



Template demand assessment report for Incremental capacity with zero demand indications

DAR Template/Template  
MC0075-19\_DAR Template  
October 2021

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

**October 2021**



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demand indications  
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This report is a joint assessment of the potential for incremental capacity projects conducted by  
Enagás Transporte S.A.U. Teréga

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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 5<sup>th</sup> July 2021 (as stated in EC Regulation 459/2017).
- b) Non-binding demand indications received later than 8 weeks after the 5<sup>th</sup> July 2021, which would have been considered in the current incremental capacity cycle.

**Therefore, this demand assessment do not consider any non-binding demand indications.**

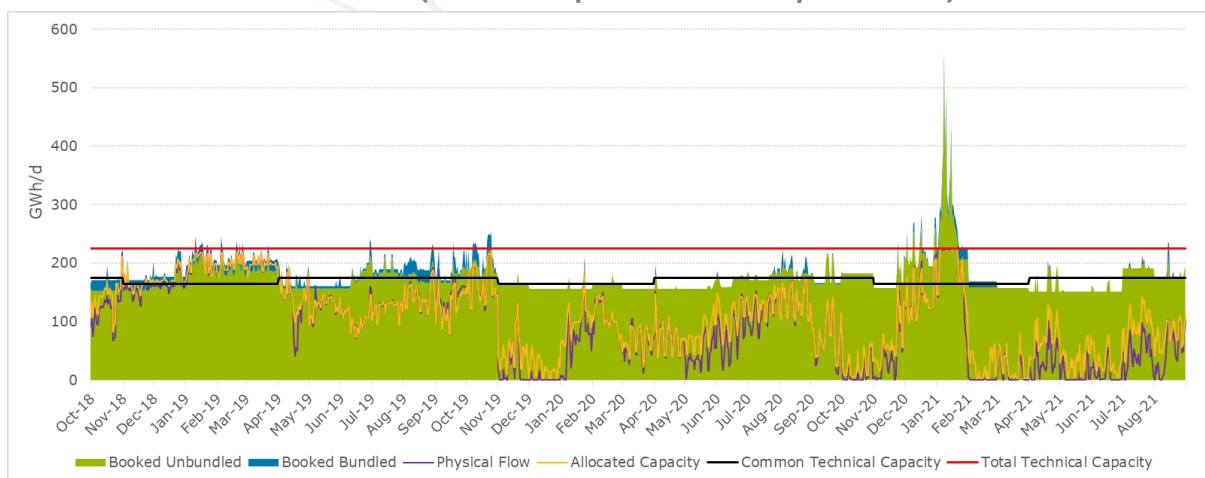
## B. Demand assessment

### i. Historical usage pattern

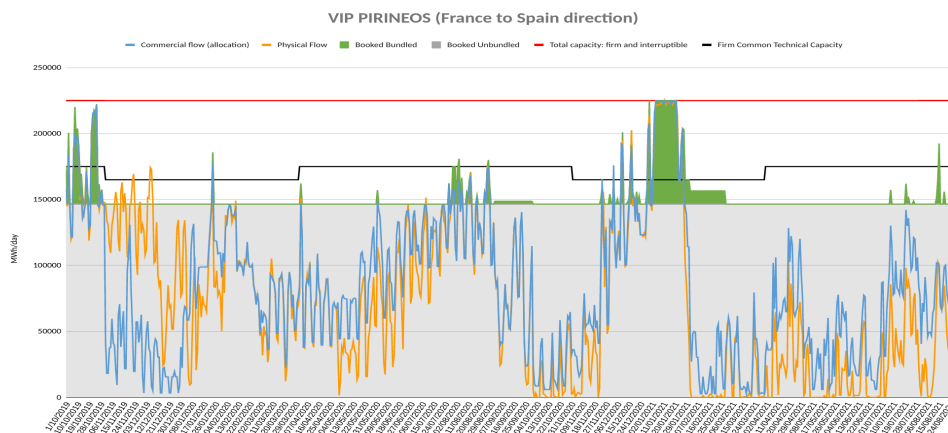
The utilisation of the technical capacity is presented in the charts below by comparing the technical capacity with the booked capacity, the allocated capacity and the physical flow for the last 2 years at the interconnection point VIP Pirineos.

#### France to Spain direction:

*VIP Pirineos (France to Spain direction - Spanish Side)<sup>1</sup>*



<sup>1</sup> Differences in unbundled booked capacity at the start of 2020 natural year between both sides of the interconnection point are due to interruptible capacity bookings via overnomination on the Spanish side.



