

**Public consultation on pricing principles for use of
natural gas distribution networks**

Law 2003-8 of 3 January 2003 guarantees all consumers and suppliers transparent and non-discriminatory access to natural gas distribution networks. Amended article 7 of this law especially stipulates that *“justified tariff proposals for use of natural gas [...] distribution networks [...] should be sent by the Commission de régulation de l'énergie to the Ministers for the Economy and Energy, [...]. Ministerial approval is considered as granted, unless there is opposition from one of the Ministers within two months following receipt of the Commission's proposals.”*

Current tariffs proposed by CRE on 26 October 2005, came into force on 1 January 2006 and were designed to be applicable for around two years, mainly due to full opening of the natural gas supply market to competition on 1 July 2007, and legal unbundling of natural gas distribution system operators (DSOs) planned for the same deadline.

CRE is planning to propose fresh tariffs for the use of natural gas distribution networks to be applied as from 1 July 2008. The main components of the tariff structure are to be kept. The purpose of the planned changes for the forthcoming tariffs is to:

- integrate the impact of legal unbundling and restructuring of distribution activities related to full opening of the natural gas market;
- set up an incentive scheme for DSO productivity and quality of service;
- take into account changes introduced by the Law of 7 December 2006 concerning new natural gas concessions resulting from competition brought into play.

Before drawing up its tariff proposal, CRE would like to consult all market players and all interested parties are thus invited to answer the questions at the end on this document.

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1. Regulation framework

1.1. Typology of DSOs

There are currently 24 DSOs in France, 23 of which are actively operating:

- Gaz de France Réseau Distribution (Gaz de France RD), accounting for 96% of the quantity of natural gas distributed in France, and which must be legally unbundled for the competitive activities of Gaz de France, in application of article 13 of Law 2004-803 of 9 August 2004;
- 22 local distribution companies (LDCs):
 - Régaz and Gaz de Strasbourg, each accounting for 1.5% of the quantity of gas distributed, also compelled by law to apply legal unbundling;
 - 20 other LDCs accounting for a total of 1% of the quantity of gas distributed and not legally obliged to apply legal unbundling;
- Antargaz, whose original activity is the distribution of propane and butane gas, and which may be the first newcomer operating in the natural gas distribution sector in France, since the signing in early March 2007 of a concession contract for servicing the municipality of Schweighouse, in Haut-Rhin. Antargaz plans to start up network operations in 2008.

Tariffs for the use of natural gas distribution networks in force since 1 January 2006 are composed of:

- 10 specific tariffs for DSOs which have submitted unbundled accounts (Gaz de France RD and 9 LDCs);
- A common tariff for DSOs distributing less than 250 GWh per year and not submitting unbundled accounts. This tariff results from the average of the tariff levels of the three DSOs whose quantity of gas distributed is the lowest, among those which have submitted unbundled accounts.

These principles are to be kept for all DSOs. Sorégies has asked for the common tariff to be applied for the forthcoming tariffs given the problems it has encountered with submitting unbundled accounts.

1.2. Changeover to incentive-based regulation

The mode of regulation is to be changed over to a more incentive-based approach integrating both a productivity target for the scope of operating costs and an incentive-based regulation mechanism of quality of DSO service.

a) Tariff duration

Stability of the tariff structure for the use of distribution networks enables pricing to be applied for a longer period than for current tariffs. However, multi-year pricing requires sufficient visibility concerning trends in DSO costs in the medium term, along with a good assessment of the relevance of costs submitted by the operators. There is currently little hindsight in order to understand the impact of the market opening on 1 July 2007 and the legal unbundling of the main three DSOs on their costs over several years.

Gaz de France RD has proposed a duration of 4 years for the forthcoming tariffs, whereas the LDCs have asked to keep the tariff in force for 2008, in order to have the time necessary to analyse the impact of market opening and legal unbundling.

b) Cost control incentives

For the forthcoming tariffs an overall productivity target is to be defined for each DSO concerning the scope of operating costs or at least, a part of operating costs considered as controllable.

