

Deliberation by the French Energy Regulatory Commission of 17 October 2013 deciding on the rules for the sale of transmission capacity at the link between the GRTgaz North and South zones, at the GRTgaz/TIGF interface and at interconnections with Spain

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Having regard to the French Energy Code, and in particular Articles L. 134-2 and L. 461-1

The aim of the present deliberation is to specify the rules for the sale of transmission capacity available as from 1 April 2014 at the link between the GRTgaz North and South zones, at the interface between GRTgaz and TIGF (PIR Midi) and at the interconnections between the TIGF network and Spain.

1. Background

1.1. Introduction of new legislative provisions applicable to gas-intensive customers

From 5 to 26 June 2013, the French Energy regulatory commission (CRE) carried out a public consultation on the sale of transmission capacity at the North-South link, the PIR Midi and at interconnections with Spain¹.

Following the closing of this consultation, law No. 2013-619 of 16 July 2013² introduced in Book IV of the French Energy Code relating to gas a new Part VI creating the status of gas-intensive customer. The newly introduced article L. 461-1 states in particular that the companies falling under this category of customers “*may benefit, for certain sites, from specific conditions regarding supply and access to natural gas transmission and distribution networks*”. A draft Order was submitted to the Higher Energy Council for its opinion on 24 September 2013 which specified the criteria and limits required for a consumption site to be considered gas-intensive. This draft Order provides for, in particular, the publication by the administrative authority of a list of gas-intensive sites.

¹ [CRE's public consultation on the sale of transmission capacity between GRTgaz's North zone, GRTgaz's South zone, the TIGF zone and Spain as from 1 April 2014](#)

² [Law No. 2013-619 of 16 July 2013 bringing a number of provisions into line with European Union law on sustainable development](#)

Against this backdrop, CRE decided to postpone its decision concerning the rules for the sale of transmission capacity and to re-consult market players on the consequences that these new legislative provisions might have on the conditions for access to the natural gas transmission networks in the south of France. CRE therefore organised a second public consultation³ which took place from 24 July to 9 September 2013.

These two consultations were followed by a round table on 26 September 2013 in order to enable market players to express their views on the guidelines envisaged by CRE.

1.2. European legislation : adoption of the Network code on capacity allocation

Regulation (EU) No 984/2013 of the European Commission establishing a Network Code on Capacity allocation mechanisms in gas transmission systems⁴ ("CAM Network Code") was published in the European Union Official Journal on October 14th 2013. Its provisions shall become binding as from 1 November 2015.

This network code specifies that capacity at interconnection points between transmission systems within the European Union shall be allocated through an auction procedure, in the form of bundled products with standardised durations and according to a common auction calendar.

For interconnections between two entry-exit systems within the same Member State, the CAM network code specifies that the national regulatory body may, in order to avoid foreclosure of the downstream market and after consultation with system users, limit individual demands during auctions.

In order to ensure the implementation of the CAM network code, GRTgaz and 19 transmission system operators from seven EU Member States came together to create the PRISMA platform. It has been operational since 1 April 2013 and will enable the auction of primary and secondary capacity. TIGF and Enagas have announced their intention to join or to use the PRISMA platform. Therefore, this platform will be used for the sale of all interconnection capacity in France as from 1 October 2014.

1.3. Materialisation of North-South congestion since the first half of 2012

Since the first half of 2012, the North-South link has been congested, which has resulted in capacity demand that exceeds supply and almost 100% use of capacity. Significant differences have been observed in day-ahead prices at the PEG North and PEG South, with prices at the PEG South being higher: on average €0.1/MWh in 2011, €1.5/MWh in 2012 and €2/MWh since the beginning of 2013. On several occasions, this price difference has exceeded €6/MWh.

This situation is mainly due to current trends in the LNG market. High prices in the Asian markets create tension in the supply of natural gas in the south of France: between 2011 and 2012, LNG send-out from the Fos terminals dropped by 25%, whereas flow towards Spain increased by 40%.

³ [CRE's public consultation publique on conditions for access to gas transmission networks for gas-intensive consumers](#)

⁴ [COMMISSION REGULATION \(EU\) No 984/2013](#)

2. Specific conditions for gas-intensive customer access to natural gas transmission networks

2.1. CRE's proposals submitted to public consultation

In its July 2013 public consultation, CRE submitted two possibilities for the implementation of specific conditions for access to the transmission networks for gas-intensive customers. The first consisted in a contractual linking of the sites concerned connected in GRTgaz's South zone to the PEG North. The second was priority access for the sites concerned to a portion of North to South capacity, at a regulated price.

