

Public Consultation

October 10th, 2011

Public consultation by the Energy Regulatory Commission concerning tariff principles and the use of GrDF's natural gas distribution network

Le Code de l'énergie - The Energy Code, which came into effect on 1st June, 2011, establishes a new legal framework which modifies the jurisdiction of the Energy Regulatory Commission (hereafter CRE - for Commission de régulation de l'énergie) concerning tariff for the use of the gas industry's infrastructure.

Articles L.452-2 and L.452-3 of the Energy Code specify the powers attributed to the CRE in the area of tariff. Thus, article L.452-2 specifies that the CRE stipulates the methodologies to be used for establishing the tariffs for use of natural gas networks. In addition, article L.452-3 states that *"The Energy Regulatory Commission debates and decides on tariff developments as well as on those for associated services carried out exclusively by the network operators or its installations with, where appropriate, modifications to tariff levels and structures which it deems justified following, notably, an analysis of the operators' accounts and any expected changes in operating costs or investment levels. [...] The Energy Regulatory Commission submits to the appropriate ministries concerned with energy and the economy its reasoned recommendations concerning evolutions in the level and structure of tariffs for using the natural gas transmission network, for using natural gas distribution network, and for the use of liquefied natural gas facilities, and the tariff changes for associated services provided exclusively by the network or facility concessionaires, as well as tariff rules and their effective dates. These decisions are published in the 'Journal officiel de la République française' (Official Journal of the French Republic)."*

The current tariff for using GrDF's natural gas distribution network, called "ATRD3 tariff", proposed by the CRE on 28th February, 2008, came into effect on 1st July, 2008, following the decree dated 2nd June, 2008. It was expected to remain in force for four years.

The CRE proposes to define a new tariff for using GrDF's natural gas distribution network, called "ATRD4 tariff", which would apply from 1st July, 2012.

The changes suggested for the new GrDF tariff aim to:

- take account of the latest projection of costs to be covered;
- complete the system of incentive-based regulation started with the ATRD3 tariff;
- take account in the tariff structure of the ongoing work of the gas working group (hereafter GTG - for Groupe de travail gaz) on consumer behaviour changes;
- integrate the results of the major new projects in natural gas distribution.

The CRE wishes to consult all the market players before its ATRD4 tariff decision, currently scheduled for January 2012. Interested parties are invited to reply to the questions to be found at the end of this document.

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A. Context and objective of the public consultation

1. Natural gas Distribution System Operators (DSOs) classification and tariffs

There are currently 25 DSOs for natural gas in France:

- GrDF, a subsidiary of the GDF Suez group for its distribution activity in France, represents 96% of all natural gas distributed in France;
- 24 other smaller DSOs:
 - Régaz and Réseau GDS, each representing about 1.5% of gas distributed, belong respectively to the groups Gaz de Bordeaux and Groupe GDS;
 - 20 other DSOs representing in total 1% of gas distributed and who are not required by law to have a separate legal identity;
 - Antargaz and the SICAE de la Somme et du Cambrasis, whose original activities are respectively propane and butane gas distribution and electricity distribution, are the first "new entrants" into the natural gas distribution market in France with the commissioning of the local network in Schweighouse-Thann by Antargaz in October, 2008 and the one for the twin districts of Herbécourt and Vrély by the SICAE de la Somme et du Cambrasis in April, 2010.

The combined terms of articles L.452-1 and L.432-6 of the Energy Code stipulate that "*Tariffs for the use of public natural gas distribution networks, other than those concessions covered by article L. 432-6, are equalised within each operator's service area*".

These articles confirm the principle of equalisation for each DSO for tariff for use of the natural gas distribution networks within the area served by each operator. However, they exclude from tariff equalisation new concessions resulting from a public tender operation (see article L.432-6 of the Energy Code).

The current tariffs for the use of natural gas distribution networks are as follows:

- ATRD3 tariffs equalised within the zone operated by the concerned DSOs:
 - 1 tariff specific to GrDF, which came into force on 1st July, 2008, following the decree of 2nd June, 2008, which approved the tariff decision from the CRE of 28th February, 2008;
 - 8 specific tariffs for the 8 local distribution companies (LDCs) having published separate accounts (Régaz, Réseau GDS, GEG, Vialis, Gédia, Caléo, Gaz de Barr, Véolia Eau), which came into effect on 1st July, 2009, following the decree of 24th June, 2009, which approved the tariffs decision from the CRE of 2nd April, 2009;
 - 1 common tariff for those LDCs who do not produce separate accounts, which also came into effect on 1st July, 2009, following the decree of 24th June, 2009;
- non-equalised tariffs for those new concessions resulting from public tenders: as at 1st September, 2011, there are 66 tariffs established using the tariff rules applicable to new concessions, described in section III of the 2nd June, 2008 decree, as modified by the decree of 29th June, 2010 which approves the tariffs for use of public natural gas distribution networks.

The current consultation concerns only the equalised tariff for use of GrDF's natural gas distribution network.

2. GrDF current equalised ATRD3 tariff

GrDF's current ATRD3 tariff introduced a new regulatory framework, which gives the operator incentives to control costs and improve the quality of its service, and which provides a better visibility to all market players, and also reduces the risks for GrDF:

- a 4-year tariff period (from 1st July, 2008 to 30th June, 2012);
- a formula for annual tariff change of the type "CPI-X+/-k" where 'CPI' represents inflation index, 'X' represents a productivity objective (in this case X = 1.3%) and 'k' represents the reconciliation of the expense and revenue clawback account (CRCP - for 'Compte de Régularisation des Charges et des Produits');

- the productivity objective in this tariff formula corresponds to an annual 2.7% reduction in those operating costs under the control of the operator;
- an end-of-tariff-period sharing of any additional productivity gains on controllable costs (40% for the operator and 60% for the network users);
- the introduction of a CRCP mechanism covering in particular volume risk (weather related) and variations in capital charges (investments);
- the introduction of financial incentives for improving the quality of the service.

For ATRD3 tariff, the capital remuneration rate was lowered from 7.25% to 6.75% for gas distribution to take account of the lower risks for the operator:

- climate exposure covered by the CRCP;
- annual increases that take inflation into account;
- a 4-year tariff period giving good visibility for the operator.

