

## Deliberation of the French Energy Regulatory Commission of December 17, 2014 concerning the examination of the ten-year development plan and its decision to approve TIGF's investment programme for 2015

Present: Philippe de LADOUCKETTE, President, Olivier CHALLAN BELVAL, Catherine EDWIGE, H  l  ne GASSIN and Jean-Pierre SOTURA, commissioners.

The purpose of this deliberation is to, on the one hand, review TIGF's ten-year plan and its consistency with ENTSOG's network development plan, and on the other hand, to approve TIGF's investment programme for 2015.

### I. Legal Framework

Directive 2009/73/EC of July 13th, 2009 concerning common rules for the internal market of natural gas and the Energy Code define the legal framework applicable to the investments made by the transmission system operators (TSOs).

Article 8, paragraph 3(b) of EC Regulation No. 715/2009<sup>1</sup> sets forth that the European Network of Transmission System Operators in Gas (ENTSOG<sup>2</sup>) shall adopt a non-binding ten-year European network development plan (hereinafter "TYNDP") every two years, after carrying out an open and transparent consultation with all market players. The Agency for the Cooperation of European Regulators (ACER) issues an opinion on the plan and monitors its implementation.

At a national level, according to Article L.431-6 of the French Energy Code, the TSOs are required to elaborate, after consulting the relevant stakeholders, a ten-year development plan for their network (hereafter "ten-year plan") based on:

- Existing gas supply and demand.
- Reasonable medium-term gas infrastructure development forecasts.
- Reasonable medium-term gas consumption forecasts.
- Reasonable medium-term forecasts for international exchanges.

In addition, the ten-year plan must take into account the assumptions and needs identified in the report on investment planning in the gas sector drawn up by the Energy Minister.

This plan must indicate to market players the main transmission infrastructures that have to be built or upgraded over the following ten years, list the investments already decided, identify new investments to be made over the upcoming three years and provide a forecast schedule for all investment projects.

In application of article L.431-6-I of the Energy Code, the ten-year plan is submitted each year to CRE for examination so that it may ensure that all investment needs are covered and that the plan submitted is consistent with TYNDP.

<sup>1</sup> Regulation (EC) No 715/2009 of the European Parliament and of the Council of July 13, 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 ([click here](#))

<sup>2</sup> Or REGERT in French

If there is any doubt on this last point, CRE may consult ACER and request that GRTgaz and TIGF modify their ten-year plan.

Furthermore, according to articles L.134-3, 2° and L.431-6, the TSOs must transmit their annual investment programmes, based on the application of the ten-year plan, to the Energy Regulatory Commission (CRE) for approval. In this context, the CRE "*makes sure that the necessary investments are made, that the networks are developed correctly and that their access is transparent and non-discriminatory*".

## II. TIGF's ten-year development plan

### 1. Implementation of TIGF's ten-year plan

TIGF's ten-year plan is based on gas consumption forecasts for the next few years and identifies the main gas transmission infrastructures to be constructed or reinforced between 2014 and 2023. It lists the investments decided or to be implemented within three years and provides a provisional schedule for all of these investments by distinguishing projects which have been decided from projects which have not been decided.

In accordance with the deliberation of the CRE on December 19, 2013<sup>3</sup>, TIGF presented its ten-year plan during the Gas Concertation meeting of October 23, 2014. TIGF published its final version of the plan on its website on November 13, 2014<sup>4</sup>.

### 2. Summary of the public consultation

CRE organised a public consultation in relation to the ten-year plans of GRTgaz and TIGF between November 14 and 28, 2014. Fourteen contributions were received from:

- Three industrialists (Petro Ineos, Solvay), including an association (UNIDEN).
- Five shippers: EDF (confidential), Eni, GDF Suez, TGP (confidential) and Galp.
- Four infrastructure operators: Dunkerque LNG (confidential), GDF Suez Infrastructures, Storengy, Géométhane (confidential).
- Two associations: AFG, Uprigaz.

The non-confidential contributions are published on the CRE's website at the same time as this deliberation.