This period was characterized by episodes of high subscriptions to the VIP Pirineos in the France-Spain direction, resulting from the spread between PEG and PVB, coupled with the meteorological conditions and LNG arrivals:

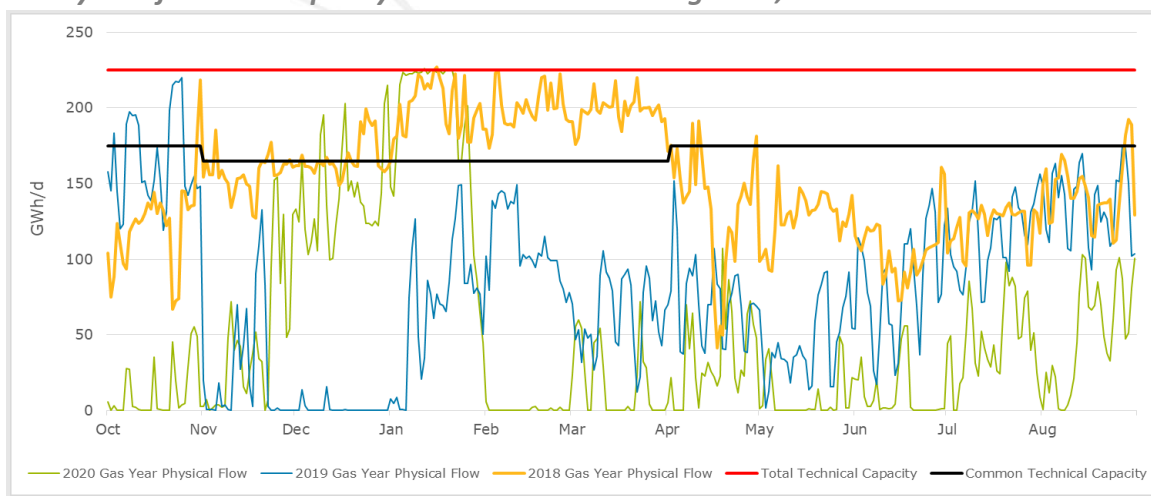
- **Capacity Bookings:**

- In October 2019, all firm capacity was sold and interruptible capacity was commercialized for 11 days (French side).
- At the beginning of 2020, one day of all firm capacity was subscribed and 33% of interruptible capacity was subscribed in France.
- A peak of bookings can be appreciated during the winter period of 2020/2021, including a significant amount of interruptible capacity. This was mostly due to the extreme cold temperatures of Spain and the consequently high-price scenario between the different markets. On the French side, in

november and december the entire firm capacity was booked 8 times through daily products, and interruptible products were bought 4 times.

- As a result of the increased interest in capacity at VIP Pirineos in the France to Spain direction during the above-mentioned winter period, the capacity for the monthly products of January 2021 and February 2021 were allocated at a premium price.
- Unbundled capacity represents more than the 98% of total booked capacity during the current gas year, as long-term contracts (coming from the Open Season) prevail.