3. The ATRD3 tariff assessment

Over the current tariff period, revenue from actual quantities transported on the distribution network were above forecast in 2008 and 2010, years that were particularly cold, and below forecast for 2009, due to the much warmer weather and the difficult economic situation:

	2 nd half 2008	2009	2010
Quantity of gas transported forecast by ATRD3 (TWh)	141.9	333.9	335.7
Quantity of gas actually transported (TWh)	144.0	312.6	344.7
Variance (M€ _{current})	+13.3	-69.8	+82.8

GrDF was covered for 100% of the 2009 variance by the CRCP mechanism, as specified in the ATRD3 tariff framework. Using the same CRCP mechanism, the totality of the additional revenue received in 2008 and 2010 was paid off by GrDF.

During this period, GrDF was unable to keep to the projection of operating costs fixed by the tariff. GrDF net operating costs during this tariff period exceeded the plan in each year:

	2008	2009	2010
Planned net operating costs according to ATRD3 (M€ _{current})	1,334	1,314	1,320
Actual operating costs (M€ _{current})	1,408	1,401	1,388
Variance (M€ _{current})	+74	+84	+68

These variances are chiefly explained by:

- purchasing of external services exceeded the budget (network maintenance work, property charges, outsourcing, etc.);
- increased personnel costs, mainly due to the salary agreements signed in 2008 and 2009 by GrDF, as well as the impact of new social security regulations.

In conformity with the regulatory agreement in effect, these additional costs were not compensated by the tariff mechanism.

It is also noted that actual investment expenditure was in excess of the plan set out for the ATRD3 period in each year of the period:

	2008	2009	2010	2011
Investments planned by ATRD3 (M€ _{current})	636	621	613	600
Actual investments (M€ _{current})	658	727	633	672 ¹
Variance (M€ _{current})	+22	+106	+20	+72

In 2009 and 2010, additional investments totalling €100 million were undertaken as part of the government's plans for boosting the economy. These investments were primarily focussed on improving the quality of the service.

The assessment is positive regarding the mechanisms put in place by ATRD3,:

¹ Provisional figure

- GrDF's ATRD3 tariff was adjusted on 1st July each year in line with the agreed formula. The annual adjustments since 1st July, 2008 were as follows:
 - on 1st July, 2009: +1.5%;
 - on 1st July, 2010: +0.76%;
 - on 1st July, 2011: -1.85%;
- the calculation of the CRCP for these tariff adjustments was carried out each year on time and without any difficulty, given that the various items that make up the CRCP were clearly defined in the tariff rules;
- capping the coefficient 'k' at +/- 2% resulting from the CRCP mechanism enabled smoothing of the annual changes;
- the quality of the service offered to GrDF's network users improved during the period, especially in those areas having a major impact on smooth functioning of the sector. Some objectives imposed by the tariff convention were achieved, or exceeded, giving rise to a number of financial bonuses for GrDF.

In summary, feedback shows that the ATRD3 tariff achieved the objectives that were set initially:

- better visibility of price evolution for all market players;
- relative price stability was maintained, in line with the planned tariff evolution;
- overall, incentive mechanisms put in place work well;
- the necessary investments were made;
- the operator was protected from the effects of inflation and inherent volume risks.

Question 1 :

What is your feedback on the ATRD3 tariff, and the current conditions for using GrDF's natural gas distribution network, which came into effect on 1st July 2008?

B. GrDF's demand and the CRE's preliminary analysis

1. Demand for tariff increase

GrDF is requesting a price increase of 16% with effect from 1st July, 2012. This is outside any CRCP adjustments for full-year 2011 and the 1st half of 2012, and assumes an unchanged regulatory situation and maintenance of a real return on capital invested of 6.75% before tax².

The price rise requested by GrDF is composed of the following elements:

- 6.1% linked to operating cost increases, driven by an increase in certain areas (maintenance work, meter reading costs, personnel charges, etc.) and some new costs ("plan anti-endommagement" (anti-damage plan for public works close to underground pipes), promoting new uses for gas, etc);
- 2.4% linked to an increase in the capital costs, mainly due to the structural effects of raising the regulated asset base (RAB);
- 7.5% linked to lower quantity of gas distributed and lower number of end-user customers connected to the network.

This request takes into account the costs associated with GrDF's advanced metering project through to mid-2013, the date when a decision on full roll-out will be made.

2. Overall costs presented by the operator

The preliminary costs presented by GrDF are in the process of being analysed in order to produce a projection over the period covered by the next tariff corresponding to an efficient operator, as required by article L.452-1 of the Energy Code.

To this end, a firm of consultants has been asked by the CRE to audit GrDF's past and planned operating

² current euros with inflation of 1.8% in 2012, and 1.9% annually in the years 2013 to 2016
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costs between 2008 and 2016 and to benchmark the results with other comparable operators.

In addition, the CRE will revisit the conditions for calculating capital costs to be covered by the new tariff. In particular, an external consultant has been requested to evaluate the weighted average cost of capital (WACC) for gas and electricity transmission system operators (TSOs) and DSOs. The results of this study will be used to help frame the next tariff convention.

2.1. Evolution of costs assuming no changes in activity

a) Operating costs

GrDF's request has been constructed around a fixed "base" of costs identical to those in ATRD3, which are not brought into question by GrDF, to which have been added the costs related to the operator's new projects.

The progression of this "base" of operating costs gives rise to an annual increase in costs of 1.3% in current euros over the period 2012-2016, which represents a reduction of 0.7% in constant euros over the same period.

The evaluation carried out by the CRE covers the totality of GrDF's operating costs and may raise questions about certain costs which could be considered as not appropriate for an efficient operator, whether these be in the "base" costs or in new expenditure.

b) Capital costs

For the period 2012-2016, planned investments by GrDF will increase on average by 2.8% annually in current euros. Investments in pipe-work (development and reinforcement) represent 72% of the total.

The cost of capital is made up of a depreciation portion plus the remuneration that the capital tied up receives. This remuneration depends on the valuation of the operator's RAB and on the WACC. The operator's request has been established using the WACC in force in the current ATRD3 tariff which is a real 6.75% before tax.

At 1st January, 2011, the value of GrDF's RAB, calculated using the investment data provided by the operator, was €13,879 million.

2.2. New costs

a) Costs associated with the "anti-endommagement" plan

Following the accidents in Bondy in 2007 and in Lyon in 2008, the public authorities initiated a reform designed to strengthen security concerning digging or similar works close to existing gas pipe networks. The regulations planned concerning works close to such networks, the so-called "anti-endommagement" plan is designed to reduce the number and the gravity of accidents that occur when working on underground sites by:

- setting up a single point of access for people intending to open a site (using the existing DT-DICT legislation³) to know all the operators who would be concerned by works in that place;
- reinforcing security measures for works undertaken close to these networks: improving the mapping of the networks, increasing the competence level of operational personnel in terms of security, and clarification of roles between the main contractor, the public works companies and the network operators;
- implementing new rules of engagement in the case of damage to a network, reinforcing the synergy between the network operators and the fire and ambulance services.

