

**Demand assessment report for incremental capacity between *Spain* and *France* where no *non-binding demand indications* were received**

**2019-10-20**

This report is a joint assessment of the potential for incremental capacity projects conducted by

Enagás Transporte S.A.U.

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## A. Non-binding Demand indications

The involved TSOs, Teréga and Enagás Transporte S.A.U (Enagás) have not received any non-binding demand indications for firm capacity at the virtual interconnection point between the entry-exit system of Teréga and the entry-exit system of Enagás for any future period.

The following periods have been included in this analysis:

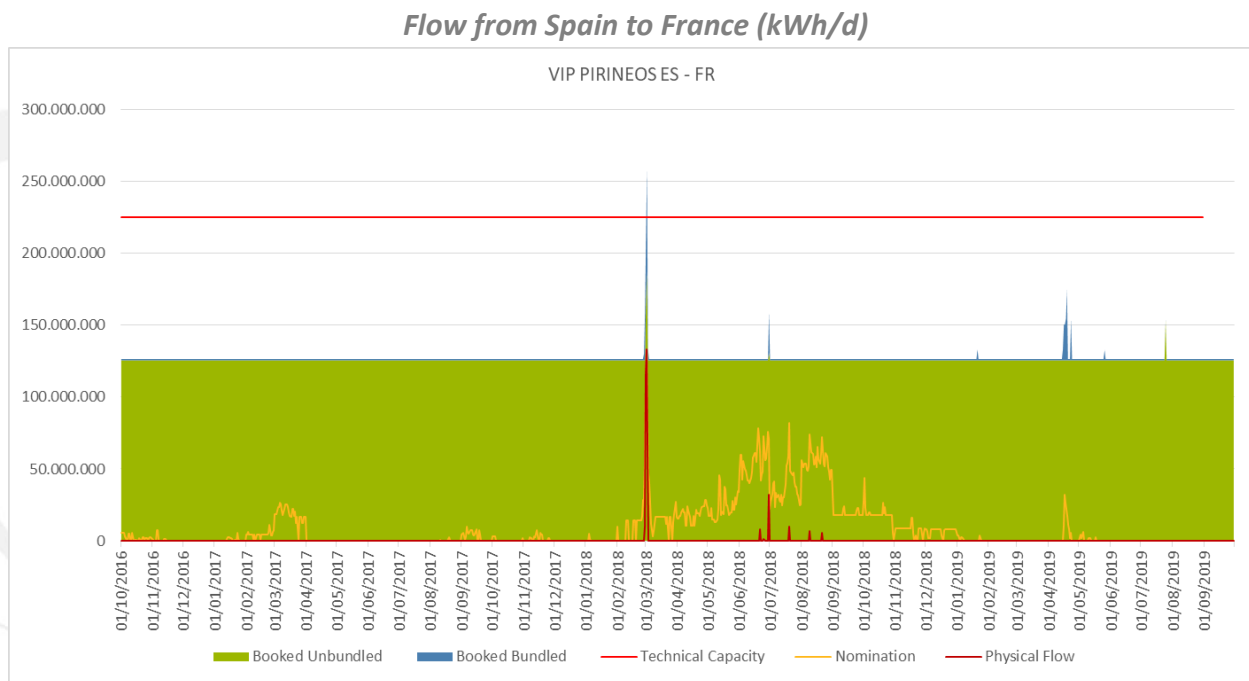
- a) non-binding demand indications received within 8 weeks after the 1 July 2019 – entry into force of REGULATION EC 459/2017.
- b) non-binding demand indications received later than 8 weeks after the 1 July 2019, which would have been considered in the current incremental capacity cycle.