2.2. Summary of responses in the public consultation

With the exception of industrial clients that mostly supported the proposal, all contributors were against linking gas-intensive customers to the PEG North. They highlighted the operational difficulties and overcosts that that may generate for GRTgaz. They also stressed the potential discrimination between gas-intensive customers and between network users. Lastly, they considered that it may have adverse effects on the development of liquidity and competition in the wholesale and retail markets in the south of France.

With regard to the second possibility, shippers did not agree with the two-phase sale giving priority to gas-intensive customers during the first phase. Nevertheless, they considered that if one of the two possibilities were to be implemented, the second should be given priority. In addition, they stated that the firm capacity proposed during the first phase (40 GWh/d) was excessive. Industrial clients however were favourable to this option and requested an increase in capacity dedicated to gas-intensive customers.

2.3. CRE's analysis

The implementation of a contractual linking to the PEG North would need to dedicate a substantial part of North to South transmission capacities. Given the concerned amount of capacities, such a measure would necessarily be accompanied with restrictive selection criterion. Therefore, only a limited number of sites would finally benefits from specific conditions for access to the transmission network.

CRE considers that the merging of relevant sites with the PEG North would give too much of an advantage to sites that would benefit from this provision to the detriment of the other users of the gas networks in the south of France.

CRE considers that the implementation of a first phase for the sale of North to South link capacity reserved to gas-intensive customers is a measure proportional to the situation of gas-intensive sites in the south of France. Furthermore, it builds on the allocation rules previously used. Lastly, CRE notes that its implementation would not pose any operational problems.

2.4. CRE's decision

Gas-intensive sites located in GRTgaz South and TIGF balancing zones, after having formally designated according to the provisions defined by the Law, will benefit to specific conditions for access to link capacity between GRTgaz's North and South zones during the next annual capacity allocations (see section 3.4.3).

3. Rules for the sale of capacity Summary of responses in CRE's public consultations

3.1.1. Link capacity in the North to South direction

With regard to the readjustment product from 1 April to 30 September 2014, a large majority of players were in favour of CRE's proposal. Some shippers however requested that this capacity be auctioned from as early as 1 April 2014.

With regard to capacity sold from 1 October 2014, most shippers supported CRE's proposal to auction it. However, they did not support the cohabitation of both allocation methods resulting in different capacity prices for a same product. Industrial clients were mostly unfavourable to the implementation of auctions and requested the continuation of the pro rata allocation system.

3.1.2. Other capacity products

For other capacity products (North-South link in the South to North direction, PIR Midi, interconnections with Spain), CRE's proposals were favourably received by a large majority of contributors.

3.2. CRE's analysis *Link capacity in the North to South direction*

With regard to capacity available between 1 April and 30 September 2014 (readjustment product), CRE considers that the renewal of the pro rata allocation method is the simplest method for handling the transition towards the implementation of the CAM network code. However, CRE is favourable to the early implementation of the CAM network code as from 1 October 2014, with the setting up of auctions.

CRE deems it desirable to not reduce the capacity offered in the form of annual products, because of the congestion at the North-South link. Consequently, the 10% technical capacity reservation rule for products with a duration of less than a year set out in the CAM code will only be applied from 1 October 2015.

In line with the guideline defined in its deliberation of 19 July 2012 on the implementation of a PEG France by 2018, the sale of capacity is limited to 30 September 2018. Moreover, in order to not freeze market share until 2018, CRE also considers it preferable to sell available capacity in descending order starting with the longest capacity product duration to the shortest.

The CAM network code sets out, for interconnection points within the same Member State, the possibility for the national regulatory authority to limit individual demands in order to avoid the foreclosure of the downstream market. Past allocations led to a pro rata factor of $1/7^{\text{th}}$, which means that no shipper was able to obtain more than $1/7^{\text{th}}$ of the capacity sold. Since there is no limit on individual demands, there is a risk that all of the North-South capacity would be held by a small number of shippers, which would jeopardise the development of competition in the south of France. CRE considers that a threshold of $1/5^{\text{th}}$ for individual demands in cas of congestion is a balanced measure allowing to share capacities between a large enough number of shippers in order to ensure an effective competition in the South of France. This rule applies to affiliated companies, within the meaning of Articles L233-1, L233-2, L233-3 and L233-4 of the French Commercial Code. Verification of the limit on individual demands to $1/5^{\text{th}}$ of the capacity sold will not be automated on the PRISMA platform for auctions starting 1 October 2014. Consequently, shippers are responsible for ensuring compliance with this rule. CRE recalls, that pursuant to Articles L.134-26 of the Energy Code, non-compliance with the rules set by the present deliberation could result in sanctions defined by article L. 134-27.