Gaz de France RD has proposed a productivity target resulting in a drop in the tariff of 1.5% in constant euro value per year, based on the tariff applicable for 2008.

c) Incentive-based regulation of quality of service

The productivity drive requested from DSOs must not result in degraded quality of service for network users.

In order to set up an incentive-based regulation mechanism for quality of natural gas DSO service in France, CRE has commissioned a study on the analysis of modes of incentive-based regulation of quality of DSO service in Europe and North America from an external consultancy firm.

Based on the recommendation of this study and ongoing work with French DSOs, the two main fields of DSO activity to be monitored are network management (safety and continuity of transportation) and customer relations management (maintenance work, accessibility, meter reading and billing).

The indicators planned for Gaz de France RD are listed in the appendix of this document.

At this stage of the consideration, a limited number of indicators is planned to be covered by financial incentive schemes. Four topics could give rise to financial incentives in the forthcoming tariffs for Gaz de France RD:

- compliance with appointments;
- time taken to handle complaints;
- accessibility of the OMEGA portal;
- quality of data transmitted by the DSO within the framework of the allocation process at the transmission distribution interface points (PITD) and time taken to provide TSOs with this data.

The other indicators would firstly be subject to CRE monitoring and then publication depending on their degree of maturity.

The indicators and incentive schemes adopted by CRE will consider the situation proper to each DSO, indicators already tracked at present and deadlines for application of new indicators. Three groups of DSOs are identified and treated separately:

- Gaz de France RD;
- The four biggest LDCs: Gaz de Strasbourg, Régaz, Vialis, and Gaz Electricité de Grenoble;
- Other LDCs.

d) Setting up a correction mechanism: the expenses and revenues clawback account

At the end of the tariff period, differences were observed between the hypotheses adopted to calculate the tariff and the level of actual costs borne and revenues received by DSOs. When such disparities arise for reasons that are difficult to predict when setting tariffs, and the impact of these uncertainty factors is beyond DSOs' control, it may be justifiable to correct them, either partially or fully, at a later date.

When the latest tariffs for the use of natural gas transmission networks were compiled, CRE set up a mechanism intended to resolve these differences: the expenses and revenues clawback account (CRCP).

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 during the following tariff periods or by using an annual mechanism. To ensure the financial neutrality of the mechanism, an interest rate is applied to the account balance.

A similar mechanism is to be applied to the forthcoming tariffs for the use of distribution networks. The cost and revenue items likely to be subject to this corrective mechanism are:

- capital costs;
- costs of purchases of gas related to loss of gas on the distribution networks and differences.

At this point in time, it is planned to apply the same principles as those adopted for the tariffs for the use of gas transmission networks to these two headings: 100% incorporation of differences recognised for capital costs and partial consideration of differences concerning energy purchases.

The findings of audits conducted by CRE are also to be incorporated in the expenses and revenues clawback account.

In addition, DSOs have requested that the difference in revenue related to weather-induced deviations in gas volumes distributed, also be covered by the expenses and revenues clawback account, as this item accounts for almost 60% of their revenue, whereas the costs are virtually all fixed charges. Such a measure would result in substantially reducing the risk for the DSO activity.

1.3. Changes introduced by the Law of 7 December 2006 for the pricing of new natural gas concessions

Paragraph III of article 7 of the Law of 3 January 2003, amended by article 29 of the Law of 7 December 2006, stipulates that *“tariffs for the use of public natural gas distribution networks other than those concession granted in application of article 25-1 of the present law are equalised within each operator’s service area.”*

By providing it with a legal footing, the Law of 7 December 2006 thus reaffirms the principle of DSO equalisation of tariffs for the use of distribution networks for original concessions. On the other hand, it excludes tariff equalisation for new concessions resulting from the competition brought into play (legal framework of article 25-1 of the Law of 2003).