GrDF estimates the cost of these activities to be:

³ The French 'permit-to-work' system for authorisation for declaring and commencing site work in public places
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- €176 million⁴ of operating costs for the years 2012-2016, mainly in personnel costs, thus on average €35 million per year (mainly linked to reinforcing security measures in sites close to these networks);
- €342 million of investments during the period, for an average of €68 million per year (mainly linked to reinforcing security measures in sites close to these networks and implementing the new rules of engagement after an accident or damage).

The CRE considers that these new costs presented by GrDF are in line with the likely evolution of the regulations. These costs will be taken into account in the next tariff, subject to GrDF's costs being validated during the current evaluation.

The various elements of the "anti-endommagement" plan are detailed in an annexe to this public consultation document.

b) Social regulation changes expected for 2012

GrDF has identified a certain number of fiscal and social modifications that are likely to generate significant additional costs starting in 2012.

For the moment, the main items that the operator has identified are the following:

- an increase in the contribution rate (and extension of the calculation base) for health insurance;
- extension of the calculation base for the Fonds National d'Aide au Logement (FNAL), a tax for housing aid;
- obligatory profit sharing for all levels of employee;
- the contribution rate for the Régime Supplémentaire de Retraite (RSR) doubling from 1 to 2% on 1st January 2012;
- the expected impact of employee agreements currently being negotiated within GrDF.

At this stage, the best estimate by GrDF of the total extra operating cost of these developments is €39 million per year from 2012. This amount has been taken into account in developing the projection of operating costs (within "personnel costs") which the operator has presented for the tariff period for ATRD4.

In addition, GrDF has requested that the items relating to regulatory changes be covered by the CRCP (see part C.4)

c) Evolution of cost sharing rules for the shared service provided by ERDF and GrDF

GrDF shares with ERDF, a subsidiary of EDF for electricity distribution, a common service which has eight Regional Operations Centres. This common service handles the following for both GrDF and ERDF: construction activities around a site, exploitation and maintenance of the network, metering operations and service provision. It is also responsible for the local relationship with both the end-user customers and the local authorities.

The two operators are currently carrying out two separate studies concerning the cost sharing rules for these shared services. As the results of these two studies are not yet known, the cost projections provided by GrDF show no change compared with the ATRD3 tariff. GrDF has asked that, when the audit results are known, any impact on their costs resulting from changes in the cost sharing rules between them and ERDF be handled by the CRCP.

The CRE is inclined to accept GrDF's request, subject to any changes being globally neutral for the end-user customer: any evolution of the ATRD4 tariffs due to a change in the rules for GrDF must be compensated by an opposite evolution in the next TURPE4 tariff (electricity tariff) for using ERDF's distribution network.

The TURPE3 tariff came into force on 1st August, 2009 for a period of 4 years. The projection of ERDF's costs will be redefined with effect from 1st August, 2013. Extra costs incurred by GrDF as a result of this common service can be taken into account from 1st August, 2013 in line with the cost projection adopted then by ERDF.

⁴ current euros

Question 2 :

Are you in favour of the CRCP taking care of any impact on GrDF's costs brought about by changes in the rules governing cost sharing with ERDF, with the TURPE being modified accordingly?

d) Additional costs for promoting the use of gas

Starting in 2008, GrDF has mounted significant campaigns aimed at stopping the decline in the number of customers and the quantity of gas transported. In GrDF's ATRD3 tariff, costs associated with intensifying the network amounted to €27 million per year. These actions (development subsidies for promoters and builders of individual housing, promotion of gas with the sector professionals, research and development), help lower the average cost of transport for all customers by bringing on stream new customers using the existing infrastructure.

The annual budget of €27 million was fully used or, in some years, exceeded by GrDF.

The results of these actions from GrDF are positive. The main focus of the actions from GrDF was in the residential market, in particular the new starts in high-density building (apartment blocks and other housing developments). GrDF has found that the market share for gas in high-density new starts increased noticeably starting mid-2009 (rising from the previous level of 30% to 55% in 3rd quarter 2010), as opposed to the individual housing market or the service sector office building segment where few actions were undertaken.

GrDF is requesting that an annual sum of €45 million for the years 2012-2016 be budgeted in the total operating costs to cover the following expenditure:

- an intensification of the network (development subsidies, promoting gas with all the players in the sector) estimated to cost €24 million per year over the period;
- marketing and promotional activities for sensitising the general public to use gas, estimated to cost €15 million per year over the period;
- research and development costs estimated at €6 million per year for the period. Projects envisaged include developing products to use both gas and renewable energies, such as hybrid heat pumps in the residential and community sectors, individual solar powered water heaters, broadening the range of offerings for building renovation in particular focusing on making existing buildings more energy efficient, and launching effective products for the office building sector.

Since the majority of costs for GrDF are fixed costs, increasing the number of customers and the amount of gas consumed by these activities will automatically lower the unit cost of transporting the gas for all customers.

The details of all the activities of this nature, and the results, carried out by GrDF during ATRD3 and planned for ATRD4 are shown in an annexe to this public consultation document.

The CRE believes that these activities for promoting gas have had significantly positive results since 2008. Therefore it plans to maintain a budget for promoting the use of natural gas in the forthcoming tariff. In addition, it plans to set up a mechanism to incent the operator to attain specific results.

Question 3 :

Are you in favour of having ATRD4 cover the cost of promoting the use of natural gas in the three areas proposed by GrDF:

- *development subsidies and promotional activity for all players in the sector?*
- *marketing and promotional activities for sensitising the general public?*
- *research and development?*

Question 4 :

Are you in favour of including incentive mechanisms to drive the operator to achieve specific results from such promotional activities?

e) Revenue and costs associated with biogas injection

When, on 2nd April, 2009, the CRE presented the existing tariff proposals for the use of public networks for natural gas distribution, it was stated that "*DSOs could propose, for an experimental and temporary period, a service by injection. The CRE will propose at a future date the tariffs to be used for injecting biogas into the*

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distribution network, taking account of the conclusions of the working group cited above, when they are known. "

During the validity of the ATRD3 tariff, only one connection to the GrDF network of this nature has been made, that of Lille Métropole Communauté Urbaine (LMCU), who started injecting biogas in mid-June 2011.