In accordance with the CAM network code, the reserve prices of capacity products for auctions will be equal to the regulated tariffs set by CRE. The regulated tariff for quarterly capacity will be set by CRE when the gas transmission tariffs are updated as at 1 April 2014.

With regard to price increments for auctions, CRE recalls that these must be set taking into account two objectives: the ending of the auction within a reasonable timeframe and minimisation of unsold quantities.

Lastly, GRTgaz has announced that from 1 April 2014, it can sell as firm capacity 40 GWh/d of capacity currently sold as interruptible capacity. The technical capacity at the North-South link will therefore total 270 GWh/d of firm capacity and 180 GWh/d of interruptible capacity as from 1 April 2014.

3.2.2. Other capacity products

As for capacity at the North to South link, CRE considers that the pro rata allocation method is the simplest for managing the transition towards the implementation of the CAM network code for capacity available between 1 April and 30 September 2014 at the South to North link, at the PIR Midi and at interconnections with Spain.

It is also favourable to the early implementation of the Cam network code, with the auction of capacity from 1 October 2014, with the exception of the PIR Midi. With the creation of a common GRTgaz South-TIGF PEG as at 1 April 2015, capacity at the PIR Midi will no longer be sold after that date. Consequently, CRE considers that it is simpler to extend the pro rata allocation method for capacity available at the PIR Midi between 1 October 2014 and 31 March 2015.

CRE recalls that in accordance with the current tariffs for the use of gas transmission networks and in anticipation of the CAM network code, seasonal products will no longer be sold at the PIR Midi and at interconnections with Spain as from 1 April 2014. In accordance with the provisions of the CAM network code, the current gas transmission tariffs also provide that the reserve prices of capacity products for auctions will be equal to the regulated tariffs set by CRE. The tariffs for annual and quarterly capacity will be set when the transmission tariffs are updated as at 1 April 2014.

For the purpose of consistency with the rules applied at the North-South link in the North to South direction, the 10% technical capacity reservation rule for products with a duration of less than a year set out in the CAM code will only be applied in the South to North direction as from 1 October 2015. This rule will not be applied at the PIR Midi.

Work is currently being conducted within the South Regional Initiative to extend the CAM network code to the interconnections between France and Spain, for capacity available as from 1 October 2014. By that date, TIGF and Enagas plan to set up a virtual interconnection point combining the physical Larrau and Biriadou interconnection points. TIGF and Enagas plan to sale capacities available as from 1 October 2014 by auction, on the PRISMA platform, according to CAM network code provisions. Consequently, with regard to the rules for the sale of capacity available as from 1 October 2014 at interconnections with Spain, CRE will subsequently make a decision taking into account the conclusions of work within the South Regional Initiative.

3.3. CRE's decision

3.3.1. Link capacity in the North to South direction

Capacity available between 1 April and 30 September 2014 will be sold in the form of a six-month readjustment product based on a pro rata process with a first phase giving priority to gas-intensive customers in South of France and a second phase open to all shippers (see point a in section 3.4.1). The tariff for this readjustment product will be equal to 50% of the tariff for the corresponding annual capacity. This product is assimilated to an annual product for assignments in the secondary market.

As from 1 October 2014, annual capacity will be sold until 30 September 2018 in two phases (see point b and c of section 3.4.1).

- a first phase dedicated to gas-intensive customers located in GRTgaz South and TIGF balancing zones and pro rata allocation. This phase is limited to 40 GWh/d of firm capacity and 23 GWh/d of interruptible capacity;
- a second phase open to all shippers with auction-based allocation.

As from 1 October 2015, 10% of technical capacity will be deducted from capacity sold as annual products and reserved for the short term (quarterly products).

Therefore, with regard to capacity available for sale at auctions in the form of annual products during the second phase,

- 100% of capacity is offered over the period from October 2014 – September 2015;
- 50% of capacity is offered over the period from October 2015 – September 2016;
- 25% of capacity is offered over the period from October 2016 – September 2018.