These new concessions are subject to a double legal framework:

- They are allocated on the decision of local franchising authorities based on competitive bids (article 25-1 of the Law 3 January 2003);
- The tariff for network use is set by the Minister on proposal from CRE (article 7 amended of the Law of 3 January 2003).

It is necessary to set up a tariff framework for the forthcoming tariffs for the DSOs servicing the new concessions.

So as not to complicate access to distribution networks, it is planned to lay down a single tariff structure which would be based on the tariff structure currently in force: the five existing tariff options (T1/T2/T3/T4 and TP), with the current cut-off limits (6000 kWh per year, 300,000 kWh per year, 5,000,000 kWh per year) and pricing continuity between two tariff options. On the other hand, the tariff level would be left to the discretion of the DSOs concerned, so as to comply with the principle of free administration of local authorities and competitive bids for new concessions.

Another option would consist, of making obligatory in addition to the tariff structure, other components related either to methods for calculating capital costs (rate of return, rules for calculating depreciations, etc) or to the regulatory framework (tariff durations, clauses of amendment, etc).

2. Level of authorised revenue

In compliance with CRE’s deliberations of 26 October 2005, the main rules for determining the DSOs’ level of authorised revenue which were adopted to set current tariffs for use of public distribution networks are as follows.

2.1. Capital costs

Capital costs include two parts: depreciation and financial return on fixed capital. The calculation of these two components depends on valuation of the regulated asset base (RAB) for each operator.

a) Calculation of regulated asset base

Initial value of regulated asset base:

The initial value of the RAB as at 31 December 2002 was determined through a revaluation of the book values of the operator's assets. The assets were revalued according to the following method:

- Original gross values are adjusted by the revaluation authorised in 1976, subsidies received for these investments, and fundings received from the beneficiaries of these investments;
- These values are revalued as at 31 December 2002 by application of the GDP trade index so as to incorporate trends in the general price level;
- Industrial assets are depreciated in order to take into account the technical and the economic obsolescence of these assets. This depreciation is calculated according to the straight-line method based on the economic lifetime of these assets (50 years for pipelines and connections, 40 years for pressure regulator stations and 10 to 30 years for other categories of assets).

Updating of RAB value:

Once set at 31 December 2002, the value of the RAB components changes from year to year depending on:

- The consumer price index excluding tobacco as a sliding average from July to July as published by INSEE (National Institute for Statistics and Economic Studies);
- Depreciation calculated according to the straight-line method for the economic lifetime of assets as indicated in the following paragraph;
- Transferred and disposal of operator's assets;
- New investments made by the operator.

As at 1 January 2007, the value of the RAB of DSOs keeping unbundled accounts calculated based on the investments they transmitted was as follows:

- Gaz de France: 12,866 million euros;
- Régaz: 262 million euros;
- Gaz de Strasbourg: 201 million euros;
- Régie Municipale de Colmar (VIALIS): 46 million euros;
- Gaz Electricité de Grenoble: 32 million euros;
- Régie Municipale de Dreux (Gedia): 26 million euros;
- Gaz de Barr: 24 million euros;
- Syndicat Intercommunal de Huningue, St Louis, Hégenheim et Village Neuf: 21 million euros;
- Service Gaz et Eau de la Ville de Guebwiller: 15 million euros.

b) Calculation of capital costs

The annual depreciation value is calculated according to the straight-line method based on the residual asset value as at 1 January of every year. The normative lifetimes used for this calculation are those indicated for revaluation of original assets as at 31 December 2002, except for pipelines and connections for which a lifetime of 45 years has been adopted.

The financial return is calculated by applying a rate of return, reflecting the operator's cost of capital, to the RAB value as at 1 January of every year.

The rate adopted for setting current tariffs is 7.25%, real before tax.

As for each of its pricing proposals, CRE will review the conditions for calculating capital costs, moreover it has commissioned a study on the weighted average cost of capital for electricity and gas infrastructures from an external consultant. The findings of this study could be used to draw up the tariff proposal.