GrDF estimates that injecting biogas into the distribution network could bring between 3 and 9 TWh per year by the year 2020. GrDF is currently evaluating 204 projects which would represent some 4.2 TWh per year. GrDF believes that about 110 projects could materialise during the 2012-2016 tariff period, representing 1.7 TWh per year.

GrDF has split the costs associated with these biogas injection projects into 3 categories:

- costs for feasibility studies and detailed sizing exercises, estimated by GrDF to be respectively 2.7 k€ and 9.4 k€ for each case;
- investment and operating costs for odourisation, quality control and injection metering, as well as the extra costs associated with running the network, estimated by GrDF to be around 75 k€ per installation.
- costs associated with ad hoc biogas quality control activities over and above the routine checks, estimated by GrDF to be about 27 k€ per year and per installation.

This cost break-out into 3 categories is the result of discussions between GrDF and other professionals in the sector.

In total, GrDF will invest €33 million (current) between 2012 and 2016 for biogas activities.

The CRE plans to incorporate the services linked to biogas injection, in the above 3 categories, in GrDF's catalogue of services rather than introduce a new term into the ATRD4 tariff structure specifically for injecting biogas into the distribution network. The CRE will verify that the price for such services reflects the costs associated with biogas injection, so that this will be neutral for the tariff.

Revenue from these services is estimated by GrDF to be of the order of €0.8 million in 2012 and €15 million in 2016.

The principles, the technical details and the stakes involved in biogas injection are detailed in an annexe to this public consultation document.

Question 5 :

What are your thoughts on the services associated with injecting biogas into the distribution network that are being proposed by GrDF?

f) Costs associated with the advanced metering project

The ATRD4 tariff will cover the costs associated with GrDF's advanced metering project as agreed during the CRE's decision on 21st July, 2011. GrDF estimates at this stage that the costs will have the effect of a 0.3% increase in tariff on 1st July, 2012.

If a decision is made to proceed with general roll-out during the tariff period, a new tariff will be created taking into account the preliminary project costs and savings from the date of that decision, and an incentive-based regulation mechanism will be defined for the project. If the decision not to proceed with a general roll-out is outside GrDF's control, all costs already incurred will be covered by the tariff.

3. Volumes of gas distributed and number of customers served hypothesis

3.1. Changes during the period covered by the ATRD3 tariff

The current ATRD3 tariff was based on an average increase of 0.7% per year in the quantity transported (with average climatic conditions) for the period 2008-2012, and an average increase of 0.6% per year in the number of end-user customers connected to the distribution network for that same period.

The actual quantities transported in average climatic conditions (calculated using the climatic reference and the climate correction model defined for the ATRD3 tariff), as well as the number of end-user customers actually connected, fell short of these forecasts. For the period 2008-2010, the quantity of natural gas transported in average climatic conditions and the number of end-user customers actually connected fell on

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average by 0.8% and 0.2% per year respectively. For the year 2010, the variances between forecast and actual numbers for quantity of gas distributed and number of customers connected are respectively -2.4% and -1.5%.

The data concerning consumption, in average climatic conditions, and the number of customers connected is given in the following table:

	ATRD3 Forec. 2008	Actual 2008		ATRD3 Forec. 2009	Actual 2009		ATRD3 Forec. 2010	Actual 2010		ATRD3 Forec. 2011	Forecast 2011 Revised July 2011	
			(Growth Forec.08)			(Growth Forec.09)			(Growth Forec.10)			(Growth Forec.11)
N° of customers	11 090 092	11 089 578	0.0%	11 137 219	11 089 922	-0.4%	11 208 431	11 045 369	-1.5%	11 279 683	10 989 093	-2.6%
Consumption in average climate (GWh)		332 698	0.0%		325 889	-2.4%		327 690	-2.4%			
Consumption in actual climate (GWh)	332 839	325 482	-2.2%	333 899	312 551	-6.4%	335 722	344 700	2.7%	338 035	326 569	-3.4%

NB: the values in the above table do not include data for fixed-rate customers.

GrDF explains the reduction in consumption by the combined effects of the economic situation and the improvement in energy efficiency in the residential sector. The reduction in the number of customers is due to several main factors: customers abandoning gas in favour of electricity for heating and cooking, and more frequent cutting off the gas supply as a result of unpaid bills.

3.2. Evolution forecast by GrDF during the period covered by the ATRD4 tariff

GrDF estimates that total consumption and the number of customers connected will continue to decrease during the period 2011-2016, with average per annum variances of -0.4% and -0.3% respectively.

GrDF justifies these forecasts by the combined effects of the elements mentioned above for the period 2008-2010, and a much stricter regulatory environment compared with the past concerning energy demand, following the overall guidelines formulated at the 'Grenelle de l'environnement' - the French government's multi-party consultative group on sustainable development. The increase in market share observed in new buildings since 2010, and the effects of GrDF's promotional activities, will not fully compensate for these effects.

Using the same calculation method (using the climate reference and the climatic correction model used for the ATRD3 tariff), GrDF estimates that the quantity of natural gas distributed in 2012, in average climatic conditions, will be 15.2 TWh lower than the forecast used in the ATRD3 tariff currently in force.

In addition, GrDF is requesting two changes in methodology for the ATRD4 tariff:

- a lower calibration of the climatic correction model, which would have an additional effect of lowering the quantities of gas transported by 7.8 TWh to be taken into account in the tariff;
- a new climatic reference, which would have an additional effect of lowering the quantities of gas transported by 6.8 TWh to be taken into account in the tariff;

Overall, GrDF's forecast for the quantities delivered in average climate conditions for 2012 for ATRD4 is lower by 29.7 TWh than that used for ATRD3. GrDF is proposing the data in the table below as the reference figures for ATRD4:

	ATRD4 Forecasts								
	2012	2013		2014		2015		2016	
			Growth/ Forec. 2012		Growth/ Forec. 2013		Growth/ Forec. 2014		Growth/ Forec. 2015
N° of customers	10 932 226	10 889 445	-0.4%	10 855 277	-0.3%	10 832 699	-0.2%	10 816 351	-0.2%
Consumption (GWh)	312 261	309 468	-0.9%	307 774	-0.5%	306 152	-0.5%	305 922	-0.1%

NB: the values in the above table do not include data for fixed-rate customers. For the period 2012-2016, GrDF's consumption forecasts are based on using the new climate reference mentioned above, and the recalibration of the climatic correction model.

3.3. *The CRE's preliminary evaluation*

At this stage, the CRE plans to accept, from 1st July, 2012, the forecasts from GrDF concerning the reduction of unit consumption and the number of customers (an effect of 15.2 TWh), but not to integrate the recalibration of the climate correction model (an effect of 7.8 TWh) nor the new climatic reference (an effect of 6.8 TWh) requested by the operator.

