

CRE consultation on the implementation of a single gas hub in France (TRF)



EFET response – 29 June 2018

The European Federation of Energy Traders (EFET) thanks CRE for the opportunity to present its view on the proposed rules for the functioning of the future single gas hub in France (TRF)

EFET thanks CRE once again for its effort to include foreign market participants in the discussion by providing an English version of the public consultation.

Question 1: Are you in favour of the solutions proposed by the TSOs in case of delay on the physical works or on the IT solutions?

EFET supports the proposed solutions in case any delays to the infrastructure or IT projects related to the French market area merger occur. The TSOs should keep market participants informed about any potential delay to the said projects.

Question 2: Are you in favour of using the localised spread to optimize maintenance restrictions by covering a climate risk? If so, what level of risk do you want the TSOs to take into account when defining the restrictions?

Being a market based mechanism, EFET supports the use of the locational spread for minimizing restrictions in case of maintenance. Starting with a 10% risk seems appropriate. An evaluation of this risk level should be done after one year after implementation.

Question 3: *Are you in favour of the operation of the common superpoints proposed by the TSOs?*

EFET supports the idea of superpoints, which should be implemented complementary to the single gas hub. However, EFET considers that the mechanism, as proposed by the TSOs, is complex. In particular, the provision related to the « transfert de COE par limite », as described in the annex, is quite unclear. We would therefore welcome further clarity of the mechanism proposed.

Question 4: *Are you in favour of "long term" interrupting interruptible capacities in D-1 at 14h in case of orange or red alert?*

EFET is in line with the approach based on interruption of interruptible capacities on a *day-ahead* basis. However, EFET considers the timing proposed by TSOs as non-appropriate.

Interrupting capacities at D-1 @ 2 PM would mean that TSOs would make hypothesis on shippers' nominations, ahead of their submission. Yet, nominations from markets participants are key parameters for TSOs to enable them to properly assess the risk of congestion. Should capacities be interrupted on a *day-ahead* basis, EFET asks for a postponement of the trigger time from D-1 @ 2 PM to D-1 @ 4 PM, the latter being the time at which TSOs release their first scheduling notification.

Question 5: *Are you in favour of the operators' proposals concerning the terms and conditions applicable to localised spread tenders?*

Supported by EFET.

Question 6: *Are you in favour of the method proposed by CRE to determine the applicable penalties in the event of a shipper's failure on the localised spread?*

EFET supports the broad principle of the methodology. However, the TSOs should make sure that the administrative handling is addressed in a cost-efficient way. Moreover, the proposal made by CRE does not ensure a level-playing field between shippers in default on one side of the congestion front (which would be penalised at + 25% of the average price) vs. other shippers simultaneously in default on both sides of the congestion front (which would be penalised at + 50 % of the average price). For the latter, there is no reason why they should be penalised more than shippers that are just in default on one side of the congestion, as their contribution to solving the congestion is exactly the same. This difference in treatment could incentivise shippers to bid only on one side of the congestion, thereby potentially reducing the efficiency of the mechanism.

Question 7: *Are you in favour of the operators' proposal concerning the monitoring method for downstream storage and the planned parameters?*

EFET supports that proposal as we consider it to be robust and relevant.

Question 8: *Are you in favour of a 15-day publication frequency for downstream storage monitoring during the winter?*

EFET welcomes proposal made by CRE, in so far as a regular update is needed for market participants to anticipate the risk of congestion as best as possible. However, a bimonthly publication of storage level should not prevent any *ad hoc* release from TSOs in case of sudden tense situations occurring between the two publications.

Question 9: *Are you in favour of the triggering modalities proposed by the TSOs for flow commitments? What delivery times do you think are necessary, depending on the need identified?*

As a foreword, EFET reminds CRE that preference should be given to locational products, prior to any recourse of flow commitments mechanisms. Being a long-term tool, the usage of the latter should be limited in order to limit potential market disturbances.

EFET supports the modalities for the Flow Commitment mechanism as proposed by the TSOs. The delay should be as short as reasonably possible. However, EFET notices in the appendix document that TSOs propose to trigger such flow commitments in scenarios where there would be a sustainable lack of LNG supplies in France. Hence, assuming a high availability of LNG worldwide, in such scenarios, seems not very relevant. In this context, EFET advises to set a notice period of four weeks as timeframe for the delivery of the tendered LNG volumes.

Question 10: *Do you support the implementation of flow commitments? Which period covered by the call for tenders seems most relevant?*

First, EFET reminds CRE that setting a rule in which the size of tendered volumes would increase with delivery time does not really make sense: from an LNG market perspective, there is by default no correlation between the size of cargoes which could be diverted and their delivery time. Hence, EFET considers that limiting the size of a cargo for a 7-day delivery product (i.e. compared to a 15-day product) is not adequate, as it could hamper competition between market participants and be detrimental to the smooth functioning of the mechanism.

Furthermore, we believe that flow commitment tenders shouldn't be exclusively reserved to LNG deliveries. All methods should be invited to tender if they contribute to deliver the same service or benefit regarding a risk of congestion. The flow commitment, as currently envisaged, appears purely to be a GRTgaz purchase obligation on an LNG delivery which is triggered according to various congestion scenarios. The proposed approach is too limited and would only work when the type of congestion is always the same. It should be possible to fulfil the flow commitment

by interrupting a flow instead of bringing in an LNG cargo ship, if this has the same effect of solving the congestion or indeed is a more efficient solution. If a shipper has a flow out of France via Pirineos, for example, they should be able to fulfil the flow obligation by interrupting these flows. This concept is envisaged in the localised spread so it not clear why it is not envisaged for the flow commitment.

Question 11: *Are you in favour of the cost allocation proposal between the two TSOs?*

Supported by EFET.