The accelerated reduction of grey iron in 2006 and 2007 resulted in a significant rise in investments for certain DSOs which automatically results in increased capital costs for these operators using the same calculation method.

2.2. Operating costs

Operating costs covered by tariffs for the use of natural gas distribution networks will be evaluated after analysis of all DSO charges.

In this context, and in the light of the legal unbundling of the Gaz de France distribution activity as at 1 July 2007, CRE commissioned an audit of the unbundled accounts of Gaz de France RD for 2006 from an external consultancy firm.

Concerning the costs covered by current tariffs, DSOs made the following requests:

a) Charges paid to franchising authorities

For the definition of the tariffs in force, CRE decided that the concession fees which do not correspond to any service provided by the concession granting authorities should not be covered by net operating costs for the year 2007.

Several LDCs as well as the FNCCR have asked CRE to reconsider its position.

b) Expenses for promoting gas usages

During the last two years the consumption of natural gas in the household sector has progressively diminished. This trend is driven by:

- Drop in the gas market share for new housing mainly to the benefit of electricity;
- Decrease in the number of new customers in the existing household sector;
- Increase in terminations of supply contracts.

In addition, there was a drop in average unit consumptions of customers connected to natural gas.

In order to face up to the drop in quantities of gas transported resulting from these trends (cf. §3 Hypotheses of quantities distributed and DSO pricing requests), DSOs would like to strengthen their efforts to develop natural gas in order to:

- Connect new customers and keep existing customers loyal;
- Develop new gas usages (gas-driven heat pumps, power generating boilers, fuel cells, natural gas for vehicles, etc) for existing customers.

Gaz de France RD estimates the cost of these actions at 40 M€ per annum for the period 2008-2010, with a drop expected from 2011 onwards.

DSOs have asked for costs related to actions for promoting gas usages to be incorporated in the forthcoming tariffs. They have indicated that these actions are viable as the number of new customers would reduce tariffs for the use of distribution networks.

c) Spending on indoor safety

Actions for safety of indoor installations which do not directly concern the use of public networks since they involve installations located downstream of the meter are not covered by the tariffs in force.

DSOs consider safety of indoor installations as an extension of their core business and should thus be part of their remit. They think that they should be involved in this matter along with suppliers and all parties belonging to the gas community.

With this aim in mind, DSOs have asked for the corresponding costs to be covered by the forthcoming tariffs.

Actions concerning safety of indoor installations to be carried out by DSOs would include the following aspects:

- technical and regulatory coordination of the branch of installers and owners in the building sector to support the installation of safe equipments;
- safety diagnostic free of charge when installations are started back up after more than 6 months;
- research and development on requirements governing the use of gas techniques;
- communication for customers and installers.

This represents a cost of 8 M€ per year for Gaz de France RD.

d) Cost of delivery stations

The transmission/distribution interface contracts currently concluded between TSOs and DSOs stipulate that the following costs are invoiced by the TSOs to the DSOs:

- New connections;
- Spending on adaptation of flow rates, repair, replacement, and renewal (3R+A) of existing connections;
- Part of the operating costs (especially electricity and telephone);
- If need be, other expenses (supply of pressure, etc.).

These costs are posted as operating costs for DSOs and are currently covered by tariffs for the use of distribution networks. Gaz de France RD evaluates the amount of this item as around 40 M€ in 2009 (excluding business tax currently paid by Gaz de France RD).

Gaz de France RD highlights the fact that it has no control of these costs as the equipment concerned is placed under the responsibility of TSOs and is included in their asset base.

Consequently, Gaz de France RD proposes the transfer of 3R + A costs in the tariff for the use of transmission networks especially in the delivery capacity charge (TCL) for the transmission distribution interface points. According to Gaz de France RD, the increase of the delivery capacity charge at the transmission distribution interface points would be around 8 €/MWh/day for GRTgaz and 17.7 €/MWh/day for TIGF.

