR Obergailbach starting in May 2013. Some respondents underline the added value of this early implementation, in the sense that it will allow transmission operators to draw experience feedback and adjust, if necessary, the allocation mechanism prior to the binding application of the Network Code.

Some market players voice their opposition to the principle of mandatory bundling of capacity, as foreseen in the CAM Network Code and proposed by GRTgaz in this case. Moreover, one respondent indicates that the coexistence on the German side of different types of firm capacities tends to call in question the relevance of selling bundled products at PIR Obergailbach. On the contrary, some stakeholders support the principle of mandatory bundling, which will *de facto* impose strengthening the cooperation between the TSOs involved.

The majority of respondents are in favour of CRE's proposal to differentiate the levels of price increments according to products offered (firm, interruptible, backhaul).

### **2.3. CRE's assessment**

CRE is in favour of GRTgaz's proposal to early implement the CAM Network Code for the sale of monthly capacities at Obergailbach. CRE shares the view of market players with regards to the added value of this early implementation, in terms of experience feedback and improvement of the mechanisms prior to the binding application of the Network Code. As a consequence, CRE asks GRTgaz to provide experience feedback on the basis of evaluation report which will be elaborated by PRISMA in the fourth quarter of 2013.

The principle of mandatory capacity bundling is one of the main pillars of the CAM Network Code. It contributes to simplifying the access to capacity by reducing the risks of mismatch between capacities subscribed on both sides of the same interconnection point and it promotes the development of trade on marketplaces. CRE considers that capacity bundling necessarily needs to translate into enhanced cooperation between adjacent TSOs. CRE is of the view that the coexistence of different types of firm capacities at the exit from the German network does not preclude the implementation of bundling at PIR Obergailbach. Nonetheless, it requires that the TSOs guarantee full transparency on the volume and on the nature of the products offered, in particular with regards to the conditions of their potential restrictions.

Furthermore, OGE and GRTgaz Deutschland have recently shifted firm marketable capacities away from the Medelsheim exit point. These are now approximately 50GWh/d lower than the firm marketable capacities at the Obergailbach entry point to France. CRE considers that this mismatch is an obstacle to the implementation of further capacity bundling. On this ground, CRE will approach the German regulator in the view of carrying out a joint analysis of the ways to readjust upwards the capacities offered by the transmission operators, in order to return to the situation *ex ante* of capacity alignment at the exit from Germany and entry to France.

CRE considers that the levels of price increments play a fundamental role in the well-functioning of the auction processes. These parameters should be set as such that the auctions can close within a reasonable timeline, while minimising the volume of non-allocated capacities.

With regards to the level of the large price increment, CRE considers that it needs to be proportionate, on one hand, to the regulated tariff applicable and, on the other hand, to the level of congestion observed at the network point. Hence, CRE considers that it is relevant to distinguish the large increments according to products (firm, interruptible, backhaul) so they are proportionate to the reserve prices. The large increments for interruptible and backhaul products would thus be set respectively at 50% and 20% of the level retained for firm capacities, consistently with the corresponding regulated tariffs.

In general, CRE considers that, without substantial congestion, a large price increment set at a level of 5% of the reserve price (instead of 3% as proposed by GRTgaz) provides more guarantees with regards to the length of the auction process while limiting the volume of capacities potentially unsold. Hence, the small price step would represent around 1% of the regulated tariff.

Finally, CRE indicates that GRTgaz is allowed to revise the levels of price increments if they consider that such a change is necessary for the well-functioning of the auction mechanism. Should it be the case, GRTgaz will consult CRE prior to any decision.

## **3. Auctioning of day-ahead products at PIR Obergailbach and Taisnières H**

### **3.1. GRTgaz's proposal**

GRTgaz proposes to sell, as of April 2013, the following day-ahead bundled products via PRISMA:

- Bundled day-ahead product FZK OGE (NCG VTP) / GRTgaz (PEG North) in the main direction;
- Bundled day-ahead product FZK GRTgaz Deutschland (NCG VTP) / GRTgaz (PEG North) in the main direction;
- Bundled day-ahead product DZK GRTgaz Deutschland (NCG VTP) / GRTgaz (PEG North) in the main direction;

- Bundled firm day-ahead product Fluxys (ZTP) / GRTgaz (PEG North) in the main direction;
- Backhaul bundled day-ahead product OGE (NCG VTP) / GRTgaz (PEG North);
- Backhaul bundled day-ahead product GRTgaz Deutschland (NCG VTP) / GRTgaz (PEG North);
- Backhaul bundled day-ahead Fluxys (ZTP) / GRTgaz (PEG North).

In addition, GRTgaz proposes to sell in an unbundled way and via the PRISMA platform the daily capacities (including backhaul) available at PIR Obergailbach and PIR Taisnières H, which could not be bundled, because of a lower amount of available firm capacity on the German and Belgian sides. Bundled and unbundled capacities will be allocated according to the same procedures and the auctions for both types of products will be held simultaneously.

The potentially unsold daily capacities will be offered via the “Use-It-And-Buy-It” mechanism.