For ATRD4, the CRE plans to continue with the principle of covering revenue proportional to the quantities actually delivered using the CRCP (see part C4). GrDF would be fully covered, via this CRCP mechanism, against any risk of revenue loss caused by variances in the volumes delivered.

On this basis, GrDF's requested tariff increase from 1st July, 2012 would be reduced from 16% to 12.6%, before any evaluation by the CRE of operating and capital costs.

In addition, the CRE intends to accept the projection proposed by GrDF concerning consumption and the number of customers for the period 2012-2016.

Question 6 :

Are you in favour of the approach suggested by the CRE concerning GrDF's request for changes in the climate correction model and for a new climatic reference?

Question 7 :

What are your observations about GrDF's forecasts for quantities of gas distributed and customers connected for the period under consideration?

C. Changes in incentive-based regulation

After 4 years in operation, the results of the incentive-based regulation put in place are positive (see part A.3). Certain areas for improvement have nevertheless been identified.

It is thus the CRE's intention to continue with the principle of incentive-based regulation for GrDF and to modify the existing framework after receiving feedback and the results of a European-wide survey of incentive-based regulation for gas and electricity infrastructure operators that has been carried out by outside consultants.

1. Tariff duration

It is planned to maintain GrDF's new tariff convention for 4 years, from 1st July, 2012 to 30th June 2016, with any pricing changes taking place on the 1st July of each year, according to the pre-established rules.

Question 8 :

What are your observations on maintaining the validity of the new tariff convention for 4 years? If you believe that 4 years is no longer an appropriate time-scale, what period do you believe would be appropriate?

2. Incentive-based regulation for operating and capital costs

In preparation for the new ATRD4 tariff convention, the CRE wished to avail itself of possible developments in the regulation currently in force. To this end, an outside firm of consultants has carried out a European-wide study on the incentive-based regulation mechanisms for natural gas and electricity infrastructure operators. This survey is specifically looking at regulation of capital investment and operating costs.

2.1. Operating costs

The ATRD3 tariff currently in force incents GrDF to control its running costs: the annual productivity in the tariff grid, fixed at 1.3%, equates to an objective of a 2.7% productivity gain concerning the operating costs under the control of the operator. Any additional productivity gains achieved by GrDF are shared. GrDF keeps 40 % of the savings achieved, the remaining 60% being distributed to the network users during the following tariff period. No compensation from the tariff is given if actual controllable expenses exceed the projections.

At this stage, the CRE plans to continue these incentive-based regulation principles for operating costs in ATRD4, modifying the annual productivity objective according to the new cost projections from GrDF. As a means of making the incentives for productivity gains even more attractive for GrDF, any additional savings that the operator may achieve in controlling operational costs during the next tariff period would be 100% retained by GrDF.

2.2. Capital expenditure

In the ATRD3 tariff convention, any variance in capital costs is covered by the CRCP mechanism. Thus, with the current tariff framework, the incentive to improve efficiency (cost control and meeting dead-lines) is limited.

GrDF's actual and forecast investment expenditure since 2006 are as follows:

	ATRD2		ATRD3				ATRD4				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Planned investments (M€ current)	845	728	636	621	613	600	682	717	721	760	752
Effective investments (M€ current)	786	715	658	727	633	672 ⁵					

According to GrDF, the increase in investment spending starting in 2012 is largely due to what is necessary to respond to the "anti-endorment" plan, the development of biogas and an increase in the number of network connections. This increase in capital expenditure comes at a time when the number of end-user customers and the quantities of gas handled are predicted to diminish.

The CRE plans to extend the principle of incentive-based regulation to GrDF's investment expenditure in ATRD4. The objective is to incent GrDF to optimize the management and costs of its investments, without in any way compromising the ability to carry out the necessary projects for running and ensuring the safety of its network.

The mechanism envisaged is to apply financial incentives to the differential between the projected investment expenditure as defined in the tariff convention, and the effective expenditure by GrDF, according to the following guidelines:

- an annual total investment expenditure will be established for the tariff period and a projection of the preliminary capital costs will be defined in the ATRD4 tariff;
- each year, any differential between GrDF's planned and actual investment expenditure will be calculated. This differential gives rise to the calculation of capital costs, based on the WACC used by the CRE, and using a normative depreciation period of, say, 40 years;
- a percentage of this differential in capital costs gives rise to an increase/decrease in the amount of the calculated capital costs used in the CRCP. This financial incentive is only given for one year;
- capital cost items are treated in the CRCP in the same way as in the current framework.

*(By way of illustration, the forecast investment expenditure for year N is €500 million, and effective expenditure is €480 million. The final capital costs for the operator for year N will be increased by an amount corresponding to €20 million * (Coefficient A representing the WACC and the average depreciation period) * (Coefficient B representing the split of the savings to be defined).*

⁵ Provisional figure

With numbers: coefficient A = 9% and coefficient B = 50%, then the bonus in this case would be €0.9 million.)

As is the case in the current tariff convention, all investments put in operation by GrDF are integrated into the RAB at their face value, subject to any possible checks being made by the CRE as to the effective and prudent nature of the committed expenditure.

Revising this procedure can be decided by the CRE on a case by case basis, particularly in situations where new statutory regulations require additional investments or where the effective investment sums during the period are well below the forecast level.

Quantitative indicators (length of pipelines, number of meters put in place, number of customers connected, etc.) will be established to be able to check whether managing the investment expenditure by the operator is not seen as more important than carrying out necessary investments. In this way, the operator will be encouraged to invest better and not to invest less.

Question 9 :

Are you in favour of maintaining the current productivity incentive mechanism concerning GrDF's controllable costs using the formula " $CPI - X \pm k$ "? Are you in favour of GrDF being allocated 100% of any additional savings they make in managing controllable running costs?

Question 10 :

Are you in favour of setting up an incentive mechanism for GrDF to control its capital expenditure costs? What are your observations on the mechanism suggested by the CRE?

2.3. Regulation framework specific to GrDF's advanced metering project

Following the guidelines that were defined in its 21st July, 2011 decision, the CRE plans to define an incentive-based regulation framework specific to GrDF's advanced metering project, which will encourage the operator:

- to manage over the long term the costs of investments and the operational savings expected;
- to guarantee an expected performance level of the overall system covering the whole meter reading process;
- to adhere to the roll-out time-table.

This incentive-based regulation mechanism will be defined by the CRE when and if the decision is made for full deployment.