This request is to be analysed with all the parties concerned.

e) Purchase of losses and differences

Losses and differences correspond to the difference between the quantities delivered by TSOs at the entry to the distribution network and quantities actually billed to customers on this network and they result from:

- Technical losses related to leaks, works, flaring and initial filling of pipelines;
- Error margin for gas meters at the transport distribution interface and at the final customer installations, and further uncertainty mainly related to the definition of gross calorific value;
- Non-technical losses such as fraud, errors in billing files, etc.

Losses and differences are evaluated by each DSO based on the analysis of results at the entry to the network and consumer billing or readings downstream. These quantities are currently valued based on

the compensation price for distribution imbalances purchased by each DSO every month from suppliers within their contractual scope.

It is planned for the forthcoming tariffs that Gaz de France RD should purchase the gas required to cover losses and differences on the market after call for tender.

f) Occasional costs related to market opening and DSO legal unbundling

Certain DSOs and mainly Gaz de France RD, have submitted requests to CRE for coverage of new costs incurred by market opening, mainly related to information systems management.

Along the same lines, in compliance with the Law of 7 December 2006, 3 operators (Gaz de France, Gaz de Strasbourg and Régaz) are obliged to legally unbundle their distribution activities from other activities and according to the operators this obligation would incur specific costs.

3. Hypotheses of quantities distributed and DSO pricing requests

3.1. Hypotheses of quantities distributed

Hypotheses used to calculate current tariffs were defined based on quantities of gas distributed in 2004 and climate adjusted and the pace of gas consumption rises forecast for 2005, 2006 and 2007.

The 2006 and 2007 forecasts for Gaz de France RD were thus based on a consumption adjusted for climatic effects of 326 TWh in 2004, an increase in quantities distributed of 2% per year and a rise in the number of end customers connected to the distribution network of 1.2% per year.

Analysis of DSO results for the current tariff period shows that the quantities actually distributed and the number of customers actually connected were lower than the forecast in most cases.

For 2006, differences between the quantities distributed (after consideration of climatic adjustment) and the number of customers connected were as follows:

- For Gaz de France RD: -2.1% and -1.1% respectively;
- For Régaz: -7.2% and +0.4% respectively;
- For Gaz de Strasbourg: -4.6% and -3.5% respectively.

This trend continued into 2007, with for example for Gaz de France RD trends in quantities transported (after consideration of climatic adjustment) of -1.7% in the first half of 2007 compared to the same period for the previous year.

DSOs attribute this situation to the combination of several factors, some of which are structural and highlight medium/long-term trends:

- Drop in unit consumption related to greater consumption control (improved insulation, modernisation of heating installations, etc);
- Drop in the number of customers connected due to competition from electricity and alternative energies and the lack of promotional drives for gas usages.

In addition, Gaz de France RD would like to reduce its model forecast for consumption during average climatic years, which would result in a further decrease of 8 TWh in quantities distributed to be incorporated in the tariff.

The prospective trends proposed by DSOs for the forthcoming tariffs are as follows:

		ATRD2 2006	Effective 2006	Forecasts					
				2007 (2006 difference)	2008 (2007 difference)	2009 (2008 difference)	2010 (2009 difference)	2011 (2010 difference)	2012 (2011 difference)
Gaz de France RD	Number of customers	11 129 487	11 011 505	0.3%	0.4%	0.4%	0.6%	0.6%	0.8%
	Consumption (GWh)	339 000	331 900	-2.7%	0.6%	0.3%	0.6%	0.7%	1.2%
Régaz (Bordeaux)	Number of customers	211 705	212 495	0.2%	0.2%	0.2%	0.2%		
	Consumption (GWh)	4 961	4 602	6.7%	-2.6%	0.3%	0.3%		
Gaz de Strasbourg	Number of customers	112 559	108 571	1.2%	1.0%	1.0%	1.0%		
	Consumption (GWh)	5 093	4 860	-3.3%	1.0%	1.0%	1.0%		

