



DELIBERATION NO. 2018-039

Deliberation of the French Energy Regulatory Commission of 22 February 2018 resolving the methods for marketing storage capacities when implementing regulated third-party access to underground natural gas stocks in France.

Present: Jean-François CARENCO, President, Christine CHAUVET, Catherine EDWIGE and Jean-Pierre SOTURA, Commissioners.

Translated from the French: only the original in French is authentic

French Law 2017-1839 of 30 December 2017 ending search for and exploitation of hydrocarbons, and introducing various provisions relating to energy and the environment was published in the *Journal officiel de la République française* on 31 December 2017.

Article 12 thereof provides for regulation of the revenue of storage operators. The storage capacities are auctioned, and the difference (positive or negative) between revenues mainly coming from auctions and the allowed revenue of the storage operators is compensated as part of the tariff for the use of the gas transmission network, known as the ATRT tariff, by a dedicated tariff term. Auction modalities are set by the Commission de régulation de l'énergie (French Energy Regulatory Commission - CRE) after proposal of the operators.

The aim of regulated access to underground natural gas storages to third parties is to guarantee the necessary filling of the storages to ensure the supply security, while getting at the same time transparency on storage costs and removing the complexity associated with the former system of individual obligations.

Article L. 421-5-1 of the French Energy Code states that "*the storage infrastructure capacities mentioned in Article L. 421-3-1 are subscribed to following public auctions.*"

These auctioning methods are set by the Commission de régulation de l'énergie (French Energy Regulatory Commission - CRE) as proposed by the storage operators. In particular, the auctioning methods include the capacity marketing schedule, the auction reserve prices, the products marketed, and the types of auction held. They are published on the website of the operators."

"Before starting the auctions, the service providers converting H gas into B gas reserve with the storage operators the capacities required for performing their tasks in accordance with the marketing methods set by the French Energy Regulatory Commission and for which the storage operators provide it with proposals. [...]"

"With the exception of the first paragraph of this Article, bilateral agreements may be entered into by France with a Member State of the European Union or a Member State of the European Free Trade Association for forecasting storage capacity reservations with storage operators before the start of the auctions in accordance with the marketing methods set by the French Energy Regulatory Commission and for which the storage operators provide it with proposals."

In addition, Article L 134-2, 2° of the French Energy Code states that the CRE recommends "*missions [...] of the underground natural gas storage operators*".

In November 2017, TIGF and Storengy submitted to the CRE their detailed proposals concerning methods for marketing storage capacities. In order to obtain the opinions of those involved in the market about these proposals, the CRE held a public consultation from 21 December 2017 to 23 January 2018.

57 contributions were submitted to the CRE:

- 26 are from shippers and from shipping associations;
- 9 are from industry and from industrial associations;
- 14 are from other associations or bodies;
- 8 are from infrastructure operators.

Non-confidential responses are published on the CRE website¹.

Prior to this, the CRE had undertaken in-depth work about the marketing of storage capacities. As such, it organised two workshops with those involved in the market in March 2016, and published an initial public consultation on 09 June 2016².

In order to expand on a number of subjects, the CRE organised a new workshop with those involved in the market on 13 October 2017. Non-confidential contributions received at the end of this workshop are also published on the CRE website³.

This deliberation sets out the auction methods for the first year of marketing storage capacities within a regulated framework.

The following principles will apply to marketing storage capacities for the year 2018-2019:

- the main marketing objective is to maximise storage capacity subscriptions. The objective of maximising revenue from auctions takes second place;
- the auctions will be organised in a transparent manner, in particular with regard to the products sold and the reserve prices;
- the storage operators will propose a simple offer in line with previous years;
- the auctions will be spread out over several days so as to market reasonably sized batches.

¹ [Public consultation from 21 December 2017 regarding the implementation of regulated access by third parties to underground natural gas stocks in France](#)

² [Public consultation of the French Energy Regulatory Commission of 09 June 2016 regarding the rules for marketing storage capacities for reforming regulated third-party access to stocks.](#)

³ [Contributions received following the workshop of 13 October 2017](#)

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1. GENERAL PRINCIPLES

The CRE regards the main objective of marketing storage capacities as the sale of enough capacities to reach the level of subscriptions required to secure supply.

The CRE considers the storage operators to be in a better position to propose a reasonable offer likely to meet the expectations of their customers due, in particular, to operational constraints associated with storage. It consulted based on the proposals of TIGF and Storengy provided at the end of 2017 (the marketing of the Manosque stock, owned by Géométhane, is done by Storengy).

This deliberation of the CRE sets out the rules applicable to the marketing methods, while leaving a certain amount of room for manoeuvre for the operators, in particular regarding the specific characteristics of the products marketed as well as the order of marketing of the different products.

The majority of those involved having responded to the public consultation are in favour of these principles.

2. MARKETING TIMETABLE

2.1 Marketing period

2.1.1 Proposal of TIGF and Storengy

TIGF and Storengy want the initial phase of marketing storage capacities to start on Monday 26 February or Monday 5 March 2018, and for it to end before 31 March 2018. Injections actually begin each year at the start of April to allow maximum topping up during autumn and to allow the needs for the entire winter to be covered.

TIGF and Storengy want all available capacities to be proposed to the market during this initial phase.

In order to provide those involved in the market with all transparency required to take a position at each auction, the operators propose publication at least one week before the first auction of:

- the complete sales timetable;
- the specific characteristics of the products proposed;
- the exact auction rules;
- the contractual conditions and the prices for services supplementary to the storage products.

2.1.2 Summary of responses to the public consultation

The vast majority of those involved having responded to the public consultation expressed themselves to be in favour of a marketing phase of four or five weeks allowing the marketing of 100% of available capacities before 31 March 2018.

Certain of those involved have expressed their preference for an initial phase of five weeks rather than four. One of those involved only wants this phase to last 3 weeks.