GRTgaz intends to offer these capacities as of April 2013. In accordance with the provisions of the CAM Network Code, GRTgaz intends to sell the day-ahead products via a uniform price auction algorithm, taking place between 16:30 and 17:00, with a reserve price equal to the regulated tariff, which is of 0.469€/MWh/d in the main direction and 0.094€/MWh/d for backhaul.

With regards to bundled capacity products, the reserve price is equal to the sum of the price increments of the two capacity products concerned.

The proposed rules are intended to replace the capacity allocation rules currently in place.

### **3.2. Public Consultation**

All respondents are in favour of the early implementation of the CAM Network Code for the sale, as of April 2013, of day-ahead capacities at PIR Obergailbach and PIR Taisnières H.

Some stakeholders consider that the time window proposed for daily auctions is too late, taking into account, in particular, the time closure of the main European marketplaces.

One respondent indicates that this early initiative could be the occasion to implement, for experimental purposes, day-ahead auctions with a reserve price proportionally lower than the one of yearly capacity.

### **3.3. CRE's assessment**

CRE is in favour of GRTgaz's proposal to early implement the CAM Network Code for the sale of day-ahead capacities at PIR Obergailbach and Taisnières H.

With regards to the time window proposed by GRTgaz for the daily auction of capacities, CRE notes that it is in line with the provisions of the CAM Network Code and that market players have been widely consulted on this point in the framework of the elaboration of the code. In this regard, CRE considers that marketplaces may, if necessary, adapt their opening hours, should the capacity allocation windows foreseen in the CAM Network Code prevent them from benefitting from an optimal liquidity. Therefore, CRE considers that it is not desirable to deviate from the provisions of the CAM Network Code.

Finally, CRE considers that it is not appropriate to define a reserve price for day-ahead products at Obergailbach and Taisnières H which would be proportionally lower than the one of the yearly capacity. Such provision may indeed lead to a change in booking behaviours and to a flight to the short-term, in particular to the extent that the two points concerned are not structurally congested. Hence, the revenues derived from capacity bookings could diminish, which would require the introduction of complementary mechanisms for revenue recovery. Moreover, CRE considers that such measure would lead to the introduction of a cross-subsidy between long-term and short-term users.

## 4. Sharing and use of potential extra revenues

### 4.1. GRTgaz's proposal

In the case of bundled capacities, the potential extra revenues linked with a clearing price higher than the reserve price (sum of regulated tariffs) shall be shared between the relevant TSOs. In case there is no agreement between the relevant TSOs on a rule for sharing these revenues, the default rule foreseen in the CAM Network Code of a distribution in equal proportions (50/50 split) shall apply.

### 4.2. Public Consultation

The majority of respondents is in favour of GRTgaz 's proposal. Some market players indicate that, in the future, the rules governing the split of potential extra revenues between TSOs will need to be consistent with the provisions of the Framework Guidelines on transmission tariff structures, which is currently being drafted by ACER.

Some respondents indicate that the redistribution of these extra revenues via the *Compte de Régularisation des Charges et Profits* (regulatory account) would not be optimal, given the length of the redistribution implied by the reconciliation of the regulatory account over four years.

### 4.3. CRE's assessment

CRE is in favour, in the present case, of applying the default rule of a 50/50 split of extra revenues between the relevant TSOs. CRE notes that the application of this rule is also envisaged by the adjacent TSOs, in agreement with their respective regulatory authorities.

In accordance with the provisions of its decision on tariffs of 13 December 2012<sup>3</sup>, CRE indicates that the over-revenues allocated to GRTgaz and deriving from capacity auctions as of 1 April 2013 will be redistributed to network users via the *Compte de Régularisation des Charges et Profits* (regulatory account). As for auctions of capacities starting on 1 April 2014, rules relating to the use of the potential over-revenues will be defined by CRE on the basis of a proposal from the TSOs and discussion within the "Concertation Gaz" group.

---

<sup>3</sup> Deliberation of the French Energy Regulation Commission of 13 December 2012 deciding on the tariffs for the use of natural gas transmission networks



## 5. CRE's decision

CRE approves the transmission capacities allocation rules that were submitted by GRTgaz in January 2013, subject to the following modifications:

With regards to the arrangements for the sale of monthly capacity products at PIR Obergailbach:

- The large price increments for monthly capacities auctions will be set at a level of 5% of the regulated tariffs applicable as of 1st April 2013.
- GRTgaz is allowed to revise the levels of price increments if they consider that such a change is necessary for the well-functioning of the auction mechanism. Should it be the case, GRTgaz will consult CRE prior to any decision.

CRE asks GRTgaz to present experience feedback concerning the auctions for monthly and day-ahead capacities during the second semester of 2013.

CRE asks GRTgaz and TIGF to submit, before 1 September 2013, a provisional calendar describing the different steps leading to the implementation of auctions for all types of products defined in the CAM Network Code.

The present deliberation will be published at the Official Journal of the French Republic.

Done in Paris, on 29 March 2013.

For the Commission de Régulation de l'Énergie,  
The President,

Philippe de LADOUCETTE