

CONSULTATION RESPONSE

EFET response to CRE on measures for the management of south-to-north congestions

The European Federation of Energy Traders (EFET¹) appreciates the opportunity to provide our comments to the proposals of the French TSOs on additional measures/ modifications to existing mechanisms for easing residual congestion on the TRF zone, as consulted by CRE.

We thank CRE once again for its consideration of the point of view of foreign gas market participants by providing an English version of the public consultation.

Overall, we give a positive note to the proposed TSO-based solutions for the management of congestions within the French gas network, which have caused rapid and very significant increase in the costs of spread products. As EFET, we maintain a clear and strong preference in favour of market-based measures to manage congestion.

Our responses to selected questions of the consultation are outlined below.

Question 4: Do you agree with CRE's preliminary analysis of the need to suspend the UIOLI storage at the racking point upstream of congestion? Do you have any comments on the conditions under which the UIOLI Stockage will be interrupted on withdrawal, in particular GRTgaz's proposal for an interruption on D-1 before 1 p.m., and Teréga's proposal for an interruption during the day?

We understand that the proposal on restrictions of the UIOLI is founded on concerns about how shippers use that capacity, potentially exacerbating certain north congestion to benefit from higher locational spreads. If it indeed relates to shipper behaviour, we believe that the implementation of a measure which may restrict UIOLI across the whole market is to a certain extent disproportionate.

Question 5: Do you agree with CRE's preliminary analysis that daily balancing should be maintained at this stage and that shippers have a responsibility to avoid excessive imbalances during the day? Do you agree with CRE that TSOs can change shipper nominations when network security and stability are at stake?

We applaud CRE, Teréga and GRTgaz for exploring mechanisms aimed at keeping together the single balancing zone regime on which the daily imbalance of each shipper is calculated. EFET would not want to see a move away from the daily balancing system, which has been a significant success in France. Any measures to avoid this are welcome.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 140 energy trading companies, active in over 27 European countries. For more information: www.efet.org

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However, we strongly believe that corrections of nominations either on the day-ahead or intra-day basis should be considered by the TSOs and CRE as a very last resort balancing solution, i.e., only once other contractual means, such as suspension of the UIOLI mechanisms, as suggested by CRE, are activated. Provisions that would empower the NRA or TSOs over what the physical stocks in the different storages are, by effectively changing the physical from the commercial flow, could potentially have certain risks.

We support CRE's statement that possible constraints on WD nominations are not necessary at this point and should be well in advance communicated to the market, with potential adjustments to the thresholds proposed by Teréga.

Question 7: Are you in favour of testing the swap storage mechanism proposed by GRTgaz and Teréga? Are you in favour of limiting the storage swap to the Storengy perimeter initially?

We share the concern indicated by CRE regarding the storage swap mechanism, as proposed by the SSOs in that it should not hinder the availability of withdrawal or injection capacity for gas market participants and be implemented early enough prior to the start of the allocation. It is not clear to us whether the proposal enables the SSO to use the flexibility of the storage user, or if a remuneration is foreseen for it.

An agreement between the TSO and the SSO on adaptation of the physical flow compared to what shippers nominate, with the aim of balancing the system, represents a step away from the concept of system balancing by the latter. Although we acknowledge that the purpose of the measure is to reduce costs, we caution that reducing the amount of shipper balancing over system balancing may end up undermining the value of storage. It essentially contradicts the concept of unbundling of the roles of shippers and TSOs-SSOs, and their respective roles in system balancing.

Question 9: Are you in favour of the anticipated restriction mechanism as a last resort proposed by GRTgaz? Do you agree with the five-day period of mutualised restrictions in a row before an anticipated restriction is triggered?

We identify as a significant concern the risk exposure of anticipated restriction on firm capacities as nominated by shippers on a daily basis. In this respect, we wish to highlight the importance of transparency so that market participants are made aware of whether this anticipated mutualised restriction, as well as any other of the proposed measures, are going to be implemented based on the flow patterns. This is in order for them to be able to maximise the flexibility within their portfolio, which would be difficult to adapt without sufficient notice time.

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Question 13: Do you share CRE's position on the creation of new cross-border exit capacity downstream of south-to-north congestion? For the winter of 2023-24, any new capacity could only be marketed as interruptible capacity for monthly, quarterly and annual maturities. In the longer term, the cost-benefit analysis preceding the creation of new capacity should take into account the cost of congestion and its impact on security of supply.

Although we acknowledge the need to suspend the sale of available firm capacity in the event of congestion, we would like to emphasise that, in the medium to long term, it is important to strengthen cross-border trading via new firm capacities between the European gas market areas. Maximisation of commercialisation of firm capacity at cross-border points lies at the core of our FUNC request for adjustment of CAM NC to the introduction of additional UPA auctions, under discussion with ACER, ENTSOG and the booking platforms. Furthermore, further clarification is needed on what "*new capacity*" entails: the proposal can be valid only if it applies to new/incremental capacities.