Shippers' individual demands within the framework of auctions are limited to 1/5th of capacity sold, from the second auction round. This rule applies to all capacity products sold via auctions with several rounds.

GRTgaz shall inform CRE of the levels of price increments envisaged at least one month before the auction. CRE shall have one week to express any opposition. GRTgaz shall take into account the price difference observed in the market between the North and South PEGs and shall consult market players beforehand.

3.3.2. Other capacity products

a) North-South link in the South to North direction

Capacity available from 1 April to 30 September 2014 at the North-South link in the South to North direction will be sold proportional to demands. The tariff for this readjustment product will be equal to 50% of the tariff for the corresponding annual capacity.

As from 1 October 2014, annual capacity will be sold until 30 September 2018 in auctions.

As from 1 October 2015, 10% of technical capacity will be deducted from capacity sold as annual products and reserved for the short term (quarterly products).

Auction price increments will be set by GRTgaz under identical conditions to those mentioned in the previous point.

b) GRTgaz South – TIGF interface

Capacity available from 1 April to 31 March 2015 will be sold in the form of two products, each with a total duration of six months, according to the terms used during preceding allocations, i.e. proportional to demands. The tariff for these products will be equal to 50% of the tariff for the corresponding annual capacity.

c) Interconnections with Spain

Capacity available from 1 April to 30 September 2014 at the Larrau interconnection point will be sold in the form of a product with a total duration of six months, according to the terms used during previous allocations, i.e. proportional to demands. The tariff for these readjustment products will be equal to 50% of the tariff for the corresponding annual capacity.

Capacity available from 1 April to 30 September 2014 at the Biriadou interconnection point will be sold in the form of a product with a total duration of six months, according to the terms used during previous allocations.

3.4. Detailed capacity allocation rules

3.4.1. Allocation rules for capacity at the North-South link in the North to South direction

a) Readjustment product (1 April to 30 September 2014)

On an indicative basis, the volume of capacity concerned is 166 GWh/d of firm capacity and 102 GWh/d of interruptible capacity. GRTgaz will publish on its website with sufficient notice, the exact volume of capacity for sale. This capacity will be sold in two phases according to the rules described below.

Phase 1:

- volume of capacity proposed: 40 GWh/d of firm capacity and 23 GWh/d of interruptible capacity;
- phase open to gas-intensive customers located in the GRTgaz South and TIGF balancing zones and holders of connection contracts linked to the GRTgaz South or TIGF networks. GRTgaz will take into account the list of gas-intensive customers published by the administrative authority at the deadline date and time for submission of capacity demands for this phase 1. If this list is not provided at the deadline, GRTgaz will apply the procedure on the premise that there is no gas-intensive customer;
- participants must have a transmission contract enabling them to subscribe capacity on GRTgaz's main network;
- gas-intensive customers located in GRTgaz South or TIGF balancing zones and holders of connection contracts for GRTgaz South or TIGF networks may mandate a shipper of their choice to take part in this phase;
- shippers' demands are limited to the average daily consumption of their site(s) observed over the last two calendar years;
- if demand exceeds supply, capacity is allocated proportionally to demands by applying the following priority rule:

- priority to the demands of shippers with the gas-intensive status or mandated by a gas-intensive customer;
- then, allocation of any remaining capacity to shippers with a connection contract for the transmission network or mandated by a holder of a connection contract.
- any capacity that is unsold at the end of this phase will be sold in the following phase.

Phase 2:

- volume of capacity proposed: 126 GWh/d of annual firm capacity and 79 GWh/d of annual interruptible capacity, to which is added any capacity left unsold at the end of phase 1;
- phase open to all shippers with a transmission contract enabling them to subscribe capacity on GRTgaz's main network;
- limit on each shipper's request to its physical delivery commitments within the limits of the portion of capacity sold (as defined below);
- if demand exceeds supply: capacity shall be allocated proportional to demands;
- this phase is composed of three successive rounds. At each round, a third of the capacity available is proposed, to which is added any capacity unsold during the previous round. For each round, the demand 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:
 - the third of the shipper's physical delivery commitment multiplied by 1.2 less any capacity obtained at the end of phase 1;
 - and a third of 2.5 GWh/d.