**Therefore, the amount of 0 for non-binding demand indications has been used as a basis for this demand assessment.**

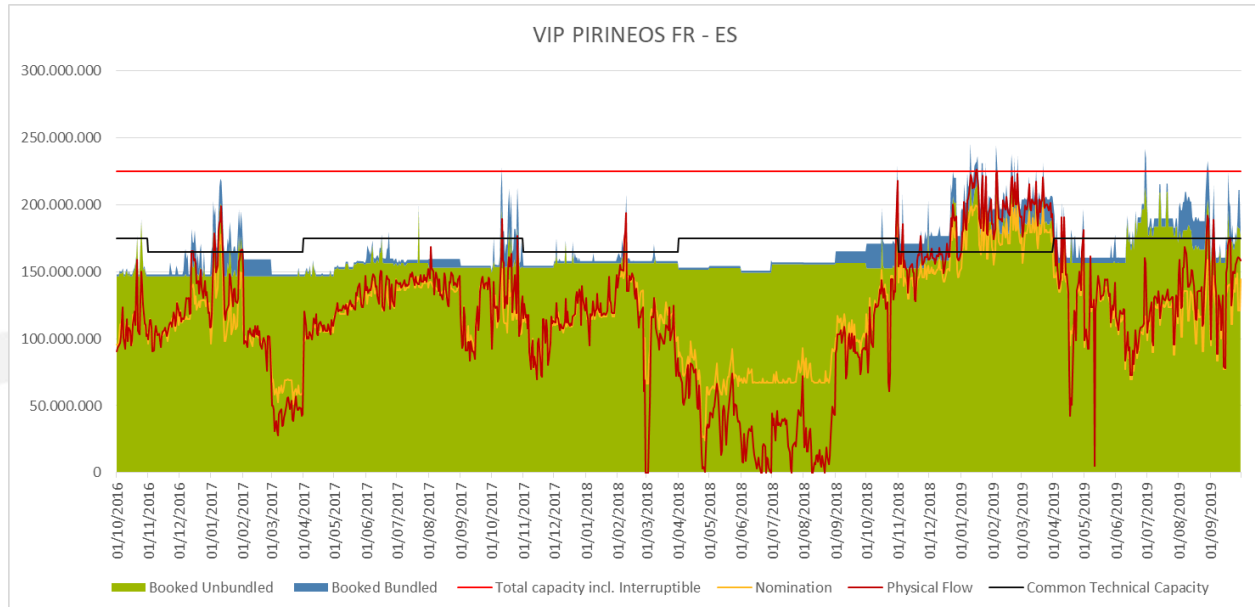
## B. Demand assessment

### i. Historical usage pattern

The utilisation of the technical capacity is presented in the charts below by comparing the technical capacity with the booked capacity, the allocated “commercial” flow and the physical flow for the last 3 years at the interconnection point VIP Pirineos.



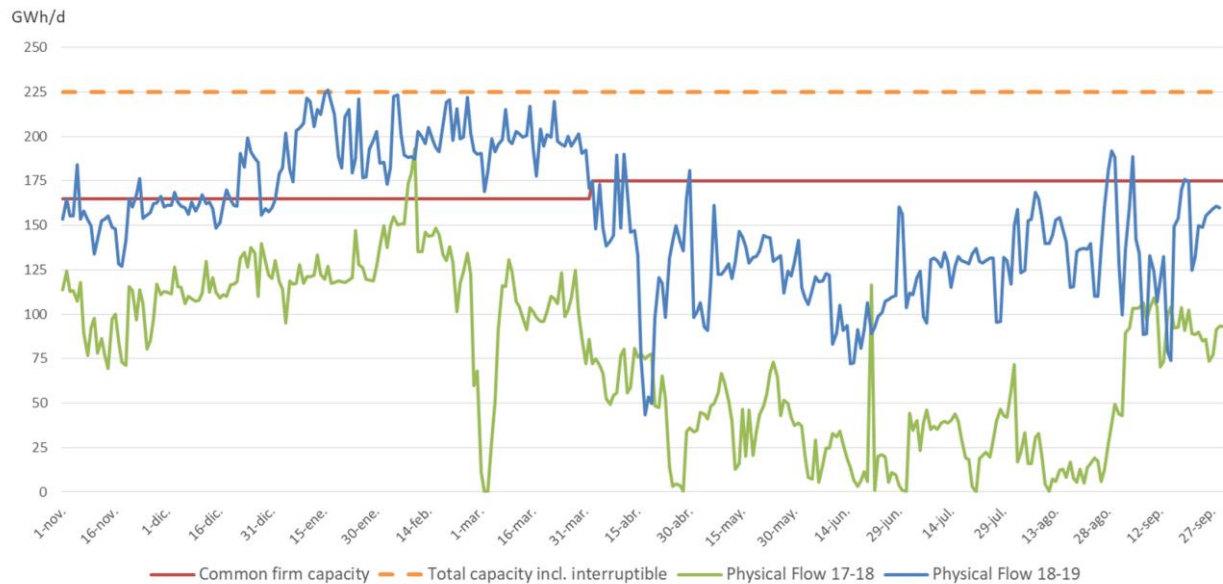
### Flow from France to Spain (kWh/d)