2.1.3 CRE analysis

In order to provide all involved in the market with enough transparency, and in view of the restricted deadlines for implementing the reform, the CRE is setting the start of auctions for 5 March 2018, with an initial marketing phase of 4 weeks, until Thursday 29 March allowing the marketing of 100% of the available before 31 March 2018. Although such a period is short, it is still longer than that current main marketing phase for storage capacities. It allows the restricted marketing schedule to be considered while allowing enough time for the auctions.

The CRE considers it essential that the auctions are held with complete transparency as far as those involved in the market are concerned. As such, it has adopted the proposals of the operators concerning the publication of the specific auctioning methods.

Furthermore, at the conclusion of each auction the CRE asks the operators to publish on the same day, and where possible before the start of the following auction:

- the total amount sold during the auction;
- the associated sales price.

2.2 Breakdown of products into batches and rules for forming batches

2.2.1 Proposals of the operators

Storengy wants to be in the position to offer on each day of sale a maximum capacity of the order of 15 TWh. Furthermore, it wants to be able to offer at least 3 batches for each product, whose total amount proposed for sale is in excess of 10 TWh.

TIGF is proposing that each operator organises at least two auctions for each standard product marketed.

In its public consultation, the CRE proposed that:

- the products whose associated volumes are in excess of 7 TWh are offered at least in two market batches;
- the products whose associated volumes are in excess of 14 TWh are offered at least in three market batches;

2.2.2 Summary of responses to the public consultation

Those involved having responded to the public consultation are in favour of the rule proposed by the CRE with regard to the make-up of the batches marketed.

Certain of those involved want all products to be offered on the market two or three times. One of those involved has indicated that these thresholds are too low, as the market is able to absorb greater amounts every day.

2.2.3 CRE analysis

In order to limit the daily amount offered on the market, the CRE wants products of a significant size to be offered in several batches. In order to provide Storengy and TIGF with greater room for manoeuvre, and in view of the reduced auction deadlines, it wants to increase the thresholds to 8 and 16 TWh.

The CRE is adopting the following rules:

- the products whose associated volumes are in excess of 8 TWh must be offered at least in two batches on the market;
- the products whose associated volumes are in excess of 16 TWh must be offered at least in three batches on the market.

The CRE considers that the essence of this rule is to market different products throughout the auction period, and that it will result in reducing the risks for shippers in the event of not being allocated during an auction. It also limits the risk of the operation of the markets being disrupted by generating purchases of gas for significant amounts in tandem with the reservation of storage capacity.

2.3 Linking of auctions between TIGF and Storengy

2.3.1 Proposals of the operators

Storengy is not opposed to the auctions of both storage operators being organised on different days, provided that the marketing days are distributed between TIGF and Storengy in proportion to the quantity marketed by each operator. As such, given that TIGF markets around 25% of the total capacity available, Storengy is proposing that TIGF has one day a week and Storengy three.

TIGF is in favour of the marketing days being distributed among both operators. It wants each operator to have the same number of marketing days for each week. TIGF believes that the sequence of auctions does not need to depend on the volumes to be marketed by each operator. TIGF is asking that, if Storengy benefits from more days of auction than TIGF, then both operators should nevertheless have two days of auction each in the first week (Tuesday and Thursday for TIGF, Wednesday and Friday for Storengy).

2.3.2 Summary of responses to the public consultation

All those involved who have expressed an opinion on the matter are in favour of organising separate auctions for Storengy and TIGF. With regard to auction days, responses are very divided between those involved wanting the auctions to be organised on three days a week, and those wanting the auctions to be organised on five days a week. Two of those involved are proposing no auctions being organised on Monday morning and Friday afternoon. Five of those involved are proposing that auctions can be organised for Mondays, but not Fridays.

2.3.3 CRE analysis

The CRE does not want several auctions taking place at the same time. It actually considers that this would go against the objective of maximising subscriptions during auction phases. The appetite of a shipper for a storage

product depends on it being allocated other products. As such, a simultaneous sale over several auctions in tandem would create uncertainty for the shippers and could lead them to minimise their demand. To do this, the CRE regards the organisation of auctions by TIGF and Storengy on different days as the most appropriate solution.

With regard to the days where auctions would be organised, several of those involved in the market have indicated to the CRE that Friday is a busy day in terms of trading and dispatching, and that it would therefore be preferable not to organise auctions on Friday. Furthermore, certain of those involved in the market have indicated that it would be desirable to have a day to prepare the auctions of the week, and in this respect it would be a good idea not to organise auctions for Monday. Nevertheless, to allow each operator to have enough slots to offer all of its capacities on the market in 4 weeks before the end of March, auctions need to be organised either on Mondays or Fridays. The CRE considers that organising auctions on Mondays causes less problems.

As the capacity needing to be marketed by Storengy is greater than that needing to be marketed by TIGF, the CRE considers it fitting for Storengy to be allocated more auction days than TIGF. Nevertheless, the CRE shares TIGF's point of view that it is right to allocate the same auction days to both operators in the first week.

To summarise, the CRE sets out the following principles:

- no auction is organised for Friday;
- each operator must have enough auction days to offer all of its capacities for sale at least once before the end of the initial marketing phase.

In order to comply with these principles, the CRE is setting the following initial auction timetable:

Date	Operator able to organise auctions
Monday 05 March 2018	Storengy
Tuesday 06 March 2018	TIGF
Wednesday 07 March 2018	TIGF
Thursday 08 March 2018	Storengy
Friday 09 March 2018	-
Monday 12 March 2018	Storengy
Tuesday 13 March 2018	Storengy
Wednesday 14 March 2018	TIGF
Thursday 15 March 2018	Storengy
Friday 16 March 2018	-
Monday 19 March 2018	Storengy
Tuesday 20 March 2018	Storengy
Wednesday 21 March 2018	TIGF
Thursday 22 March 2018	Storengy
Friday 23 March 2018	-
Monday 26 March 2018	Storengy
Tuesday 27 March 2018	Storengy
Wednesday 28 March 2018	TIGF
Thursday 29 March 2018	Storengy
Friday 30 March 2018	-

This timetable allows TIGF 5 days of auctions and Storengy 11. Operators having indicated their ability to organise two auctions per day will be able to organise 10 and 22 respectively. All auction days being used will lead to the operators offering an average of 4 TWh of storage capacities for sale for each auction.