Definition of the physical delivery commitment and the limit on each shipper's demand:

Each shipper's demand is limited to the level of their physical delivery commitment, which corresponds to the maximum between the following two elements:

- (A) the sum of actual subscriptions concerning:
 - delivery capacity held as at 1 November 2013 at the GRTgaz South and TIGF customer interface points (industrial clients);
 - delivery capacity held as at 1 October 2013 at the GRTgaz and TIGF Transport Distribution Interface Points (public distribution);
 - transmission capacity held as at 1 November 2013 at the Savoie and Monaco regional network interconnection points (PIRR) and the Jura network interconnection point (PIR);
 - exit capacity to Spain (Larrau, Bariatou) held as at 1 November 2013 for the period starting 1 April 2014;
- (B) the sum of injection capacity held as at 1 November 2013 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 demand may not exceed the total volume of capacity proposed for sale during phase 2 (i.e. 126 GWh/d for firm capacity and 79 GWh/d for interruptible capacity) to which is added any capacity left unsold at the end of phase 1.

Capacity obtained during phase 1 is deducted from each shipper's physical delivery commitments.

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.

Allocation process for phase 1:

- shippers shall communicate to GRTgaz the average annual consumption of the site(s) concerned over the last two calendar years and, where relevant, any elements attesting to the granting of the gas-intensive status for this/these site(s) or to connection to GRTgaz's or TIGF's network;
- GRTgaz shall check the values communicated against its own data;
- GRTgaz shall transmit to TIGF and/or to the distribution system operators (DSOs) the data concerning the sites connected to their network for verification;
- GRTgaz shall allocate capacity according to the results of these verifications.

Allocation process for phase 2:

- shippers shall communicate their physical delivery commitments to GRTgaz as described above;
- GRTgaz shall check these requests against its own the data;
- GRTgaz shall transmit to TIGF the data concerning it for verification;
- GRTgaz shall allocate capacity according to the results of these verifications.

GRTgaz shall organise the following allocation process so that allocation of readjustment product capacity is finalised before 30 November 2013.

b) Capacity available as from 1 October 2014

This capacity shall be sold until 30 September 2018 in two phases in line with the rules described below.

Phase 1:

- volume of capacity proposed: 40 GWh/d of firm capacity and 23 GWh/d of interruptible capacity sold over a period of four years;
- phase open to gas-intensive customers located in the GRTgaz South or TIGF balancing zone. GRTgaz shall take into account the list of gas-intensive customers published at the deadline date and time for submission of capacity demands for this phase 1. If this list is not provided at the deadline, no capacity will be allocated under this phase ;
- participants must have a transmission contract enabling them to subscribe capacity on GRTgaz's main network;
- the gas-intensive customers mentioned above can mandate a shipper of their choice to take part in this phase;
- shippers' demands are limited to the average daily consumption of their site(s) observed over the last two calendar years;
- if demand exceeds supply, capacity shall be allocated proportionally to requests;
- any capacity that is unsold at the end of this phase shall be sold in the following phase.

Phase 2:

- open to all shippers with a transmission contract enabling them to subscribe capacity on GRTgaz's main network;
- volume of capacity proposed: the volumes below are indicative. GRTgaz shall publish on its website with at least one month's notice, the exact volume of capacity for sale;

	Firm capacity	Interruptible capacity
1 October 2014 – 30 September 2015	126 GWh/d	102 GWh/d
1 October 2015 – 30 September 2016	76.5 GWh/d	58 GWh/d
1 October 2016 – 30 September 2017	38.25 GWh/d	29 GWh/d
1 October 2017 – 30 September 2018	38.25 GWh/d	29 GWh/d

- sale via the auction process set out in the CAM code network on the PRISMA platform;
- reserve price equal to the regulated tariff for capacity;
- limit on individual demands to 1/5th of the capacity sold, from the second auction round.

c) Capacity available between 1 April and 30 September 2015

The expiration of capacity subscriptions at the North to South link as at 1 April 2015 requires the sale of a second readjustment product between 1 April and 30 September 2015. The volumes concerned are 27 GWh/d of firm capacity and 14 GWh/d of interruptible capacity. This capacity shall be auctioned in the form of quarterly products in June 2014. The reserve price of these auctions shall be equal to the regulated price for quarterly capacity.

3.4.2. Allocation rules for capacity at the North-South link in the South to North direction

a) Readjustment product (1 April to 30 September 2014)

Capacity available between 1 April 2014 and 30 September 2014 shall be sold via open subscription periods by simple pro rata.

GRTgaz will publish on its website with sufficient notice, the exact volume of capacity for sale.