3. Incentive-based regulation for service quality

In order to maintain, or improve, the quality of service provided by GrDF, and to prevent any deterioration in service levels as a result of the drive for productivity demanded to the operator, an incentive-based regulation mechanism for service quality was set up with ATRD3.

Today, GrDF publishes 36 indicators for monitoring service quality concerning the main areas of its activity, of which 12 have a financial incentive attached: the time taken for major operations, the quality of the relationship with customers, the quality of the relationship with suppliers, the quality of data transmitted to the transmission system operators (hereafter TSOs), the quality of meter readings and billing, and the environment.

Two reports, one in each of 2009 and 2010, have been published by the CRE as part of monitoring this mechanism: GrDF's service quality has significantly improved during the current tariff period, especially in the main areas concerned with smooth running of the network, and for which incentive-based indicators have been set up.

An audit of GrDF's service quality was carried out in 2010 for the CRE by an external firm of consultants. This audit confirmed that GrDF publishes and provides to the CRE the indicators required by the tariff convention, and has robust and reliable internal processes and reporting tools.

For ATRD4, GrDF is requesting that certain indicators, for which the objectives are regularly exceeded, generating a bonus for the operator, be no longer financially incented, but still monitored, as they consider

that the financial incentives and the targets associated are no longer appropriate. The indicators concerned are: the time taken to transmit to the TSOs the daily estimations of quantities withdrawn by suppliers at the transmission distribution interface points (PITD - for 'Point d'Interface Transport/Distribution), the publication rates by SI OMEGA for the DD/DM, MM and 6M readings, the differential rate for the contractual framework for alternative suppliers and the rate of rejection treatment for month M in month M+1.

On the other hand, GrDF is in favour of incentive-based indicators covering the relationship with end-user customers.

Given the fact that this incentive-based regulation mechanism for service quality is relatively recent, the CRE believes that it is necessary to see these good results from the financially incented indicators being maintained and stabilised in the future. The CRE is therefore not in favour of GrDF's proposal to remove these financial incentives with effect from 1st July, 2012. The CRE could decide to remove them from 1st July, 2013, if the good results seen today are confirmed over time.

The CRE plans to keep the current mechanism for monitoring service quality and, based on feedback, to include the following adjustments:

- setting incentive-based indicators more clearly focused on service provided to the end-user customer;
- withdrawing 12 indicators that are not financially incented and which are no longer considered relevant;
- updating the level of financial incentives and objectives currently in place.

The list of indicators planned for ATRD4 is to be found in an appendix to this consultative document.

Question 11 :

Do you have any observations concerning the indicators proposed for measuring service quality? Are you in favour of keeping until 1st July, 2013 those financial incentives which GrDF wishes to remove? Are you in favour of setting incentive-based indicators in the area of the quality of service provided to the end-user customer?

4. Expense and revenue clawback account (CRCP - for 'Compte de Régularisation des Charges et des Produits')

In order to take account of variances between the projected and actual figures on items that are difficult for GrDF to predict, a clawback mechanism, CRCP, was introduced in the ARTD3 tariff structure.

The CRCP is an extra-accounting fiduciary account funded at regular intervals by all or part of the cost or revenue disparities observed on pre-defined items. The balance of this account is reconciled by reducing or increasing the revenues collected through tariffs, by using an annual mechanism. To ensure the mechanism financial neutrality, an interest rate is applied to the account balance.

As planned for the ATRD3 tariff, the CRCP balance has so far been calculated on two occasions and integrated into tariff adjustments - on 1st July, 2010 and on 1st July, 2011.

The cost and revenue items subject to the CRCP mechanism currently in force are:

- revenue received by GrDF for the quantity of gas provided through the distribution network, using the tariff in force, covered at the level of 100%;
- capital costs incurred by GrDF, covered at the level of 100%;
- the costs of purchasing gas to cover the loss of gas and other differences, as well as the supplier variance accounts and the inter-operator accounts between GrDF and the GRTs, covered at the level of 90%;
- penalties received by GrDF from suppliers for customers using options T4 and TP and who exceed the agreed quantity, covered at the level of 100% to ensure financial neutrality for GrDF in this system of penalties;
- the financial bonuses or penalties generated by the incentive-based regulation of service quality.

The reconciliation mechanism for the balance of the CRCP account is as follows:

- an annual reconciliation carried out automatically on 1st July each year by an increase or decrease in the tariff in force;

- a capping of +/- 2% change in the tariff in force caused by this reconciliation.

GrDF wishes to keep the current mechanism and is proposing the following modifications:

- concerning the costs of purchasing gas to cover the loss of gas and other differences, 100% coverage for this item, and implementation of an incentive-based indicator, encouraging the operator to buy at the best possible price, similar to the system in place for electricity. GrDF would then be incented only on price and not on the volume of loss purchases;
- the creation of an accounting item to cover any increased costs for the operator occasioned by regulatory changes during the tariff period (especially those costs that are of a tax nature).

At this stage, the CRE plans to keep the mechanism defined in ATRD3 for ATRD4. The requests from GrDF are currently being evaluated.

Question 12 :

Are you in favour of keeping the current CRCP mechanism? If not, in your opinion what modifications to the mechanism currently in force would be appropriate?

Question 13 :

Are you in favour of the proposals from GrDF concerning incentives for the purchase price of losses and the creation of an accounting item covering regulatory changes?

D. Tariff structure for using distribution grids

1. Continuity of the current tariff structure

The tariffs for using the natural gas distribution networks concern some 11 million end-user customers. To fully open up the French gas market, these tariffs need to be as clear and simple as possible. For the tariffs currently in force, the CRE has adopted the following general principles:

- a specific tariff for each DSO publishing separate accounts, and a common tariff for the other DSOs;
- geographic equalisation for each DSO (from now on, this principle only applies to original concessions);
- a common tariff structure for all DSOs, comprising four main tariff options, corresponding to the following customer segmentation:
 - binomial option T1: annual consumption between 0 and 6,000 kWh;
 - binomial option T2: annual consumption between 6,000 and 300,000 kWh;
 - binomial option T3: annual consumption between 300,000 and 5,000,000 kWh;
 - trinomial option T4: annual consumption greater than 5,000,000 kWh.

For a given delivery point, choice of the optimum tariff option is left to the shipper. The tariff applied to shippers is equal to the sum due for each delivery point that they supply;

- definition of a special tariff option known as a 'proximity tariff' (trinomial option TP), so that important consumers located near the gas transmission network, already supplied by the distribution network, can benefit from a network access tariff comparable to that which they would have obtained through direct connection to the transmission network.