3. PRODUCTS OFFERED FOR MARKETING

3.1 Standard products envisaged by the storage operators

3.1.1 Proposal of Storengy

Storengy wants greater freedom in terms of products marketed by not being limited in the number of products offered. Storengy is actually working with those involved in the market to define the most appropriate offer possible. Storengy intends to market nine different products. Among these nine, several products with identical characteristics are available on different PITS.

Storengy wants the operators to be able to adjust their offer up to two weeks before the start of the auctions. Once the details of the offer have been published, in order to give the market transparency, Storengy does not want any changes to be made to the offer, including the event of no sales: the products offered as well as their characteristics and associated volumes are set for the entire auction period.

3.1.2 Proposal of TIGF

TIGF intends to offer 4 different products at the auctions, of which 3 are bundled (injection and withdrawal flow and volume) and 1 product corresponding to a single-volume offer.

Furthermore, in the event of a product not being sold, TIGF wants to be able to put the unsold quantity back to another auction for the same product, or to an auction for a different product. The market would be notified of such a transfer no later than 24 hours before the start of the auction affected by the transfer.

3.1.3 Summary of responses to the public consultation

The majority of those involved are in favour of the CRE proposal regarding the maximum number of products able to be marketed by the operators (14 for Storengy and 5 for TIGF, in line with previous years). However, certain of those involved consider this level too high. Storengy points out that it only wants to propose 6 different products, but certain products being proposed at different PITS gives a total of 9 products.

Furthermore, several shippers confirm that, given the proximity of the start of the initial marketing phase, not changing the constraints on the products able to be proposed by the operators is preferable.

With regard to capacity transfers, in the event of no sales, of one product to another or another sale of the same product, the majority of those involved are in favour. Nevertheless, one of those involved is not in favour of transferring the capacity of one product to a different product, and a second shipper is against any transfer, deeming that the transfer periods will be too short.

The vast majority of those involved having responded to the public consultation are in favour of no product other than standard ones being capable of marketed before the end of the initial marketing phase.

3.1.4 CRE analysis

The CRE wants to allow the storage operators a great deal of freedom with the marketed products. The operators are in a better position for negotiating with their customers for proposing a commercial offer adapted to the expectations of the market.

In order to simplify the auction process, the CRE wants the storage offer to be close to those of previous years. Given the short periods for identifying marketed products, an offer close to previous ones would actually allow those involved in the market to bid for products that they know. During previous years, TIGF has proposed up to 5 main products. For the year 2017-2018, Storengy marketed 14 products. As such, the CRE limits TIGF to marketing 5 standard products, and Storengy to marketing 14 standard products.

The CRE allows the operators to transfer unsold capacities from one auction to another or from one product to another, provided that the methods of such transfers are set out by the operator in question in advance of the auction phase, and that each transfer is the subject of publication as early as possible and at least one business day before the auction to which the non-sales are put back.

3.2 Specific products and applicable case

3.2.1 Proposal of Storengy

If, once all capacities have been offered to the market, no-sales remain, Storengy proposes the option of marketing the available capacities by having the possibility of adapting the residual offer with the same reserve pricing methods as for the initial campaign.

Furthermore, after the initial marketing, Storengy is envisaging marketing on the side short-term gas products for the 2018-2019 gas year if they are likely to meet the additional needs of the market.

3.2.2 Proposal of TIGF

TIGF is proposing that the initial marketing phase is extended on a week-by-week basis until the minimum thresholds for achieving supply security have been reached, or until the safety net has been activated if, on 31 March 2018, the administrative authorities identify that the subscriptions corresponding to the minimum thresholds have not been reached.

If the minimum thresholds have been achieved on 31 March 2018, TIGF will want to be free to market the non-sales.

3.2.3 Summary of responses to the public consultation

Where the minimum thresholds required for securing supply are not reached at the end of the initial phase, the majority of those involved having responded to the public consultation are in favour of marketing continuing until the safety net is activated without the offer by the storage operators being modified.

Where the minimum thresholds are reached by the end of March, the majority of those involved are in favour of the operators being free to adapt their offer.

Nevertheless, two of those involved want the storage operators being able to adapt their offer as of the thresholds required for securing supply being reached in the event of these thresholds being reached before 31 March 2018, and by no later than 1 April 2018, whatever the level of subscription.

3.2.4 CRE analysis

The CRE is asking the operators to propose all capacities during the initial marketing phase and to market no other product than the standard products before the end of the initial marketing phase. This allows those involved in the market to be given transparency throughout the initial marketing phase.

Once initial marketing phase has been completed, two specific cases present themselves:

- if the minimum natural gas thresholds required for guaranteeing secure supply⁴ are not reached, products continue to be marketed in the form of standard products until these thresholds are reached, including in the event of the safety net being activated.
- if these thresholds are reached, or they are not published on 31 March 2018, the operators are free to propose products other than the standard ones.

In the event of products other than standard one being marketed, the CRE will ask the operators for these products to be marketed with complete transparency by publishing one week before each sale the specific characteristics of each proposed product as well as the capacity associated to them. Furthermore, the sales take place according to methods identical to the marketing phase in terms of auction rules and reserve price.

3.3 Marketing over several years

3.3.1 Proposal of Storengy

Storengy is proposing that the marketing of products can also be extended over the storage years 2019-2020 and 2020-2021. They want the bidders to be able to independently subscribe to these products over one of these contractual years.

Storengy is proposing that these auctions are organised according to the methods validated by the CRE in line with a proposal by the operators, and that they are organised as of May 2018, and then on a regular basis following the 2018-2019 storage year. Storengy is in favour of the total quantity proposed over the years 2019-2020 and 2020-2021 being able to reach 50% of the total annual storage operator capacities.

