



DELIBERATION NO 2017-170

Deliberation by the French Energy Regulatory Commission of 13 July 2017 relating to the report on the implementation of GRTgaz's investment programme for 2016 and approving its amended investment programme for 2017

Present: Jean-François CARENCO, Chairman, Christine CHAUVET, Catherine EDWIGE, Hélène GASSIN and Jean-Laurent LASTELLE, commissioners.

1. BACKGROUND

Pursuant to the provisions of 2° of Article L.134-3 and of II of Article L.431-6 of the French Energy code, gas transmission system operators (TSOs) must transmit their annual investment programmes to the French Energy Regulatory Commission (CRE) for approval. Within this framework, CRE *"ensures that the investments required for the proper development of the networks, and for transparent and non-discriminatory access to them are made"*.

With regard to the investment programme for the year 2016:

- in the deliberation of 17 December 2015, CRE approved GRTgaz's investment programme for 2016;
- in the deliberation of 15 December 2016, CRE approved the update of GRTgaz's 2016 investment programme, and requested the operator to present, for mid-2017, the definitive report on the implementation of its 2016 investment programme.

With regard to the investment programme for the year 2017:

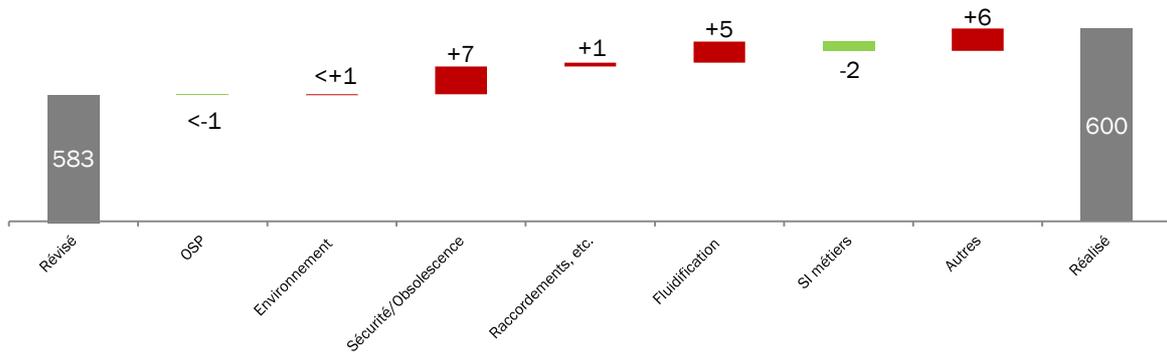
- in the deliberation of 15 December 2016, CRE approved GRTgaz's 2017 investment programme, and requested the operator to present, for mid-2017, the a report on the implementation mid-year of the investment programme for the year 2017.

On 31 May 2017, GRTgaz forwarded its amended investment programme for 2017 and was interviewed by CRE's Board on 6 July 2017. GRTgaz presented the differences observed between the investment levels approved and the actual investments made for 2016 on the one hand, and the updated forecasts for 2017 on the other hand.

2. CRE'S OBSERVATIONS OF THE REPORT ON THE IMPLEMENTATION OF THE 2016 INVESTMENT PROGRAMME

The investment expenses approved for 2016 totalled €667 M. During work to prepare the tariff for the use of gas transmission networks¹ (ATRT6), GRTgaz forwarded to CRE a revised amount of €583 M. Real expenses for 2016 amount to €600 M, i.e. +3% compared to the revised budget.

Breakdown of the differences in €M between the revised trajectory and the actual trajectory of investment expenditure for 2016



Source: GRTgaz, analysis CRE

The differences come mainly from three items:

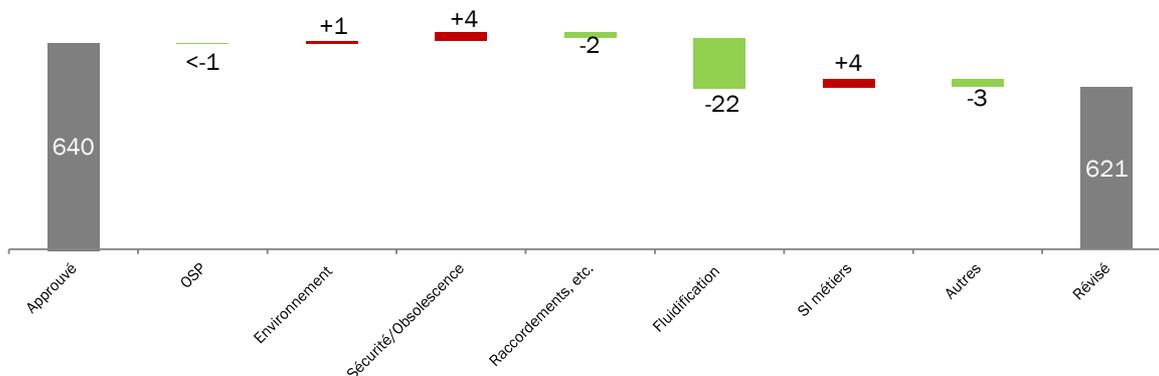
- the debottlenecking item: expenditure is up by €5 M compared to the revised budget. The difference is due mainly to the anticipation of 2017 expenses for the Arc de Dierrey project, the third section of which was commissioned in 2016.
- the "Safety/Obsolescence" item: expenses are up by €7 M, in connection with a greater number of investigations than scheduled during safety inspections and the end of the restructuring survey.
- the "Other" item: GRTgaz anticipated Information Technology (IT) systems support expenses amounting to €5.4 M for 2017 and saw an increase in the cost at completion of certain real estate projects by €1.5 M, in particular due to the discovery of asbestos in the buildings at Saint-Herblain.

