

Deliberation of the French Energy Regulatory Commission of 17 July 2013 regarding the execution point of the 2012 and 2013 investment programmes of GRTgaz

Present: Philippe de LADOUCKETTE, president, Olivier CHALLAN BELVAL, Hélène GASSIN, Jean-Pierre SOTURA and Michel THIOILLIERE, commissioners.

In application of articles L.134-3 and L.431-6-II of the French energy code, transmission system operators (TSO) must submit their annual investment programmes to the Energy Regulatory Commission (CRE) for approval. Furthermore, in application of the aforementioned articles, CRE "*ensures that the necessary investments are made for the proper development of the networks and their transparent and non-discriminatory access is guaranteed*".

In this context, by deliberation of 20 December 2012, CRE approved GRTgaz's investment programme for 2013 and asked GRTgaz to present an intermediate report on the implemented investments, during the course of June 2013.

GRTgaz was heard by the board of CRE on 11 July 2013 and presented, on this occasion, the final implementation report for its investment programme of 2012, together with a mid-year progress report on the investment programme for 2013. The differences between the approved investment levels and the investments actually made for 2012, together with its updated forecasts for 2013, were explained by GRTgaz.

1. Observations on the implementation assessment for the 2012 investment programme

The investment programme for 2012 approved by the CRE in its deliberation of 15 December 2011 amounted to € 763.8 million.

The final execution result of GRTgaz's investment programme for 2012 amounted to € 665.8 million, i.e. a shortfall of € 98 million compared to the approved programme.

This discrepancy resulted primarily from a reduction of € 112.6 million in fluidification investments in the main network, primarily as a result of:

- favourable market conditions for the purchase of pipes and works for the Taisnières H capacity expansion project, valued at € 35.1 million, and favourable market conditions for the purchase of pipes for connection of the Dunkirk LNG terminal, valued at € 45.2 million;
- postponement to 2013 of part of the work for the capacity expansion project at Taisnières H due to bad weather, valued at € 18.4 million.

There was also a reduction of € 6.0 million in the projects in the study phase. This is linked to schedule slippages, especially for the Corsica natural gas connection projects and the capacity expansion project at the interconnection point with Switzerland.

These reductions are offset in part by an increase of € 17.5 million in investments in information technology (IT), due in particular to:

- the development of and changes to the Trans@ctions customer management system, valued at € 8.1million.
- the advance of the spending for the IT unbundling of GRTgaz and its parent company GDF SUEZ, in the context of GRTgaz certification, valued at € 6.1 million, but with no impact on the overall cost

of the project.

2. Observations on the implementation report for the 2013 investment programme

The investment programme for 2013 approved by the CRE in its decision of 20 December 2012 amounted to € 820.3 million.

GRTgaz presented its mid-year implementation status report for the programme, which shows a slight shortfall of € 2.4 million in the provisional amount of investment expenditure compared to the approved programme for 2013. The provisional investment amount is € 817.9 million.

The investments by objective are close to the relevant estimates, but there are some discrepancies according to the projects themselves. The most notable changes are:

- the reduction of € 20.2 million for connection of the Dunkirk LNG terminal, in particular due to favourable market conditions for the pipe-laying work;
- the increase of €18.4 million for the Taisnières capacity expansion project, related to the postponement of 2012 work to 2013, with no impact on overall project cost.

GRTgaz informed CRE that the commissioning of the ERIDAN project is likely to be put back by some months, from late 2016 to 2017, partly due to studies and additional administrative procedures. This shift will not affect the possible creation of a single PEG (Gas Exchange Point) in France by 2018.

At the hearing, GRTgaz also detailed its pilot project for decentralized odorization of the gas on its network. This project involves the installation of two odorization stations at delivery points on the grid by 2015, at an estimated cost of €1.3 million. GRTgaz requested coverage, if required, of the stranded costs for this pilot, if the decentralized odorization project does not proceed.

3. Decision on the investment programme for 2012

CRE notes that the differences between investment expenditures made and the approved investment programme for 2012 are primarily related to savings on equipment purchases and pipe-laying work or postponements of work with no impact on project timing and overall cost.

CRE notes that the implementation of GRTgaz's investment programme is in accordance with the approved programme.

4. Decision on the investment programme for 2013

CRE notes that the implementation progress of GRTgaz's investment programme is in accordance with the approved programme. Accordingly, CRE approves the investment programme revalued by GRTgaz for 2013.

It judges that the decentralized odorization project for the gas on transmission networks will contribute to the integration of the French market with the markets of North-West Europe. Indeed, the North/South corridor identified by the European Commission as one of the priority corridors for the construction of the European gas market cannot be implemented without harmonization of odorization practices. This project will also contribute to the attractiveness of the French market.

Accordingly, CRE encourages GRTgaz to carry out further studies so that this project can be completed. CRE will decide, when GRTgaz's tariff is updated on 1 April, 2014, on the cover of any stranded costs that might be associated with this pilot project, up to a maximum of € 1.3 million in the event that this project is abandoned and results in a change in the annual investment programme approved by CRE.

CRE requests that GRTgaz submit a progress report on the ERIDAN project and the decentralized odorization pilot project by the end of October 2013.

Paris, 17 July 2013

For the Energy Regulatory Commission,
The president,

Philippe de LADoucETTE