
Gas Transmission Charging Review: entry charging arrangements in Great Britain

Submission by GDF SUEZ SA

27 March 2015

I. Introduction :

Thank you for the opportunity to comment on your policy position on future entry charging arrangements in Great Britain.

Please find our response below which is not confidential.

II. Answers to the consultation :

Firstly, GDF SUEZ does not consider that this consultation tackles the main relevant issues concerning capacity charging in the UK. In fact, GDF SUEZ thinks that the relevant issues are as follows :

- European financing of transit infrastructure: there is no solution to finance in a sustainable way the transit of gas from upstream producers to either BBL or IUK through the continent, especially when those infrastructures are not used as baseload, within the current European tariff network code. This is especially true for IUK, whose post 2018 sustainability will depend on coming auctions results. A new European transit tariff model is required.
- On the Continent, long term capacity reserve prices are generally out of the money, which in practice prevents any new player to buy capacity, and therefore hampers proper hub functioning.

Arguably, these issues are out of OFGEM direct scope, but as shippers, GDF SUEZ is looking at products to bring gas from or to the UK from or to the Continent, and if one part of the chain is sufficient to make the transport of the gas uneconomic, whatever charging arrangement on the other part of the chain won't allow the transaction to be realized.

Secondly, GDF SUEZ considers that transport tariff arrangement are trying to define an optimal split of the revenue recovery TSOs' on the different points and products to support among other objectives best functioning of markets, and that looking at entry points in isolation misses this objective.

Thirdly, with regard to the scope of the consultation, without a significant premium for short term capacity (ideally set according to the revenue equivalence principle), shippers will continue to only have interest in booking day-ahead or within-day capacity, and in this case, difference between "fully-floating" capacity charges and commodity charges are purely cosmetic. The only possible change is for current holders of long term capacities. It should be underlined that long term users should not be unduly discriminated in the process, to avoid increase of the perception of UK regulatory risk that would undermine any future long term investments.

Finally, concerning the shorthaul, GDF SUEZ would need to have more clarity, and to have it dealt with in a single consultation with this GTCR. GDF SUEZ supports the principle of the shorthaul to avoid unnecessary flanges being built. Secondly, suppressing the shorthaul would have further negative impact on the use of IUK.