3.3.2 Proposal of TIGF

TIGF considers the timetable very restricted, and the mandatory simplification of the commercial methods applicable to this initial marketing under the regulated mechanism justifies waiting for the 2019-2020 storage year to propose the sale of capacities over a number of years or over the storage years N+2 and following.

⁴ The provisions of Article L. 421-4 of the French Energy Code state that « Based on the provisional long-term balance mentioned in Article L. 141-10, the contribution by the different supply options, and the provisional demand, every year by means of Decree The Minister for Energy sets the minimum natural gas stocks necessary on 1 November for guaranteeing a secure supply of natural gas during the period between 1 November and 31 March inclusive.

The minimum stocks are defined by a filling flow, as well potentially as location and a volume. »

3.3.3 Summary of responses to the public consultation

Although the majority of responses to the public consultation are in favour of proposing products over several years before summer 2018, certain of those involved have expressed their desire to have storage cost transparency beyond the year 2018-2019.

3.3.4 CRE analysis

The CRE is aware that some market players want storage cost transparency for the coming years.

The CRE is asking for thoughts about the methods of marketing storage capacities for the next marketing campaign (2019-2020) starting very early so that the rules are decreed by no later than September or October 2018 to allow the next marketing phase to potentially start as of November 2018 (see Section 9). Products over several years could potentially be marketed in this case.

As such, the CRE regards organising a new auction phase as of May 2018, as proposed by Storengy, as counter-productive at the same time as feedback about initial marketing at auctions as the next phase of auctions has to take place a few months later.

4. AUCTION MECHANISM

4.1 Type of auctions selected

4.1.1 Proposal of the operators

For the first year of auctions, TIGF and Storengy is proposing a type of fixing⁵ auction, sharing the position expressed by the CRE in its public consultation of 09 June 2016.

They are proposing an award at the end of an auction with an identical product award price for all buyers allowing the maximum amount requested to be met (pay as cleared).

4.1.2 Summary of responses to the public consultation

The majority of those responding to the public consultation are in favour of the auction mechanism proposed. Certain shippers would rather have ascending auctions. All those responding are in favour of pay-as-cleared award.

4.1.3 CRE analysis

The CRE shares the position of the operators with regard to the type of auctions. As such, the CRE considers that, to ensure the proper operation of the auctions within a restricted timetable, the auction mechanism must allow capacities to be awarded quickly and easily. The auctions for this first year of marketing under a regulated mechanism will therefore be of the fixing type in accordance with the methods set out in the following part (4.2).

The CRE actually prefers simplicity and speed for the first year. It envisages returning to the question of the type of auctions for marketing storage capacities as of next year.

Finally, the award price for each auction will be the same for a given auction for all of those involved and set at a level allowing the demand of participants to be best met (pay as cleared).

4.2 Specific auction methods

4.2.1 Proposal of the operators

Expression of demand by each participant:

For each product proposed for sale during an auction, the bidder enters the points (quantity in MWh; price in €/MWh) that define its requested purchase quantity curve according to the purchase price. There is no limit to the number of points forming this curve.

The price entered must be greater than or equal to the reserve price for the auction potentially published before the start of the auction.

The bidder must ensure that, for a given price P , it only enters one single price Q , and that between 2 points, the quantity Q_1 requested at the lowest price P_1 is strictly higher than the quantity Q_2 requested at the highest price P_2 .

⁵ The fixing type of auction corresponds to an auction where those involved provide the operators with their demand curve comprised of quantity/price pairs for a given storage product during the same slot without successive auction rounds.

All of these points allow the storer to define a requested quantity curve on purchase according to the purchase price in the following way:

- the quantity deemed to be requested on purchase is zero for a price strictly in excess of the highest price submitted by the bidder;
- at the highest price submitted by the bidder, the quantity deemed to be requested on purchase is equal to the quantity indicated by the buyer who nevertheless consents to be allocated a partial quantity;
- between two successive points P_1, Q_1 and P_2, Q_2 with $P_1 < P_2$:
 - the quantity deemed to be requested by the buyer is equal to the quantity Q_2 , as long as the price is strictly higher than the price P_1 ;
 - at price P_1 , the requested purchase price is equal to the quantity Q_1 but the buyer nevertheless consents to the possibility of being awarded a partial quantity lower than Q_1 ;
- the quantity deemed to be requested on purchase for a price lower than the minimum price P_m submitted by the buyer is equal to the quantity Q_m indicated by the purchaser for this lowest price submitted. At the minimum price P_m , the buyer nevertheless agrees to the possibility of being awarded a partial quantity lower than Q_m .

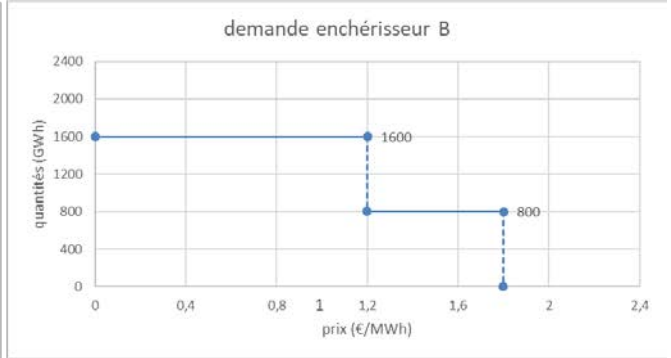
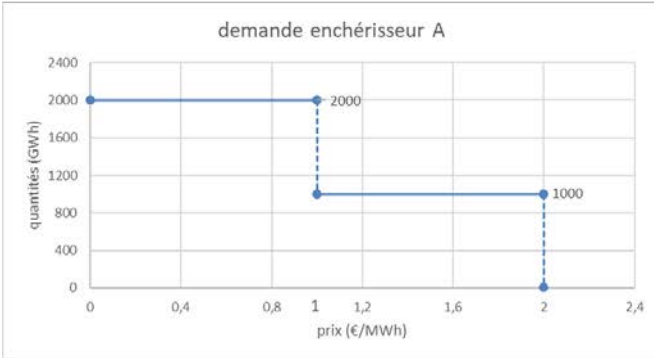
The storer then aggregates the requested quantity curves for all bidders in a single demand curve.