The tariff for these products will be equal to 50% of the tariff for the corresponding annual capacity.

b) Capacity available as from 1 October 2014

Capacity available from 1 October 2014 shall be auctioned until 30 September 2018 according to the following terms:

- sale via the auction process set out in the CAM code network on the PRISMA platform;
- reserve price equal to the regulated tariff for capacity.

10% of technical capacity shall be sold, in the form of quarterly products in June 2015.

GRTgaz shall publish on its website with at least one month's notice, the exact volume of capacity for sale.

3.4.3. Capacity allocation rules at the PIR Midi

a) Readjustment product (1 April to 30 September 2014)

Capacity available between 1 April and 30 September 2014 shall be sold via open subscription periods by simple pro rata.

TIGF and GRTgaz shall publish on their websites with at least one month's notice the exact volume of capacity for sale.

The tariff for these products will be equal to 50% of the tariff for the corresponding annual capacity.

b) Capacity available as from 1 October 2014

Capacity available between 1 October 2014 and 31 March 2015 shall be sold via open subscription periods by simple pro rata.

TIGF and GRTgaz shall publish on their websites with at least one month's notice the exact volume of capacity for sale.

The tariff for this capacity will be equal to 50% of the tariff for the corresponding annual capacity.

Capacity at the PIR Midi shall no longer be sold as from 1 April 2015.

3.4.4. Capacity allocation rules at the PIR Midi and the interconnection with Spain

a) Readjustment product (1 April to 30 September 2014)

Capacity available between 1 April and 30 September 2014 at PIR Larrau shall be sold via open subscription periods by simple pro rata.

TIGF shall publish on its website with at least one month's notice the exact volume of capacity for sale.

The tariff for this capacity will be equal to 50% of the tariff for the corresponding annual capacity.

4. Allocation of interruptible capacity to market coupling between the PEG North and the PEG South

Since 1 April 2013, 30 GWh/d of interruptible capacity has been devoted to the market coupling mechanism in the North to South direction. Capacity not sold at the end of market coupling is reintegrated into the use-it-and-buy-it capacity offer.

In its June public consultation, CRE proposed maintaining the allocation of 30 GWh/d of interruptible capacity to market coupling.

Contributors were mostly favourable to this proposal and stated that the mechanism promoted the development of liquidity in the wholesale market in the South zone.

CRE requests GRTgaz to maintain this mechanism as at 1 April 2014.

5. Redistribution of excess auction income

CRE will define the means of redistribution of excess auction income in the next tariff update as at 1 April 2014. The following are CRE's orientations.

5.1. Summary of responses in CRE's public consultation

CRE submitted three proposals according to redistribution of excess auction income :

- redistribution through the CRCP ;
- dedication to the excess auction income to finance decongestion investments;
- direct redistribution to the suppliers of final consumers located above the congestion, on a yearly basis.

Contributors mostly agreed with the CRE's unfavourable analysis of the posting of excess income to the CRCP. They considered that customers in the south of France must benefit from redistribution, in the actual state of congestion in the North to South direction.

Most contributors were favourable, in principle, to the use of excess income to fund decongestion investments (such as the investment expense adjustment account). However, some contributors consider that such a measure would lead to fund investment by current users instead of the TSO or its shareholders. Moreover, the taxation on the amounts concerned as part of corporate tax reduces the amount effectively available to fund the investment.

For the North-South link, the targeted redistribution of income excess, on an annual basis, in the South, is given priority by a majority of contributors, either as a first choice or as a default choice in the absence of a practical solution enabling this excess to be used to fund investments.

5.2. CRE's analysis

The results of the public consolidation confirm CRE's preliminary analysis presented in the public consultation.

A redistribution of excess auction income via the CRCP would not take into account the specific situation of network users. For example, for the North/South link, it would result in users benefiting from this redistribution even though their transmission bill has not increased following auctions at the North/South link.

With regard to the allocation of excess auction income to the funding of network decongestion investments, CRE continued work with TSOs but has not yet identified an alternative solution to ensure that the totality of auction income will be dedicated to funding.

Therefore, CRE has adopted the principle which consists in redistributing excess auction income to end customers located in the balancing zone or the market zone adjacent to the interconnection in question.

5.2.1. North/South link

With regard to the North-South link, CRE considers that all excess auction income must be repaid immediately to shippers delivering to end customers located in the GRTgaz South zone. This will neutralise the increase in the transmission bill resulting from high auction prices which may come about because of the current congestion in the North to South direction.