On 1<sup>st</sup> November 2018, the single market zone in France, Trading Region France (TRF), was launched. This has provoked a structural change in capacity utilization at VIP Pirineos. In particular, in the 1<sup>st</sup> Nov 2018 – 30<sup>th</sup> Sep 2019 period:

- There has been an increase of the use of interconnection in the FR-->ES direction. Compared to the 1<sup>st</sup> Nov 2017 – 30<sup>th</sup> Sep 2018 period, it is observed that the average use has been increased from 47% to 91%, measured as physical flow over common firm capacity at VIP Pirineos.
- The physical flow exceeded 100% of firm capacity 111 days, compared to 3 days in the previous period.
- This is because, given that firm capacity in France has been booked at a level higher than 98%, Teréga has offered interruptible capacity very often, and part of this capacity has been booked 130 days, including all days from December 27<sup>th</sup> to March 31<sup>st</sup>. Interruptible capacity had been offered 3 days and booked only 2 times in the same period of the previous gas year.

**Physical flow and capacity at VIP PIRINEOS 1st Nov 18–30th Sep 19 vs 1st Nov 17–30th Sep 18**



- As a result of an increased interest in capacity at VIP Pirineos in the FR ->ES direction, the capacity for the winter quarters of 2018 was allocated at a premium price.

In summary, the implementation of TRF has moved the internal congestion (North/South) to VIP Pirineos, as expected. And as a consequence, there has been a clear increase in capacity demand. It is worth noting the high availability of the interruptible capacity in France and its use despite the restrictions on booking (only offered on day-ahead and within-day basis).

## ii. Results of current annual yearly auction

In the recent annual yearly auctions, taking place on 01.07.2019 for the joint interconnection point(s) the following results have been achieved:

Interconnection point name	Interconnection point EIC	Flow direction	Gas year [2019]	Offered capacity Amount	Booked capacity Amount	Capacity type [e.g. firm]
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>FR-ES</i>	<i>2019</i>	82,286 kWh/h	2 kWh/h*	Firm bundled
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>ES-FR</i>	<i>2019</i>	1,068,097 kWh/h	0	Firm bundled
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>ES-FR (Spanish side)</i>	<i>2019</i>	2,254,596 kWh/h	407,502 kWh/h	Firm unbundled
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>FR-ES (Spanish side)</i>	<i>2019</i>	2,093,349 kWh/h	0	Firm unbundled

\*The demand in the first round was greater than the offered capacity, and it resulted in a premium of 3.6435 cent€/kWh/h/year.

## iii. Expected amount, direction and duration of demand for incremental capacity

The received demand indications within the current incremental process between the entry-exit system of Teréga and the entry-exit system of Enagás are zero.



## C. Conclusion for the (non)-initiation of an incremental capacity project/process

According to the assessment result of the non-binding demand indications, no incremental capacity project will be initiated.