3.2. DSO tariff requests

CRE has not yet analysed DSO tariff requests. However, as they stand, these requests would result in a tariff rise for most of the DSOs, assuming that the current calculation methods of capital costs are kept:

	Tariff trends
Gaz de France	11.7%
Régaz (Bordeaux)	8.5%
Gaz de	18.5%
Vialis SAEM (Colmar)	7.3%
Gaz Electricité de	4.2%
Gedia SEML (Dreux)	-6.9%
Gaz de	1.4%
Caleo (Guebwiller)	10.1%
Veolia Compagnie Générale des Eaux (Huningue, St Louis, Hégenheim, Village-Neuf)	7.3%

This data is provided in current euro value based on an inflation hypothesis of 1.6% per year and taking into account DSO requests compared to the scope of tariffs in force.

The Gaz de France RD requests can be broken down as follows:

- 6.3% rise related to increased operating costs attributed to a climb in certain cost items (computer, real estate, restructuring of customer activities, etc) and to requests for coverage of new expenses (indoor safety, promotion of gas usages, etc);
- 3.7% rise related to increased capital costs, mainly attributed to the high level of investment observed in 2006 and 2007 (accelerated reduction of grey iron);
- 1.7% rise related to the decreased quantities of gas distributed.

The Régaz and Gaz de Strasbourg requests can be broken down as follows:

	Régaz	Gaz de Strasbourg
Rise related to operating costs	5.4%	8.5%
Rise related to capital costs	1.9%	4.0%
Rise related to quantities distributed	1.2%	6.0%

Given the part of the transportation tariff for distribution networks in the retail price of natural gas, all things being equal, DSO requests would result in increased regulated retail prices for public distribution.

4. Structure of tariffs for use of distribution grids

4.1. Continuity of existing tariff structure

Tariffs for the use of natural gas distribution networks are applied to over 11 million end customers. For full opening of the gas market in France, these tariffs must be as simple and clear as possible. CRE has adopted the following general principles for the tariffs currently in force:

- setting of a specific tariff for each DSO with unbundled accounts and a common tariff for other DSOs;
- geographical equalisation for each DSO (this principle only applies to original concessions);
- common tariff structure for all DSOs, composed of four main tariff options, corresponding to the following customer segments:
 - binomial option T1: annual consumption of 0 to 6,000 kWh;
 - binomial option T2: annual consumption of 6,000 to 300,000 kWh;
 - binomial option T3: annual consumption of 300,000 to 5,000,000 kWh;
 - trinomial option T4: annual consumption above 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 each tariff option so that the revenue obtained corresponds to the costs allocated to the customer segment concerned, so as to prevent any cross-subsidy between the various customer segments;
- definition of a special tariff option known as a ‘proximity tariff’ 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;
- management of “second tier DSOs” whose network is, in tariff and contractual terms, directly accessible for shippers from the transmission network (this mechanism is also applicable to new natural gas concessions concerned by pricing differentiation if the DSO is tier 2).

DSO and user experience feedback indicates that the structure is clearly understood and particularly appreciated for its simplicity and stability.

At this stage, the tariff structure for the use of distribution networks is to be kept as it is.

4.2. Breakdown of subscription and variable part of tariffs

Gaz de France RD suggests increasing the part covering the subscription compared to the variable part of the tariffs for pricing options T1 and T2, all things being equal.

This request which is currently being analysed would result, all things being equal, in a tariff rise for end customers with annual consumption of less than 25,000 kWh, i.e. the majority of household consumers and a decrease for other customers.

4.3. Standardisation of the scope of services included in the tariff for use of distribution networks

The scope of services included in the tariff for the use of distribution networks of all DSOs is to be aligned with that of the DSO Gaz de France RD.