Auction setting: award price and award of capacities

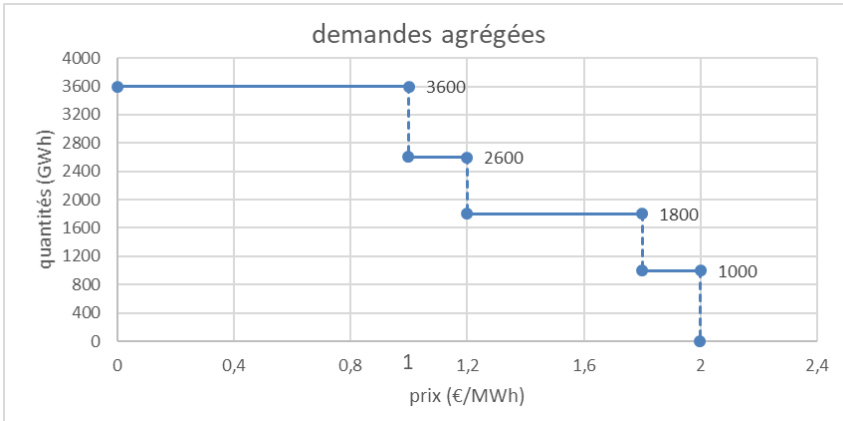
The award price corresponds to the highest price below which the demand is greater or equal to the offer. The quantities are then awarded in the following way: all requests for prices higher than the award price are met, then the requests at the award price are partially serviced by the amount remaining to be allocated on a pro rata basis.

Auction setting can be illustrated by the following example:

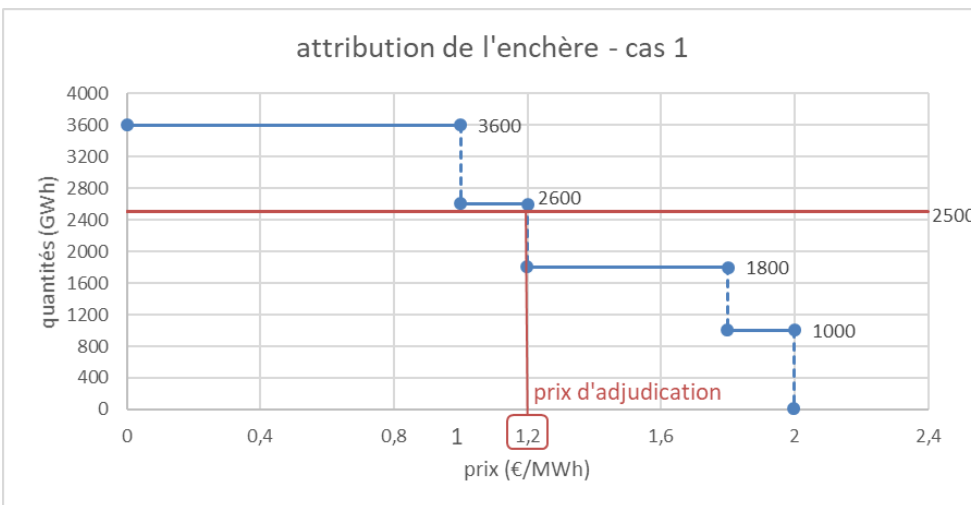
- the quantity of product offered by the storer is 2500 GWh; the reserve price is 0 €/MWh;
- 2 bidders participate in the auction, A et B, who submit the following requests:
 - bidder A = 2000 GWh from 0 up to 1 €/MWh, 1000 GWh beyond 1 and up to 2 €/MWh ;
 - bidder B = 1600 GWh from 0 up to 1.2 €/MWh, 800 GWh beyond 1.2 and up to 1.8 €/MWh ;



- The aggregated demand curve is therefore as follows:



The 2500 GWh offered are therefore allocated at an award price of 1.2 €/MWh for which the demand is 2600 GWh. The total demand at this price exceeds the supply by 100 GWh.



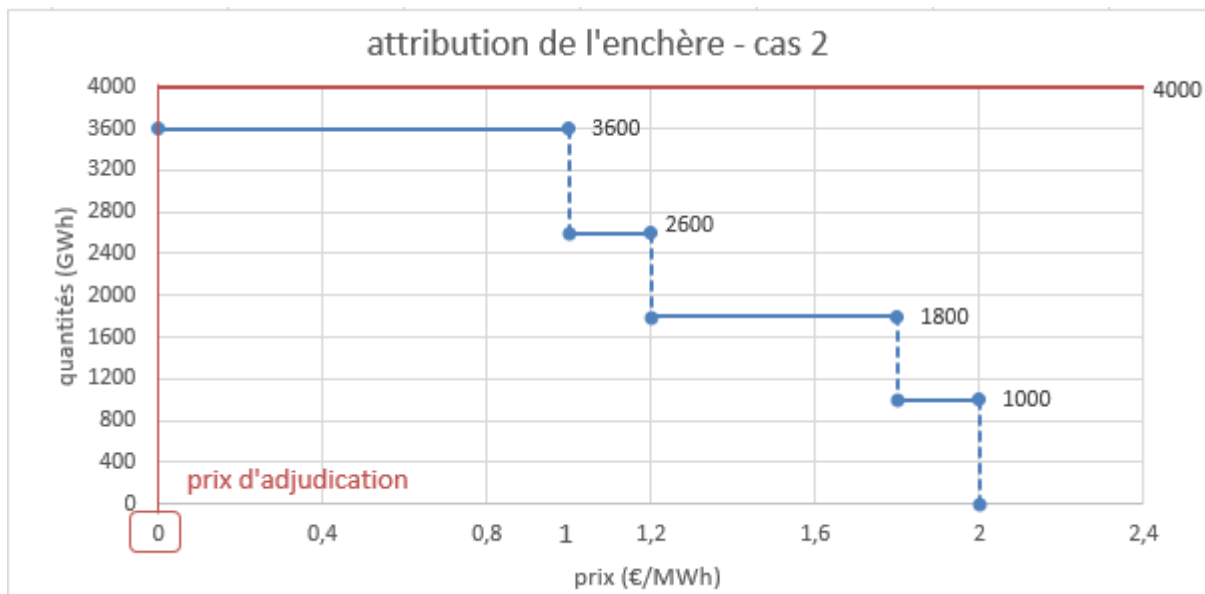
The quantities are allocated as follows:

bidder A = demand at price higher than the award price = 1 000 GWh

bidder B = demand at price higher than the award price + part of the demand at the award price = 800 + 700 = 1500 GWh

In the event of all demand of the bidders not covering the supply, the award price would equal the reserve price. Each bidder is then allocated the maximum quantity requested.