In reference to the report of ACER published on May 28<sup>th</sup> 2019: “ACER 2019 Implementation Monitoring Report on Contractual Congestion at Interconnection Points”, and based on CMP guidelines from ACER (cf part 4.4), the VIP Pirineos is contractually congested for the period of study. The interconnection point between Spain and France is congested as:

- Capacity has been allocated at a premium over the reverse price, as previously mentioned, (contractually congested) and
- Utilisation rates are above 100% the common technical capacity during sustained periods of time (physically congested)

The France to Spain gas flow direction prevails in terms of booking of capacity and net physical flow. Analyses show, in winter 2016-2017 mainly, that VIP Pirineos (North to South) was highly booked and close to be congested in specific days in December 2016 and January 2017. Additionally during October 2017 the bookings and nominations increased up to the technical capacity level.

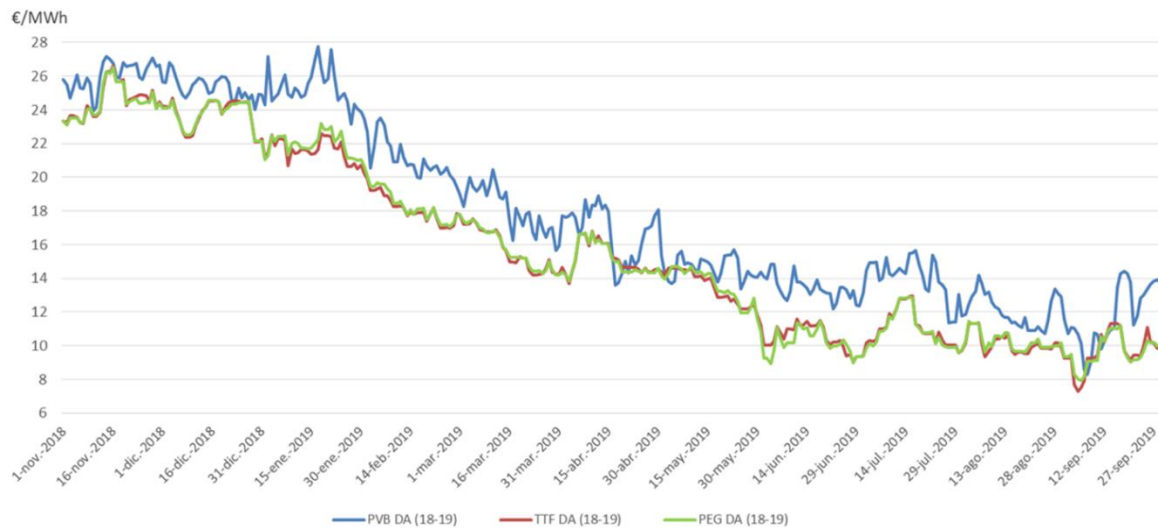
Focusing on the Spain to France flow direction, the nominations have increased gradually from January 2018, especially during injection period in France as the booked capacity in the French underground storages have highly increased due to the fact that underground storages in France are since 2018 subject to regulated third party access with reserve prices 0.

Lastly during March 2018, the extremely cold temperatures in central Europe reverted the physical flow, traditionally from North to South, to South to North, arriving into record of bookings on the 2<sup>nd</sup> and 3<sup>rd</sup> March 2018 (259 GWh/d).

Even if the use of the interconnection is still seasonal, since the French market merging it can be observed a behaviour change, to a more market pricing use of the IP, as the bookings and nominations are variating depending on the spreads between gas markets.

Since 1<sup>st</sup> November 2018 until 30<sup>th</sup> September 2019 the price at PVB has remained consistently higher than in TRF. Price differentials have predominantly oscillated between 2 and 3 €/MWh.

*Average DA gas prices in TTF, PEG and PVB from 1st Nov 2018 to 30<sup>th</sup> September 2019*



Price differentials are still frequently higher than transmission tariffs, showing that there is remaining demand for capacity.

While price differentials depend on a number of factors, apparently the effective availability of more capacity on the French network and subsequent higher utilisation of capacity at VIP Pirineos, have contributed to reduce price differentials, but the impact has been limited. It has essentially contributed to a more stable price differential this last season avoiding very large peaks.

## D. Contact information

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