Feedback from the DSOs and users indicates that this structure is well understood and particularly appreciated for its simplicity and stability. On the other hand, regulatory developments and changes in customer behaviour need to be taken into account.

At this stage, it is planned to keep unchanged the principles used for the current tariff, with the exception of the following items.

2. Lowering the threshold between tariff segments T1 ad T2

Meter reading for the majority of the 11 million end-user customers connected to GrDF's distribution network

is done either monthly or twice yearly. For these customers, GrDF carries out a daily estimation of daily consumption thanks to its profiling system.

The profiling system, defined within the framework of the GTG, consists in 9 different customer profiles based on the differing consumption habits of each end-user customer. Two consumption profiles are associated specifically with customers having twice yearly meter readings:

- the profile called "P011" for customers whose annual consumption reference (hereafter CAR - for 'consommation annuelle de référence') lies between 0 and 6 MWh per year. This profile enables estimating the consumption of customers called "flat", whose consumption is not weather-dependent, being used largely for cooking and hot water;
- the profile called "P012" for customers whose CAR lies between 6 and 300 MWh per year. This profile enables estimating the consumption of customers called "heating", whose consumption is heavily weather-dependent;

The threshold of 6 MWh per year for the CAR in profiles P011 and P012 is the same as the break point between tariff segments T1 and T2.

The considerable efforts to control demand for energy, such as better insulation in private dwellings, has caused a drop in individual consumption, especially amongst those customers having twice yearly meter readings. As a result, the consumption profiles P011 and P012 to which they belong no longer accurately reflect consumption for these customers: the customers with a P011 profile with the highest level of consumption are more and more dependent on weather conditions. GrDF has carried out a number of studies which have been presented to the GTG with a view to modifying the profiling system to take account of this phenomenon: the optimum solution which best reflects the changes in consumption patterns consists in lowering the CAR threshold between profile P011 and profile P012 from 6 MWh per year to 4 MWh per year.

Within this framework, it would appear essential that this evolution of profiles, if adopted, be coupled with the same evolution on the distribution tariff structure.

This would involve lowering the break-point between segments T1 and T2 from 6 MWh per year to 4 MWh per year, which would mean around 500,000 end-user customers moving from segment T1 to segment T2 out of a total of the 3 million end-user customers currently in segment T1.

Various scenarios for lowering the threshold have been analysed, on the assumption of maintaining GrDF's overall revenue from segments T1 and T2.

- lowering the annual subscription for segment T1 from €28.68 to €25;
- raising the annual subscription for segment T1 to €32;
- raising the annual subscription for segment T1 to €35;

The associated simulations are presented in an annexe to this consultation document.

At this stage, the CRE favours lowering the annual subscription for segment T1, currently standing at €28.68. Just as an example, an annual subscription of €25 for segment T1 would have the following effect on the transportation and distribution portion:

- between +5% and +20% for those customers who consume between 1 and 4 MWh per year, representing increases in the range of 3 to 25 euros per year;
- an almost zero effect, even a reduction, for customers who consume more than 5.5 MWh per year (equilibrium point).

However, the 500,000 customers concerned would change from profile P011 to profile P012, which translates into a weather-dependent usage and a peak demand. This switch of segments would bring with it an increase both in the transportation and distribution part and the storage part for affected customers. As an example, the increases, for customers consuming between 4 and 6 MWh per year would be:

- an increase of about 5 to 7 euros per year on the transportation and distribution part (representing an annual increase of around 58%)
- an increase of about 5 to 7 euros per year on the storage part (representing an annual increase of around 73%)

Overall, costs associated with the infrastructure would evolve in the following way:

16/20 TRANSLATED FROM THE FRENCH – Only the original in French is authentic

Consumption (MWh/year)	Variance for cost of distribution in €/year	Variance for cost of transport in €/year	Variance for cost of storage in €/year	Total variance for infrastructure costs in €/year	Estimated impact on the gas bill
1	3	0	0	3	2,7%
3,9	25	0	0	25	8,2%
4,1	25	5	5	34	10,7%
5,9	-4	7	7	10	2,3%
6,1	-5	0	0	-5	-1,2%
299	54	0	0	54	0,4%

Question 14 :

Are you in favour of lowering the break-point between segments T1 and T2 from 6 MWh to 4 MWh?

3. Splitting segment T2 into two separate segments

The tariff segment T2, representing customers with annual consumption between 6 and 300 MWh, contains customers with very varied usage behaviour, for example, customers with individual heating and those who benefit from communal heating. The work currently being undertaken by the GTG concerning the tariff structure includes evaluating splitting this segment to create two, more homogeneous, classes of customer. The break-point envisaged by splitting segment T2 in two is 30 MWh.

Such a change, which would require considerable IT development, would come into force no earlier than 2013. Thus, if this change were to be decided, the ATRD4 tariff would provide for two different tariff structures, one to be in force from 1st July, 2012 to 30th June, 2013, and a second that would be in force from 1st July, 2013 to 30th June, 2016.

Question 15 :

Are you in favour of splitting tariff segment T2? If so, does a break-point at 30 MWh seem appropriate to you? If you don't think this would be appropriate, what would you suggest as the most appropriate break-point if segment T2 is to be split?

4. Handling fixed price customers, especially meterless kitchen points

The law of 2nd July, 2007 concerning "Billing" states that invoices for natural gas must be sent *"at least once a year based on the actual energy consumption"*.

In 2010, there were about 150,000 households without a meter and who were thus invoiced on a fixed price basis (5,000 individual dwellings with an individual fixed rate, and 145,000 who received a communal fixed rate for the apartment block as a whole). The presence of a meter is essential for measuring consumption, but the full cost of providing and fixing a meter, around 500/600 euros per unit, means it is not feasible to equip every household concerned. Thus, GrDF has planned to install meters at the entry point for the gas in all the buildings concerned, meaning around 7,000 meters for these 145,000 households, and this by 1st July, 2012.

In addition, the annual consumption of 1,163 kWh used for determining the fixed rate has been lowered to 660 kWh, following the recommendations of the National Energy Mediator.

The CRE plans to revisit the treatment of fixed-rate customers for ATRD4 to take account of these developments, as follows:

- for customers with a communal meter, a fixed subscription equal to that for segment T1 would be billed taking account of the number of households in the apartment block taking gas, along with a variable part equal to the T1 rate applied to the actual consumption measured by the communal meter;
- for those customers still with no meter, a lower fixed rate will be applied, based on annual consumption of 660 kWh.