Taking the above example with unchanged bidder demand, but this time with a quantity of 4000 GWh offered by the storer, the award is as follows:



At the award price of 0 €/MWh corresponding to the reserve price, the total of the requests expressed by the bidders is serviced (i.e. bidder A = 2000 GWh, bidder B = 1600 GWh) and therefore leaving 4000 – 3600 = 400 GWh unsold.

The allocation methods are set out in detail in the operator proposals on their website.

4.2.2 CRE analysis

The CRE assesses the methods proposed by the operators that it deems appropriate. These methods actually allow capacities to be allocated on a transparent and non-discriminatory basis, while avoiding unsold product when demand outstrips supply. Those involved having responded to the public consultation are almost unanimously in favour of these methods.

Moreover, the CRE is satisfied that both operators are proposing identical methods, thus simplifying the auction process for the participants.

4.3 Auction platform

4.3.1 Proposal of the operators

Storengy and TIGF want to use their own sales and capacity platforms, www.MyStorengy.fr for Storengy and www.storeplace.tigf.fr for TIGF. Any potential purchaser of capacity can register for a sale in advance by creating a personal secure area.

4.3.2 CRE analysis

For the sake of simplicity for participants in auctions, the CRE believes it desirable for TIGF and Storengy to use a common platform for marketing. Nevertheless, given the restricted deadlines for this initial marketing, the CRE does not regard dictating to the operators the platform to be used for the first year of sales as appropriate.

The vast majority of those responding to the public consultation are of the same position and acknowledge the need to give the operators the freedom to choose their platform for this year, and asking for a common platform to be adopted as of following years. The operators are indicating that developing a common platform would be expensive and that they are not in favour.

The CRE is asking TIGF and Storengy to work together and with those involved in the market as part of storage dialogue in implementing a common sales platform for the next or following marketing period.



5. RESERVE PRICE

5.1 Proposal of Storengy

Storengy is opposed to the auctions being able to result in negative prices, which would end up with the unheard-of situation of a service provider having to pay its customer for the service it provides.

Furthermore, Storengy regards that a low reserve price is preferable so as to mobilise the market and incite massive participation in the sale, thus increasing the global demand during the auction and the probability of its success both in quantity sold and price at the end of the sale.

Storengy has discussed with its customers to arrive at a proposed formula for calculating the reserve prices. Storengy considers the interest in a formula is to integrate the different characteristics allowing both facilitation of access to storage capacities and to guarantee room for competition between the operators, whatever the situation of the market. Nevertheless, it still requires the use of digital data published after the close of the day's trading preceding the auction, which results in a calculation and potential publication of the digital price value relatively delayed on the eve of the auction.

In view of the conditions of current markets, the reserve prices obtained with the proposed formula would be very low, including for the highest performing products. As such, Storengy is not against the reserve price for all products proposed in 2018 being equal to zero to simplify the price.

5.2 Proposal of TIGF

TIGF does not want a negative reserve price in view of the essential role of underground stocks in securing the supply of gas to end consumers.

Furthermore, TIGF wants the impact of creating the Trading Region France (TRF) in the middle of the storage year to be taken into account when calculating the reserve price.

In this context, TIGF is proposing that the loss of value in southern stocks associated with the creation of TRF, intended for 1 November 2018, is estimated at 1 €/MWh, i.e. taken into account by setting two different reserve prices for standard products marketed on southern stocks and those marketed on northern stocks.

TIGF is proposing one formula allowing the reserve prices applicable to the northern stocks to be calculated, and a second formula allowing the reserve price applicable to the southern stock reserve price to be calculated. Nevertheless, in view of the current market price differences, and with the aim of simplifying the marketing methods to the maximum for 2018, TIGF is proposing not to calculate the reserve price on a daily basis, but to set the reserve price applicable to standard products as follows:

- $Pr_{Sud2018} = 0.01 \text{ €/MWh}$ for all standard southern storage products;
- $Pr_{Nord2018} = 0.01 \text{ €/MWh}$ for all standard northern storage products;

5.3 CRE analysis

TIGF and Storengy do not want storage capacities to be sold at negative prices. The CRE shares this view. Negative prices would lead to customers being paid for having subscribed to storage capacities. This would represent an additional cost for the storage operators, which would be borne by the end consumers. As such, all prices submitted as part of fixing auctions must be positive or zero.

Both operators are proposing formulas allowing the reserve price to be calculated for each product. Nevertheless, TIGF is proposing the adoption of a unique reserve price of €0.01/MWh for all southern stocks, i.e. for all of its products, and Storengy is indicating that it is not opposed to all reserve prices being zero.

The CRE does not want to apply a premium to northern storage products, such as proposed by TIGF, which would lead to a reserve price potentially higher than the market price and, as such, would entail a risk when selling capacities. This premium would therefore be contrary to the objective of maximising capacities sold.

Furthermore, the CRE believes that calculating the reserve price for the next day would create complexity for the operators. Defining zero reserve prices for all storage products would allow such complexity to be avoided, thus make the offer of the storers clearer and more attractive for all involved in the market.

Almost all of those involved having responded to the public consultation are in favour of a zero reserve price applied to all products.

