

CNMC response to public consultation of 27th July 2017 nº2017-012 relating to the creation of a single gas market area in France on 1st November 2018

Madrid, 15th of September of 2017

GENERAL COMMENTS

CNMC recognises the value that would create a single gas market area in France for the European market and welcome the reinforcements that are being built, specifically the Val de Saône pipeline, that should serve to remove current internal bottlenecks.

CNMC invites CRE to keep progressing towards the single balancing zone and to streamline the operation of the network, in collaboration with other regulators.

With regard to the residual congestion.

Nevertheless, CNMC is concerned about the existence of the so-called “Residual Congestion”. After commissioning the Val de Saône and Gascogne Midi gas pipelines, CNMC believes congestion should disappear. However, according to the public consultation report, “Residual Congestion” will remain. In particular, from North to South direction in a number of occasions.

CNMC believes that the unification of zones in France should result in a better scenario than the current one. Consequently, any worsening of the present conditions would be difficult to comprehend, even more in a low demand scenario in France.

With regard to the proposed conditions of the single zone.

Regarding the disappearance of the North-South link tariff, CNMC would like to show its concerns about the projected increase of the cross-border tariffs (Pirineos) to compensate the resulting loss of revenues from the internal link.

It is essential to analyse the impact of cross border tariffs on cross border trade, which could result in a fragmented internal market with the resultant negative impact on competition and functioning of the internal market.

In CNMC opinion, the increase of cross border tariffs is a step backwards in the EU project of market integration. This concern was already raised during the last Stakeholders Group meeting of the South Gas Regional Initiative (SG SGRI) held the 5th of July, by the Portuguese regulator “ERSE noted that tariffs methodology in gas and electricity should be aligned (in electricity there are not cross border tariffs). The two sectors are linked so it must be ensured the efficient use of both infrastructures. The adoption of cross border tariffs in gas in comparison to the zero cross border tariffs adopted in electricity, incentivises the transmission of energy among markets in the form of electricity instead of natural gas, which seems anti-economic as transmission of

natural gas is less expensive than transmission of electricity. ERSE mentioned that the EU study Quo Vadis is analysing the impact on market coupling of the existent cross border tariffs regime. The Quo Vadis is studying new EU entry-exit prices regimes favourable to market integration and also to proper transmission network cost allocation”.

Consequently, in order to avoid a relapse with respect to future regulatory developments, CNMC suggests eluding the increase of cross border tariffs, as result of the new regulatory arrangement in France.

This is coherent with the discussion in *Quo Vadis study*, linking different balancing zones without cross border tariffs. Additionally, the same approach that is going to be used inside France (the single market zone including more than one balancing zone) should be extended to neighbouring balancing zones.

With regard to the congestion removal mechanisms due to maintenance work.

Maintenance work can produce some congestion that can limit the use of the infrastructures. The congestion management rules must avoid unnecessary regulatory interventions and let the market work, namely, let the gas flow following price signals avoiding market distortions.

CNMC believes maintenance work should be agreed in advance between all the TSOs involved, not only between the French infrastructure operators (GRTgaz, TIGF, Storengy, Elengy, Dunkerque) but also with all the TSOs affected. Moreover, in case of TSOs' lack of agreement, NRAs involved should develop a common decision. Otherwise, congestions could be transferred to neighbouring areas.

In addition, in order to guarantee a non-discriminatory application of congestion management procedures to all interruptible and firm capacities, cross border capacities should be tackled in the same way than French inner capacity. In an increasingly interconnected EU gas system, it is important to take into account the impact of national measures on neighbouring systems and the coordinate management of networks.

Transparency of the congestion management process is essential to give confidence to the market and all stakeholders. Information given by TSOs should be, at least, sufficient to understand the decision taken.

TSOs propose, and CRE agrees, to apply mutualised restriction when the impact of maintenance is higher than 30 GWh/d. CRE, on the other hand, is keen to have a single price in the European area: *“In order to prevent the creation of a significant price spread between the TRF area and the marketplace in Northern Europe, the CRE considers that the repercussion rule should make it possible to minimise the restricted capacity volume to gas entry points on the French network”*). CNMC agrees: in order to avoid price difference between Northern Europe and Southern Europe, any restriction of the interconnection capacity in Pirineos should be prevented.

CONCLUSIONS

CNMC strongly encourages the application of the following principles:

1. The single zone in France must respect all the commitments reached in the past and all the firm and interruptible capacities available to the market. Any worsening of the current situation (overcoming congestions, higher interruption frequencies, etc.) would be unacceptable. Actually, new investments should allow to have more firm capacity: it would be necessary to address an assessment of the existing capacity (after investments) to determine if it is possible to transform some existing interruptible capacity into firm capacity.
2. An increase of cross border tariff, because of the new regulatory arrangement in France, is a barrier for the development of the European gas market and cross border competition and it is a step backwards in the right regulatory direction.
3. All capacities (including exit cross border capacities) should be tackled in the same way. CRE must guarantee non-discriminative treatment between interconnections, UGS, LNG terminals and final French customers.
4. If congestion affects adjacent balancing zones, any action have to be agreed in advance between all involved TSOs. Moreover, in case of TSOs' lack of agreement, involved NRAs should develop a common decision. Moreover, CNMC believes maintenance works should be settle in advance between all the TSOs potentially affected.
5. Transparency of the congestion management procedures and subsequent application is essential to give confidence to the market.
6. Information given by TSOs should be, at least, sufficient to evaluate and replicate the decisions taken.
7. Market measures are the best solutions to manage transmission problems.
8. Balancing cooperation and local balancing actions between balancing zones are mechanisms to explore.