This excess will be redistributed to shippers delivering to end customers in the South zone proportional to the volumes consumed, on at least a quarterly basis. In order to ensure transparency, GRTgaz shall make public the unit amount of the redistribution in €/MWh. In addition, there will be no redistribution for the volumes corresponding to North to South capacity obtained during phase 1 of the allocation since this capacity is billed at the regulated tariff.

If there is excess auction income in the South to North direction, it would be redistributed according to the same principle to shippers delivering to end customers in the GRTgaz North zone.

5.2.2. Interconnections

For interconnections with foreign countries in which capacity is sold in the form of grouped products, CRE is favourable to the two transmission operators concerned each receiving 50% of this excess. The implementation of this rule is provided for within the framework of the South Regional Initiative.

At this stage in its analysis, CRE considers that the portion of excess income received by TIGF at the interconnections with Spain could be redistributed to shippers delivering to end customers in the TIGF zone proportional to the volumes consumed, according to the same principle as for the North-South link.

The same principles could apply for interconnections in the GRTgaz North zone.

CRE will consult market players on these topics within the framework of the gas transmission tariff update as at 1 April 2014.

5.2.3. Change envisaged as at 1 April 2015

A common marketplace will be created as at 1 April 2015 in the GRTgaz and TIGF South zones. At that date, there are plans to pool the excess auction income obtained at the North-South link and at the French/Spanish border and redistribute it to shippers supplying end customers located in the two GRTgaz South and TIGF zones. This development will be addressed in a later decision by CRE.

5.3. CRE guidelines on the tariff treatment of excess auction income

5.3.1. Redistribution of excess auction income at the North-South link

Within the framework of the gas transmission tariff update as at 1 April 2014, CRE intends to adopt the following treatment for excess income received by GRTgaz at the North-South link.

The excess income received by GRTgaz as part of auctions at the North-South link would be redistributed at least once per quarter to shippers, proportional to the volumes delivered to their end customers connected in the GRTgaz South zone.

For a shipper delivering a site that has obtained, directly or through a representative, North to South link capacity during the first allocation phase, the redistribution base would be calculated so as not to include volumes delivered corresponding to this capacity. Therefore, the volumes eligible for redistribution would be calculated by multiplying:

- the total volume consumed by this site;
- by the quotient of the capacity obtained in phase 1 and the total delivery capacity subscribed for the site with the operator to which it is connected (GRTgaz or DSO). If the site is connected to a distribution site, the DSO concerned shall transmit to GRTgaz the volumes consumed by the site connected to its network.

If the gas-intensive site is connected downstream of another site directly connected to the GRTgaz or a DSO network, the gas volumes eligible for redistribution of the shipper delivering the site directly connected to the network will be revised. The eligible volumes would be calculated by multiplying:

- the total volume measured by GRTgaz at the metering point of the site directly connected to the network;
- by the quotient of the capacity obtained in phase 1 by the gas-intensive site downstream of the connected site and the total delivery capacity subscribed for the site directly connected to the network. If the site is connected to a distribution site, the DSO concerned shall transmit to GRTgaz the volumes consumed by the site connected to its network.

5.3.2. Redistribution of excess auction income at the interconnection with Spain

Within the framework of the gas transmission tariff update as at 1 April 2014, CRE intends to adopt the following treatment for excess income received by TIGF at the interconnection with Spain.

Excess income received by TIGF as part of auctions at the interconnection with Spain would be redistributed at least once per quarter to shippers delivering to end customers in the TIGF zone, proportional to volumes consumed.

5.3.3. Redistribution of excess auction income at interconnections in the North zone

Within the framework of the gas transmission tariff update as at 1 April 2014, CRE intends to adopt the following treatment for excess income received by GRTgaz at interconnections in the North zone.

Excess income received by TIGF as part of auctions at the interconnection with Spain would be redistributed at least once per quarter to shippers delivering to end customers in the TIGF zone, proportional to volumes consumed.

5.3.4. Redistribution of excess income after 1 April 2015

For the creation of a common marketplace as at 1 April 2015, CRE requests GRTgaz and TIGF to examine within the framework of Concertation Gaz the appropriateness of pooling excess auction income received at the French/Spanish border and at the North-South link in the North to South direction.

6. Publication

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

Paris, 17 October 2013

For the French Energy Regulation Commission,
A commissioner,

Olivier CHALLAN BELVAL