The CRE is therefore setting a zero reserve price for all storage product auctions.

6. SPECIFIC STORAGE CASE OF SÉDIANE B

6.1 Proposal of Storengy

Storengy runs the Gournay-sur-Aronde storage site, connected to the gas network B in the north of France. The service providers for converting H gas to B gas must be able to access the B gas storage capacity that they deem necessary to complete their mission.

In the event of the service providers not reserving all of this stock, Storengy wants all of those involved so wanting to be able to access it at a market price.

As such, Storengy is proposing the following marketing methods:

1. before the start of the auctions, the service providers converting H gas into B gas inform Storengy and the CRE of the capacities for performing their tasks. They undertake to return offers at least to their need during the auction organised for this stock.
2. Storengy organises a capacity auction for the B gas stock according to the same method as that for other stocks;
3. calculation of a provisional fixing and allocation price for participants according to the result of the auctions (that would ignore the access priority mentioned above allowing a sales price considering all offers submitted by the market to be defined);
4. at the end of this provisional allocation, two specific cases present themselves:
 - a. if the service providers for converting H gas into B gas are pre-allocated to the level of capacities covering their need as a minimum, the pre-allocation is regarded as definitive allocation;
 - b. otherwise the service providers for converting H gas into B gas will be allocated to the level of their need, at the price resulting from the auction, by then allocating as a priority the capacities to the bidders who are not service providers converting H gas into B gas having submitted the highest offers.

Furthermore, Storengy has indicated that it wants to be able to market the entire of Sédiane B stock in a single auction. It actually considers that the opportunities of this stock are few in number, and that it is wiser to focus requests in a single sale.

6.2 Summary of responses to the public consultation

The large majority of responses to the public consultation are in favour of the methods proposed by Storengy for marketing the stock in zone B.

6.3 CRE analysis

The CRE considers that the proposal of Storengy allows, on the one hand, the service providers for converting H gas into B gas to be guaranteed access to the storage capacities they request and, on the other, to allow all those involved in the market to access this stock if they want and at the market price. The CRE therefore has decided to apply this proposal with regard to the Sédiane B stock.

Furthermore, the CRE is not opposed to the quantities offered for this stock being proposed in their entirety at a single auction without being subject to the constraints of batch size presented in Section 2.2.

Any quantity of gas put into Sédiane B must be B gas routed from the Taisnières B PIR, the PITPs of the B gas network, or the H Conversion Point towards Service Point B.

7. ADDITIONAL SERVICES PROPOSED BY THE STORAGE OPERATORS

TIGF and Storengy are proposing several additional services that complete the offer of these operators. These services are set out on the website of the operators.

Storengy does not envisage major changes to its services. Nevertheless, it is anticipating some adjustments to its implementation and/or tariffs.

TIGF wants to replicate the additional services proposed during the current storage year by adjusting them slightly, bearing in mind its new commercial offer, new contractual provisions envisaged, and the new regulatory framework in force.

The CRE is not opposed to these additional services being introduced according to the methods similar to the current, transparent and non-discriminatory ones published by the operators on their website.

8. PRIORITY OF ACCESS RESULTING FROM AN INTER-STATE AGREEMENT

Within the framework of bilateral agreements entered into by France with a Member State of the European Union or a Member State of the European Free Trade Association, the operators of the states in question or their representatives are able to access storage capacities in advance of the auctions to the limit of the quantities provided for in the bilateral agreements. These capacities are therefore reserved at a price P_1 determined according to the following formula:

$$P_1 = RA \times \frac{1}{2} \left(\frac{X_1}{X} + \frac{Y_1}{Y} \right)$$

Where:

- X_1 is the volume requested by the representative from a storage operator (or group of storage operators when their marketing is joined: hereinafter the storage operator);
- Y_1 is the flow rate requested by the representative from the storage operator;
- X is the total storage volume of the storage operator;
- Y is the total flow rate of the storage operator;
- AR is the authorised revenue of the storage operator.

The request must be submitted to the storage operator by no later than one week before the start of the auctions. These capacities reserved by the operators in question or their representatives are therefore not marketed during auctions.

9. FEEDBACK AND SUBSEQUENT MARKETING

In order to provide feedback on this initial storage capacity marketing within a regulated framework, the CRE has proposed that all stakeholders are able to meet regularly as part of a consultative body,

All responses to the public consultation were in favour of this. One of those involved wants the plenary gas consultation committee, GNL and storage to be joined. The trade unions want to be stakeholders in this consultation work.

The CRE is asking for the creation of the 'Storage Consultation Group', which will be steered by Storengy and TIGF and organised in line with similar principles to those of the Gas Consultation and GNL Consultation groups:

- a plenary committee ensures steering and sets out the work programme. It must allow the different stakeholders to be represented well. The storage operators are appointed as its chair;
- Working groups appointed by the plenary committee and coordinated by the storage operators dealing with different subjects identified by the committee and reporting to it on their work;
- The storage operators submit, where they are affected, to the CRE proposals resulting from the working groups, about which the CRE deliberate when they fall under its jurisdiction;
- The CRE participates in the plenary committee and the working groups. It guarantees the proper representation of those involved in the market, the consistency of the work programmes and further work undertaken for the entire French gas system, and the progress of different sites in accordance with the work programme.

The CRE is asking for the first meeting of the plenary committee to be organised for April 2018 to allow the work of the working group to start in April or May 2018. It wants it to be held in line with this framework, the feedback and the marketing of capacities for 2018-2019, and that at the end of this feedback, the work of the Storage Consultation Group to result in storage capacity marketing methods for the following years.

The CRE is also asking the storage operators to submit to it as of June 2018 a proposal for marketing rules applicable as of the following year. This should allow the CRE to consult the market in summer 2018 and deliberate about it in September or October 2018.

This could allow the auctions to start earlier for the following years, which would give the greatest room for manoeuvre for the next marketing programmes.

10. DECISION OF THE CRE

In accordance with the provisions of Article L. 421-5-1 of the French Energy Code, the CRE sets the methods for public auctions, at the end of which the capacities of the storage infrastructures mentioned in Article L. 421-3-1 of the French Energy Code are subscribed to.