**Physical flow and capacity at VIP PIRINEOS during 2020, 2019 and 2018 Gas Years**



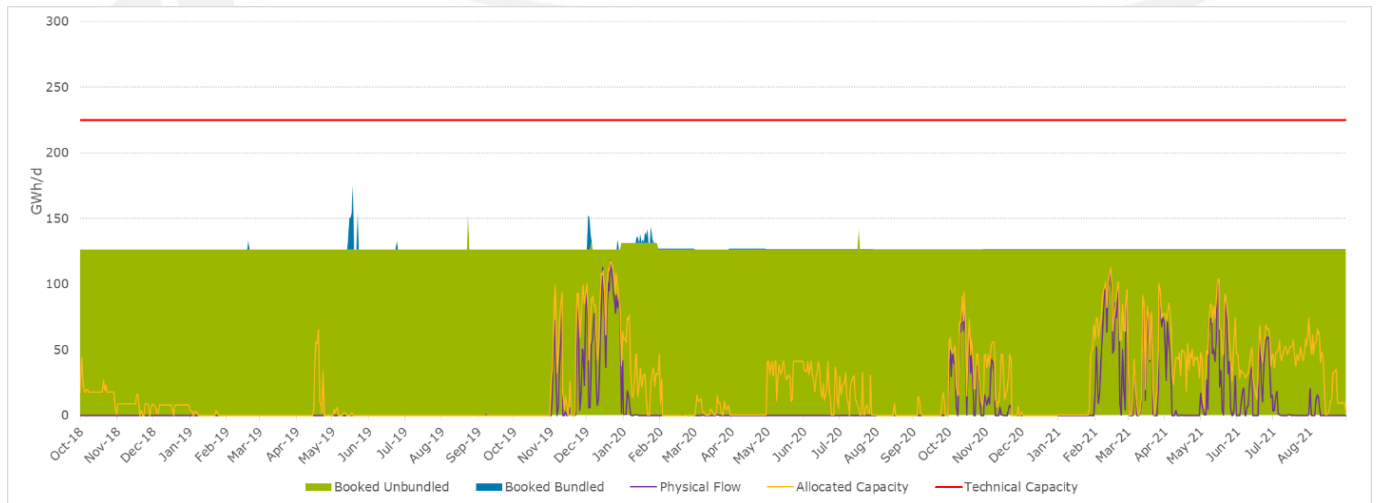
**Physical Flows:**

- Physical flows decreased significantly during the 2019 and 2020 gas years comparing to 2018 levels (when the interconnection showed an average physical flow of 67% of its total technical capacity), with reductions of 22% and 34% respectively.
- Nevertheless, the interconnection reached the flow limit of 225 GWh/d during the first days of 2021 due to the previously-stated market situation.
- The physical flow exceeded 100% of firm common technical capacity 29 days during the 2020 gas year, compared to 11 days in the previous period. This values are considerably under 2018 data, when there were a total of 115 days of physical flow above 165 GWh/d.

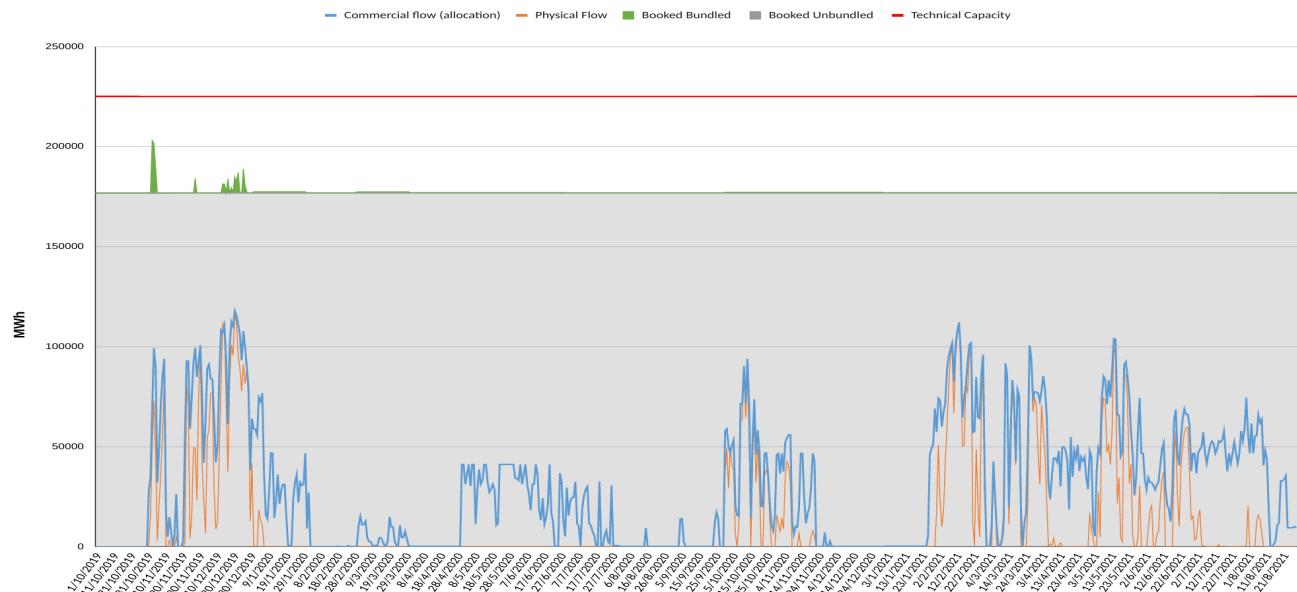
**Spain to France direction:**



*VIP Pirineos (Spain to France direction – Spanish side)*



VIP PIRINEOS (Spain to France direction)



Since 2019, there have been several periods of gas flows into France from Spain: at the beginning of winter 2019-2020 (November and December), in the gas inter-season in October and early November 2020, and then again in winter in February and March 2021.

During the winter of 2019-2020, nominations to France have multiplied, creating a physical flow from Spain frequently. In addition to long-term capacity subscriptions, short-term subscriptions in the South-North direction were recorded for the first time since the creation of the TRF.