#### a) Market consultation procedures

A major part of the contributors is favourable to the current terms for the consultation of the market by the TSOs. The respondents specifically refer to their attachment to calls for tender (*open seasons*) to decide cross-border investments. They consider that the *open season* procedure can be used to reflect the market's interest regarding the implementation of a project and minimise financial risks in the event of new investments in interconnection capacities.

One association is preoccupied by the reticence of a player to commit on a long-term basis. Furthermore, certain shippers advise caution concerning investments which have not been subject to an *open season* procedure. One shipper requests that contractual solutions be favoured, such as in the case of the JTS (Joint Transmission Storage Service) and the circulating gas system<sup>5</sup>, which increase the reactivity of the market.

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<sup>3</sup> Deliberation of December 19, 2013 concerning the examination of the ten-year development plan and leading to the decision to approve the investment programme of GRTgaz for 2014 ([click here](#))

<sup>4</sup> TIGF's ten-year plan ([click here](#))

<sup>5</sup> CRE's deliberation on October 30, 2014 concerning the decision related to the variations of the ATRT5 tariff regarding the transitional measures prior to the creation of a unique PEG in 2018 ([click here](#))

*b) Consumption variation assumptions during the ten-year plans*

Two players have observed that TIGF's consumption forecasts are not in line with the forecasts made by GRTgaz as this operator describes a stagnating consumption in its area.

At a more global level, most of the contributors consider that the assumptions selected by the TSOs seem to be optimistic with respect to the current context. Two have especially noted that these assumptions are not consistent with the directions of the energy transition law project.

*c) Capacity development during the ten-year plans*

Concerning the needs expressed by the market for the next ten years, most players consider that the framework (Val de Saône + Gascogne-Midi) chosen for the creation of the French Title Transfer Point (PEG France) in 2018 must take priority over the other projects described in TIGF's ten-year plan.

Several players question the relevance of the Midcat project and recall that the development of interconnections must be based on the results from committing calls for market.

### **3. CRE's analysis**

*a) Market consultation procedures*

CRE has noted that the TIGF market consultation procedure has improved and satisfies the shippers.

*b) Consumption variation assumptions during the ten-year plans*

CRE considers that TIGF's ten-year plan should be based on more diverse scenarios, taking particular account of the energy transition scenarios in France and Europe.

*c) Capacity development during the ten-year plan*

TIGF's ten-year plan takes into account the market's current and long-term needs. It specifically describes the investments identified for the creation of PEG France, and confirms the objective for commissioning the required infrastructures in 2018.

In addition, it lists new projects for the development of new capacities at the interconnection points identified so far without assuming the conditions necessary for their completion.

As regards biomethane, TIGF's ten-year plan only specifies the number of projects forecasted and the volumes to be injected into its network over the corresponding time scale. CRE believes that it is necessary that TIGF's next ten-year plan should include analyses of the consequences of biomethane development, whether it is connected as transmission or distribution, on the development of its network.

As regards the results of the public consultation that it has conducted and of its own analysis, CRE considers that TIGF's ten-year plan correctly accounts for the market's needs.

*d) Consistency between the TIGF's ten-year plan and ENTSOG's TYNDP*

TYNDP was published and submitted to ACER on July 10, 2013. ACER published its opinion<sup>6</sup> on the document on September 10, 2013.

No contributor to CRE's public consultation has identified an inconsistency between TIGF's ten-year plan and TYNDP. The differences observed concern the commissioning dates and are explained by the modifications made to the project schedules, which have taken place since the publication of ENTSOG's plan.

CRE considers that TIGF's ten-year plan is consistent with ENTSOG's development plan.

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<sup>6</sup> Opinion issued by ACER concerning ENTSOG's development plan [\(click here\)](#)

## II. TIGF's investment programme for 2015

TIGF transmitted to CRE its 2015 investment programme in November 2014 and was heard by CRE on December 4, 2014.

### 1. *Main data of TIGF's investment programme for 2015*

The 2015 investment programme presented by TIGF amounts to €133 million, which represents an 8 % increase with respect to the budget approved for 2014, which was of €123 million.