3. CRE'S OBSERVATIONS OF THE REPORT ON THE IMPLEMENTATION OF THE 2017 INVESTMENT PROGRAMME

The investment expenses approved for 2017 within the framework of the deliberation of 15 December 2016 total €640 M. GRTgaz transmitted to CRE a revised trajectory of these expenses amounting to €621 M (-3% compared to the amount approved).

¹ CRE deliberation of 15 December 2016 deciding on the tariff for the use of GRTgaz's and TIGF's natural gas transmission networks

Breakdown of the differences in €M between the approved and revised trajectories of investment expenditure for 2017



Source: GRTgaz, analysis: CRE

The differences come mainly from a drop in expenditure for the "Fluidity improvement" item, offset partially by an increase in expenditure for the "Safety/obsolescence" and "IS business" items:

- for the debottlenecking item: expenses dropped by €22 M, mainly in connection with a re-planning of the expenses for the Val de Saône and Gascogne-Midi projects, with no impact on the cost at completion or the date of commissioning scheduled, for the amount of €21 M, and the amount of €8.5 M for the Arc de Dierrey project. These expense postponements do not have any effect on the projects' cost at completion. In addition, there is an increase in cost at completion of €6.5 M for the Taisnières projects and the connection of the Dunkirk terminal.
- for the "Safety/obsolescence" item: expenditure was up €4 M compared to the revised trajectory, because of additional unplanned needs (damage at the Palteau interconnection station) and is partly offset by the re-planning of different work operations (Beynes and Vindecy stations).
- for the "IT Business" item: expenses are up by €4 M compared to the revised trajectory, distributed in particular between a €2 M drop related to the postponement of several projects (interruptibility, real-time metering) and a €5 M increase related to the re-evaluation of the cost of the pipeline tracking project and a new project to secure GRTgaz's industrial IT.

4. CRE'S DECISION

4.1 Decision related to the 2016 investment programme

CRE notes that the differences between the actual investment expenses and the investment programme approved for 2016 are mainly related to project savings and work postponement, which have no impact on the commissioning dates and the cost at completion of projects.



€M	Approved 2016	Revised 2016	Actual 2016
PSO Transmission Quality	21	14	14
Environment	13	18	18
Safety/obsolescence	197	196	203
Connections, etc.	33	23	24
Fluidity improvement	343	273	278
IS Business	38	29	26
Other	23	31	37
Total	667	583	600

CRE notes that the implementation of GRTgaz's investment programme complies with the programme approved.

4.2 Decision related to the 2017 investment programme

CRE notes that the implementation of GRTgaz's investment programme complies with the programme approved. It notes that the cost of these investments has been revised. Therefore, CRE approves the investment budget as revised for 2017.

GRTgaz's modified expenditure budget for 2017 totals €621 M, and breaks down as follows:

€M	Approved 2017	Revised 2017
PSO Transmission Quality	36	36
Environment	6	7
Safety and obsolescence	171	174
Connections, etc.	37	35
Fluidity improvement	312	290
IS Business	30	34
Other	48	45
Total	640	621

13 July 2017

The approval of the investment programme has no bearing on the tariff treatment of these expenses.

Any modification of the investment programme shall be submitted to CRE for approval.

The present deliberation shall be published on CRE's website and notified to GRTgaz. In addition, it shall be forwarded to the Minister for the ecological and inclusive transition and the Minister for the Economy and Finance.

Paris, 13 July 2017

For the Energy Regulatory Commission,

The Chairman,

Jean-François CARENCO

5. ANNEX

5.1 Main network development projects commissioned as from 2017

5.2

Project	Deliberation date	Initial budget	Cost at completion	Commissioning date
Val de Saône	30 October 2014	€727 M* (target budget: €650 M)	€692 M	2018
Gascogne-Midi	7 May 2014	€22 M (target budget: €21 M)	€22 M	2018
Creation of 100 GWh/d reaching up to 200 GWh/d of entry capacity at Oltingue	17 December 2014	€12 M (not concerned by the target budget)	€17 M	2018
Project for conversion of zone B into H gas – Pilot part	15 December 2016	€42 M (target budget: €42 M)	€42 M	2018-2020

* GRTgaz decided on this project, in its investment committee meeting of 12 June 2015, for a forecast budget of €727 M.