In summary, the direction of gas flow from France to Spain is still more used, despite a notable increase of the use of VIP Pirineos in the opposite direction. Since the creation of the TRF with a single price of gas in France, the spread is now occurring at VIP Pirineos between France and Spain, impacting the level of capacity transited and the direction of flows. For two years there has been no physical and contractual congestion at the VIP Pirineos.

- **Capacity Bookings:**
  - As it occurs with the France to Spain direction, unbundled capacity widely outweighs bundled capacity due to the presence of Open Seasons bookings.
- **Physical Flows:**
  - Physical flows have consistently increased during the last two years compared to 2018, where no flows in this direction were needed. Nevertheless, and despite the fact that 2020 shows a more sustained physical flow pattern than 2019, the 2020 maximum physical flow has been 112 GWh/d (equal to 49.8% of the technical capacity) which represents a decrease of more than 5.5% in relation to the maximum physical flow of 2019 (118.5 GWh/d).

## ii. Results of current annual yearly auction

In the recent annual yearly auction, taking place on 05/07/2021 for the joint interconnection point(s) the following results have been achieved:



Interconnection point name	Interconnection point EIC	Flow direction	Gas year [2021]	Offered capacity Amount [kWh/h]	Booked capacity Amount [kWh/h]	Capacity type [e.g. firm]
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>FR-ES</i>	2021	82.285	1	Firm bundled
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>ES-FR</i>	2021	1.068.096	11,001	Firm bundled
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>ES-FR (Spanish side)</i>	2021	2.093.348	0	Firm unbundled
<b>VIP PIRINEOS</b>	21Z000000000285D	<i>FR-ES (Spanish side)</i>	2021	2.254.595	416,617	Firm unbundled

There were not any premiums issued for any of the yearly products auctions.

**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. Since the historical usage of the concerned interconnection point as well as the potentially available capacity (i.e. technical capacity which is not yet booked in the long term) for the requested period are currently sufficient to cover potential future need for capacity.

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

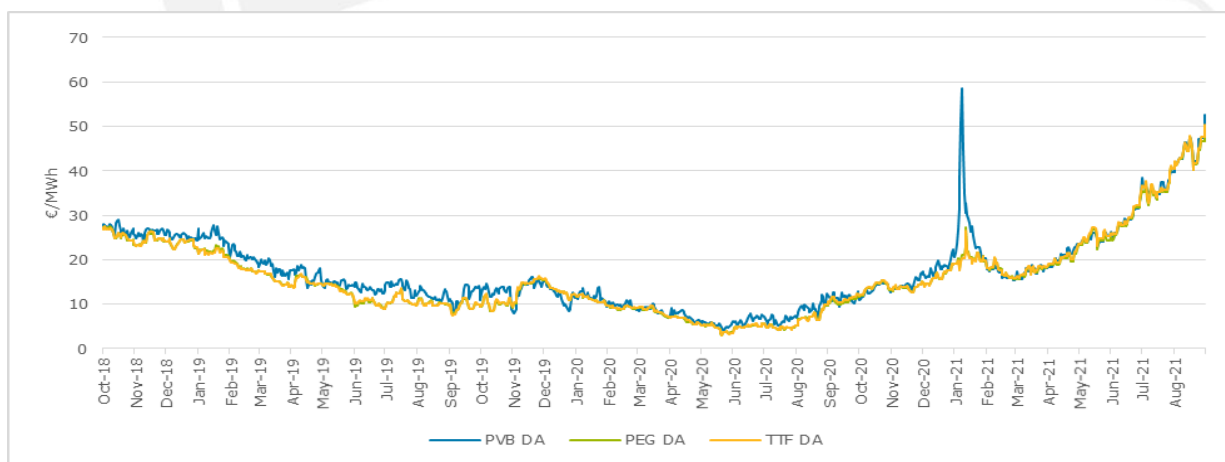
According to the assessment result of the non-binding demand indications, the historical usage patterns and the results of the latest annual auctions, which already indicated that no demand levels for incremental capacity need to be developed, no incremental capacity project will be initiated.

Based on the aforementioned decision, no technical studies for incremental capacity projects will be conducted

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 varying depending on the spreads between gas markets.

Since 1<sup>st</sup> November 2018 the price at PVB has remained consistently higher than in TRF.

*Average DA gas prices in TTF, PEG and PVB from 1<sup>st</sup> Oct. 2018 to 31<sup>st</sup> August 2021*



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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