#### a) *Development of the main network*

The investment expenditures related to the development of TIGF's main network amounts to €68 million for 2015, which represents an 11 % increase with respect to the 2014 amount assessed at the end of the year. These expenditures essentially correspond to the Adour Artery project, which is to be commissioned on December 1, 2015, for €48 million.

The other expenditures include the following:

- Launch of the Gascogne-Midi project for €9 million.
- Installation of the backup compressor of Sauveterre for €7 million, whose commissioning is planned for 2017.
- The end of the works of the Bearn Artery for €5 million, which was commissioned on April 1, 2013, in compliance with the schedule selected during the *open season* of 2013 at Larrau.

#### b) *Other TIGF investment expenses*

TIGF's second item of expenditure concerns safety improvement and the renewal of old assets for €42 million. The increase of this item with respect to 2014 is due to the diversion of works in urban areas and to the network reconstruction needs, which result from the bad weather in 2014.

Investments for the regional network amount to €9 million for 2015, including €3 million for new connections. TIGF especially forecasts the completion of the first biomethane injection project for the end of 2015. Four other projects are under study on its network.

Real estate-related expenditures amount to €5 million, which represents an 11-M€ decrease with respect to the assessment at the end of 2014. TIGF has completed the construction of its new head office at Pau.

The other investment expenditures amount to €10 million, including €8 million for the information system.

### 2. *Analysis performed by the CRE for TIGF's investment programme for 2015*

#### a) *Development of the main network*

TIGF's investment expenditures for 2015 are in line with the deliberations which approved recent investments.

The progress of the Euskadour project (Adour Artery) complies with the chosen schedule and TIGF has launched the Gascogne-Midi project, which is to be commissioned on November 1, 2018. At this point, the operator plans to construct the Artery between Lussagnet and Barran in DN 900.

#### b) *Other TIGF investment expenditures*

TIGF's expenditures concerning other objectives are generally stable and are related to regulatory obligations regarding safety, the environment, consumer connection, continuity of supply or independence.

### III. CRE's decision

#### 1. Decision made by CRE concerning TIGF's ten-year development plan

CRE has observed that TIGF's ten-year plan correctly reflects the needs expressed by the stakeholders and is consistent with ENTSOG's ten-year plan.

CRE has asked TIGF to develop, in its next ten-year development plan, its analysis of:

- Various gas consumption assumptions on the basis of more diversified scenarios.
- Projects concerning the injection of biomethane into transmission and distribution networks and their consequences on the development of the network.

#### 2. Decision made by CRE in relation to TIGF's investment programme for 2015

CRE has approved TIGF's investment programme for 2015. This programme amounts to €133 million, which is shared out as follows:

M€	Approved in 2014	Revised in 2014	Approved in 2015
Development of the main network	60.6	61.1	67.6
Development of the regional network	3.8	2.1	8.7
Safety / obsolescence	31.1	25.7	41.8
Real estate, construction, layout, tooling	17.3	15.9	4.6
Other	10.2	10.7	10.3
<b>Total</b>	<b>123.0</b>	<b>115.5</b>	<b>133.0</b>

The approval of the investment programme does not prejudice the tariff processing of these expenditures.

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

TIGF will submit to CRE, during the month of June 2015, an intermediate implementation assessment for this decision, including, in particular, a progress report for the Adour Artery and Gascogne-Midi projects, as well as a detailed financial assessment for its new head office project.

Paris, December 17, 2014

For the Energy Regulatory Commission  
The President

Philippe de LADOUCKETTE

## IV. Appendices

### 1. Main network development projects commissioned between 2014 and 2016

Project	Date of deliberation	Initial Budget	Final Budget	Commissioning date
Adour Artery	December 16, 2010	130	75	December 1, 2015

### 2. Main investments commissioned after 2016

Project	Date of deliberation	Initial Budget	Date of expenditures	Commissioning date
Compression station of Sauveterre	December 17, 2009	27	2.5	2017
Gascogne-Midi	October 30, 2014	152	0	November 1, 2018