GrDF has estimated the financial effect of these changes to be about €3.6 million of investment associated with installing the new meters.

Question 16 :

What are your observations on the proposed changes for fixed-rate customers?

E. GrDF's services catalogue

Article L452-3 of the Energy Code extends the tariff powers of the CRE to cover other associated services provided by the DSOs. Therefore, any changes in the catalogue of services offered by the DSOs require a decision from the CRE.

GrDF is requesting that the prices in its services catalogue be re-evaluated on 1st January, 2012 in line with the indexation formulae mentioned in the services catalogue. At this stage, GrDF estimates that such indexation on 1st January, 2012 would have the following effects:

- for fee-based services where the price is heavily dependent on labour costs (outside services for connection, fixed price maintenance and more frequent meter reading): an increase of about 4.8%;
- for services that are largely dependent on equipment costs (meter/pressure regulator hire, fixed price rates for installation of temporary metering): an increase of about 6.9%;
- for connection-related services: an increase of about 4.4%.

In addition, GrDF is requesting that services related to biogas injection (feasibility studies, injection licence and carrying out selective checks) be incorporated into the catalogue from this same date.

At this stage, the CRE is planning to have any price changes in GrDF's services catalogue take place on 1st July each year, starting on 1st July, 2012, so as to have these changes coincide with tariff changes planned with ATRD4.

As a temporary measure, the CRE plans to revalue the prices in GrDF's services catalogue on 1st January, 2012, using the indexing formulae currently in force.

Given the number of biogas injection projects currently being studied by GrDF, the CRE plans to incorporate biogas injection-related services into GrDF's services catalogue with effect from 1st January, 2012.

Question 17 :

Do you consider it appropriate to have price changes in GrDF's services catalogue occurring on the same date as the annual tariff changes planned for ATRD4 (1st July in each year) following existing procedures, or would you prefer to keep these changes on 1st January in each year?

Question 18 :

Are you in favour of incorporating all GrDF's biogas injection-related services into their services catalogue from 1st January, 2012?

F. Questions

The CRE invites all interested parties to address their observations, by 4th November, 2011 at the latest, using one of the following methods:

- by email to the following address: webmestre@cre.fr;
- by using directly the CRE's website (www.cre.fr), using the topic "Documents / Consultations publiques";
- in writing to: 15, rue Pasquier - F-75379 Paris Cedex 08, France;
- by contacting the "Direction des infrastructures et des réseaux de gaz": + 33.1.44.50.41.90;
- by asking to be heard personally by the Commission.

A summary of all contributions will be published by the CRE, subject to respecting any secrets protected by law.

Confidentiality and/or anonymity of information and views will be guaranteed if you request this in your submission. Interested parties are invited to reply to the following questions, giving reasoned arguments to support their observations.

QUESTION RELATING TO THE RESULTS OF ATRD3 TARIFF CONVENTION

Question 1 : (page 5)

What is your feedback on the ATRD3 tariff convention, and the current conditions for using GrDF's natural gas distribution network, which came into effect on 1st July 2008?

QUESTIONS RELATING TO THE REQUESTS FROM GRDF

Question 2 : (page 8)

Are you in favour of the CRCP taking care of any impact on GrDF's costs brought about by changes in the rules governing cost sharing with ERDF, with the TURPE being modified accordingly?

Question 3 : (page 8)

Are you in favour of having ATRD4 cover the cost of promoting the use of natural gas in the three areas proposed by GrDF:

- *development subsidies and promotional activity for all players in the sector?*
- *marketing and promotional activities for sensitising the general public?*
- *research and development?*

Question 4 : (page 9)

Are you in favour of including incentive mechanisms to drive the operator to achieve specific results from such promotional activities?

Question 5 : (page 9)

What are your observations on the services associated with injecting biogas into the distribution network that are being proposed by GrDF?

Question 6 : (page 11)

Are you in favour of the approach suggested by the CRE concerning GrDF's request for changes in the climate correction model and for a new climatic reference?

Question 7 : (page 11)

What are your observations on GrDF's preliminary projections for quantities of gas distributed and customers connected for the period under consideration?

QUESTIONS RELATING TO DEVELOPMENTS IN INCENTIVE-BASED REGULATION

Question 8 : (page 11)

What are your observations on maintaining the validity of the new tariff convention for 4 years? If you believe that 4 years is no longer an appropriate time-scale, what period do you believe would be appropriate?

Question 9 : (page 13)

Are you in favour of maintaining the current productivity incentive mechanism concerning GrDF's controllable running costs using the formula "CPI – X +/- k"? Are you in favour of GrDF being allocated 100% of any additional savings they make in managing controllable running costs?

Question 10 : (page 13)

Are you in favour of setting up an incentive mechanism for GrDF to control its capital expenditure costs? What are your observations on the mechanism suggested by the CRE?

Question 11 : (page 14)

Do you have any observations concerning the indicators proposed for measuring service quality? Are you in favour of keeping until 1st July, 2013 those financial incentives which GrDF wish to remove? Are you in favour of setting incentive-based indicators in the area of the quality of service provided to the end-user customer?

Question 12 : (page 15)

Are you in favour of keeping the current CRCP mechanism? If not, in your opinion, what modifications to the mechanism currently in force would be appropriate?

Question 13 : (page 15)

Are you in favour of the proposals from GrDF concerning incentives for the purchase price of losses and the creation of an accounting item covering regulatory changes?

QUESTIONS RELATING TO THE TARIFF STRUCTURE FOR USING DISTRIBUTION GRIDS

Question 14 : (page 17)

Are you in favour of lowering the break-point between segments T1 and T2 from 6 MWh to 4 MWh?

Question 15 : (page 17)

Are you in favour of splitting tariff segment T2? If so, does a break-point at 30 MWh seem appropriate to you? If you don't think this would be appropriate, what would you suggest as the most appropriate break-point if segment T2 is to be split?

Question 16 : (page 18)

What are your observations on the proposed changes for fixed rate customers?

QUESTIONS RELATING TO GRDF'S SERVICES CATALOGUE

Question 17 : (page 18)

Do you consider it appropriate to have price changes in GrDF's services catalogue occurring on the same date as the annual tariff changes planned for ATRD4 (1st July in each year) following existing procedures, or would you prefer to keep these changes on 1st January in each year?

Question 18 : (page 18)

Are you in favour of incorporating all GrDF's biogas injection-related services into their services catalogue from 1st January, 2012?

Question 19 :

Do you have any further observations you would like to make concerning GrDF's next tariff convention ATRD4?