CRE invites all interested parties to send their contribution, **by 9 November 2007** at the latest:

- Via the CRE website (www.cre.fr), under the “Documents / Public consultations” section, using the “Contribute” function (electronic documents can be sent);
- By e-mail to the following address: webmestre@cre.fr;
- By post: 2, rue du Quatre Septembre - 75084 Paris Cedex 02 – France;
- By contacting the Direction des réseaux et infrastructures de gaz (telephone +33 (0)1 44 50 42 12) to arrange a meeting with the Commission services;
- Or by asking to be heard by the Commission.

Some questions are listed below for information only:

A summary of contributions to this consultation, observing legally protected secrets, will be published by the Commission. The confidentiality and/or anonymity of contributions will be guaranteed if requested by the contributor.

Unless otherwise stipulated by the persons consulted, all or part of their contribution may be transmitted to Dideme.

PRELIMINARY QUESTION:

Question 1 :

What is your experience feedback on current tariffs and terms for natural gas distribution systems?

QUESTIONS CONCERNING THE REGULATORY FRAMEWORK:

Question 2 : (page 3)

Do you think that the duration of the forthcoming tariffs should be two years for better understanding of the impact of market opening on 1 July 2007 and DSO legal unbundling? If you do not agree with this point of view, what in your opinion would be the most relevant duration?

Question 3 : (page 4)

Do you think that a DSO productivity scheme is necessary?

Question 4 : (page 4)

Do you think that an incentive mechanism for monitoring quality of service is necessary? Do you have any comments on the indicators planned for Gaz de France RD (cf. appendix)? Do you have any comments on the list of indicators which could result in financial incentives for Gaz de France RD?

Question 5 : (page 4)

What do you think of the implementation of the expenses and revenues drawback account mechanism to natural gas distribution? Do you have any comments on the items which could be covered by this mechanism?

Question 6 : (page 5)

What do you think of the guidelines for the tariffs of new concessions? Do you agree with the proposal to leave the pricing level to the discretion of DSOs and franchising authorities? If not what in your opinion would be the criteria to be adopted?

QUESTIONS CONCERNING THE LEVEL OF AUTHORISED REVENUE:

Question 7 : (page 6)

What do you think of the principles currently in force for defining the level of authorised revenue

for operators (RAB valuation method, etc.)?

Question 8 : (page 7)

What do you think of the rate of return in force for natural gas distribution activities?

Question 9 : (page 7)

What do you think of CRE's decision for management of concession fees paid to concession granting authorities within the framework of the tariffs in force ATRD 2?

Question 10 : (page 7)

What do you think of the DSO request for incorporation of costs related to the development of gas usages? Do you think that DSOs should contribute to the development of gas usages?

Question 11 : (page 8)

What do you think of the DSO request for incorporation of costs related to safety of indoor installations? Do you think that DSOs should fulfil this remit?

Question 12 : (page 8)

What do you think of the transfer to TSOs of costs for alignment and adaptation of delivery stations at the interfaces between the transmission network and the distribution network?

Question 13 : (page 9)

What do you think of the changes in management of losses and differences planned for Gaz de France RD?

QUESTIONS CONCERNING THE TARIFF STRUCTURE:

Question 14 : (page 11)

What do you think of the general principles of the tariff structure?

Question 15 : (page 11)

Do you think that the system in force for pricing of second tier distribution networks is applicable as it is for the new concessions concerned by tariff differentiation?

Question 16 : (page 12)

What do you think of the Gaz de France RD request concerning rebalancing between the fixed parts and proportional charges in the tariff segments?

Question 17 : (page 12)

Are you in favour of the scope of services included in the LDC tariffs being aligned with that of Gaz de France RD?

OTHER QUESTIONS:

Question 18 :

Do you have any comments concerning distribution system operators' catalogues of services?

Question 19 :

Do you have any other remarks concerning tariffs and methods for utilisation of natural gas distribution systems?