The CRE also sets the methods for marketing storage capacity within the framework of bilateral agreements entered into by France with a Member State of the Union European or a Member State of the European Free Trade Association.

Furthermore, in accordance with the provisions of point 2 of Article L. 134-2 of the French Energy Code, the CRE sets out the mandates of the underground natural gas storage stocks.

Based on the proposals of TIGF and Storengy, and accounting for the responses to the public consultation of 21 December 2017, the CRE sets the auction methods for the first year of storage capacity marketing in a regulated framework.

Marketing timetable

The initial phase of marketing storage capacities for the 2018-2019 storage year will take place from 5 to 29 March 2018. 100% of available capacities will be proposed for sale during this marketing campaign.

TIGF and Storengy will be able to organise capacity auctions on different days with the marketing days distributed as follows:

Date	Operator able to organise auctions
Monday 05 March 2018	Storengy
Tuesday 06 March 2018.	TIGF
Wednesday 07 March 2018	TIGF
Thursday 08 March 2018	Storengy
Friday 09 March 2018	-
Monday 12 March 2018	Storengy
Tuesday 13 March 2018.	Storengy
Wednesday 14 March 2018.	TIGF
Thursday 15 March 2018	Storengy
Friday 16 March 2018.	-
Monday 19 March 2018	Storengy
Tuesday 20 March 2018	Storengy
Wednesday 21 March 2018	TIGF
Thursday 22 March 2018	Storengy
Friday 23 March 2018	-
Monday 26 March 2018	Storengy
Tuesday 27 March 2018.	Storengy
Wednesday 28 March 2018.	TIGF
Thursday 29 March 2018.	Storengy
Friday 30 March 2018.	-

Publication constraints

At least once a week before the first auctions, the operators will publish the full sales timetables, the specific characteristics of the proposed standard products, the exact rules for the auctions, the contractual conditions, and the prices for services in addition to the storage products.

Furthermore, at the conclusion of each auction the operators will publish on the same day, and where possible before the start of the following auction:

- the total amount sold during the auction;
- the associated sales price.

Marketed products

Throughout the course of the initial marketing phase, Storengy is able to propose up to 14 different standard products, and TIGF up to 5 different standard products.

Other than product regarding Sédiane B storage, standard products of a significant size will be proposed during the course of several auctions:

- the products whose associated volumes are in excess of 8 TWh must be offered at least in two different auctions to the market.
- the products whose associated volumes are in excess of 16 TWh must be offered at least in three different auctions to the market.

In the event of unsold product, capacities from one auction to another or from one product to another may be held, provided that the methods of such transfers are set out by the operator in question in advance of the auction phase, and that each transfer is the subject of a publication as early as possible and at least one business day before the auction.

No product other than standard ones may be marketed before the end of the initial marketing phase. Once this initial marketing phase has been completed, two specific cases present themselves:

- if the minimum natural gas thresholds required for guaranteeing secure supply are not reached, products will continue to be marketed in the form of standard products until these thresholds are reached, including in the event of the safety net being activated.
- if these thresholds are reached, or they are not published on 31 March 2018, the operators will be free to propose products other than the standard ones.

In the event of products other than standard one being marketed, at the end of the initial marketing phase the operators will publish at least one week before each sale the specific characteristics of each proposed product as well as the capacity that will be associated with them. Furthermore, the sales take place according to methods identical to the marketing phase in terms of auction rules and reserve price.

No storage product for the years beyond the 2018-2019 storage year will be proposed for sale.

Auction mechanism

The auctions will be of the fixing type. The fixing type of auction corresponds to an auction where those involved provide the operators with their demand curves comprised of quantity/price to the operators for a given storage product during the same slot without successive auction rounds. The precise methods of this mechanism are published by the operators.

At the end of an auction, award will be made with an adjudication price identical for all buyers (pay as cleared) at the price maximising the quantity sold. For a given auction, if the quantity requested is lower than that offered, the adjudication price is equal to the reserve price.

Reserve price

The reserve price for all storage product auctions will be zero.

Specific storage case of Sédiane B

The Sédiane B stock will be accessible to all involved in the market, with priority access for the service providers converting H gas into B gas according to the methods proposed by Storengy.

Any quantity of gas put into Sédiane B must be B gas routed from the Taisnières B PIR, the PITPs of the B gas network, or the H Conversion Point towards Service Point B.

Additional services

The operators will be able to propose additional services along with their basic offer according to the transparent and non-discriminatory methods similar to the current ones.

Priority of access resulting from an inter-state agreement

State operators with whom bilateral agreements have been entered into, or their representatives, are able to access storage capacities in advance of auctions to the limit of the quantities provided for by these agreements. The request must be submitted to the operator by no later than one week before the start of the auctions. These capacities are then reserved at a price determined in accordance with the formula set out in Section 8 of this deliberation, and are not marketed during auctions.

Request of the CRE to TIGF and Storengy – work for the following marketing campaigns

The CRE is asking the storage operators:

- to set up the Storage Consultation Group ('*Concertation Stockage*'), and for it to be operational as of April 2018;
- as of April 2018, to work within the framework of the Storage Consultation Group on the marketing methods that will apply for the following years and to submit to it, by no later than June 2018, their proposed rules for marketing applicable as of the marketing campaign for the 2019-2020 storage year. As such, the CRE may consult the market during the summer and deliberate before the end of 2018 on the marketing methods for the 2019-2020 storage year as a minimum. In particular, the operators shall work within the framework of the Storage Consultation Group to implement a common sales platform;
- Be able to organise storage capacity storage sales as of November 2018.

This deliberation will be published in the Official Gazette of the French Republic and forwarded to the Minister of State, Ministry for Ecological and Sustainable Transmission, and the Minister for the Economy and Finance.

**Deliberated in Paris on 22 February 2018,
For the French Energy Regulatory Commission
The President,**

Jean-François CARENCO