APPENDIX

List of indicators of quality of service planned for Gaz de France RD:

Field	No	Indicator title	Indicator calculation	Reporting frequency	Financial incentive
Safety	1	Rate of safety work carried out within 60 minutes	Number of emergency operations (< 1 hour) / Total number of emergency operations	Quarterly Annual	No
	2	Annual percentage of pipelines inspected for leak detection	Km of network inspected during the year / Km of total network - km inspected during the year - km inspected over the past 4 years	Annual	No
Transportation continuity	3	Number of supply interruptions during the year (unscheduled interruptions)	Number of incidents or unscheduled interruptions during the year	Quarterly Annual	No
	4	Number of customers concerned by interrupted supply during the year (unscheduled interruptions)	Number of customers concerned by interrupted supply due to incidents or unscheduled interruptions during the year		
	5	Rate of interruption against the number of active customers at the beginning of the year (unscheduled interruptions)	Number of unscheduled interruptions / number of active customers at the beginning of the year		
	6	Mean time of interruptions (unscheduled interruptions)	Total duration of interruptions (between the 1 st customer being cut off and the 1 st customer being reinstated) / total number of interruptions	Six-monthly Annual	No
	7	Length of notice provided in the event of scheduled interruption due to works	Customer satisfaction survey on the notice provided in the event of scheduled interruption due to works	Annual	No
Specifications and work activities	8	Time taken for start-ups	Number of start-ups per timeframe	Monthly	No
	9	Rate of start-ups carried out by the catalogue deadline	Number of start-ups carried out by the catalogue deadline / number of start-ups carried out		
	10	Time taken for disconnections (distinction between disconnection and cut-off for non-payment)	Number of disconnections per timeframe		
	11	Rate of disconnections carried out by the catalogue deadline	Number of disconnections carried out by the catalogue deadline / number of disconnections carried out		
	12	Time taken for switching supplier	Number of supplier switches per timeframe		

	13	Rate of switching supplier carried out by the catalogue deadline	Number of supplier switches carried out by the catalogue deadline / number of supplier switches carried out		
	14	Time taken for connections	Mean time or number of connections per timeframe		No
	15	Rate of connections carried out by the agreed deadline	Number of connections carried out by the agreed deadline / number of connections carried out		No
	16	Number of appointments missed (identified through complaints)	Number of appointments missed - for customers with 6-monthly meter readings - for customers without 6-monthly meter readings	Quarterly	Yes. Compensation paid directly to suppliers concerned after complaints.
	17	Amount of compensation paid out for complaints due to missed appointments	Amount of compensation paid out for complaints due to missed appointments - for customers with 6-monthly meter readings - for customers without 6-monthly meter readings		
Customer relations (end consumers)	18	Rate of call centre accessibility for end consumers	Number of calls taken / number of calls received: - Phone number for gas access - Phone number for safety and repairs		No
	19	Number of end customer complaints by type	Total number of end customer complaints by type (transportation, connection, etc)		No
	20	Rate of response to end customer complaints within 30 days	Number of end customer complaints answered within 30 days/ total number of end customer complaints		No
Customer relations (suppliers)	21	Rate of availability of the supplier portal	Number of minutes of unavailability or failure / total number of minutes of opening of the portal	Monthly	Yes. <i>Being defined.</i>
	22	Number of supplier complaints by type	Total number of supplier complaints by type		No
	23	Rate of response to supplier complaints within 30 days	Number of supplier complaints answered within 30 days / total number of supplier complaints		Yes. Compensation paid directly to suppliers concerned after complaints.
	24	Amount of compensation due to complaints not being handled by the target deadline	Amount of compensation due to complaints not being handled by the target deadline.		
	25	Quality of estimates of quantities withdrawn by suppliers at transmission distribution interface points	Number of DD replacement values for the month / total number of DD values forecast for the month	Monthly	Yes. <i>Being defined.</i>

	26	Time taken to transmit estimates of quantities withdrawn by suppliers at transmission distribution interface points	Number of days per month of transmission to TSOs carried out by the deadline		
Meter reading and billing	27	Rate of real index readings	Number of real index readings / number of indexes transmitted		No