

**Decision of Commission de Régulation de l'Energie [*French Energy Regulatory Commission*]
dated 12 December 2007 on RTE's investment programme for 2008**

Pursuant to Article 14 of the law No. 2000-108 of 10 February amended, the public transmission system operator (RTE) submitted its 2008 investment programme to the Commission de Régulation de l'Energie (CRE) for approval.

1. Context

1.1 Article 14 of the law of 10 February 2000, amended by the law of 7 December 2006, defines CRE's approval authority as follows:

"The public transmission system operator exploits and maintains the public electricity transmission grid. It is responsible for its development to allow the connection of producers, public distribution grids and consumers, as well as interconnection with the other grids. To this end it prepares an investment programme every year. This programme is subject to the approval of the Energy Regulatory Commission which ensures the provision of the necessary investments for the proper development of the grids and that access to them is transparent and non-discriminatory.

The Commission de Régulation de l'Energie can only refuse to approve the annual investment programme on grounds arising from the missions assigned to it by law."

1.2 Article 28 of the law of 10 February 2000, amended by the law of 7 December 2006, sets out the general missions assigned to CRE:

"In accordance with the areas of competence assigned to it, the Commission de Régulation de l'Energie contributes, for the benefit of the end consumers, to the proper functioning of the electricity and natural gas markets. In particular, it ensures that the conditions for access to the transmission and distribution systems of electricity and natural gas do not hinder the development of competition."

1.3 Consequently, CRE's decision takes into consideration:

- the commitments of RTE to maintain or improve the technical and economic performance of the public electricity transmission grid;
- the main criteria which are:
 - the development of the cross-border infrastructure contributing to the development of the electricity market at national and European level;
 - the transparent and non-discriminatory treatment of market players by RTE, for example as regards the connection of new electricity generating units.

1.4 However, pursuant to Paragraph 2 of Article 14 of the law of 10 February 2000, to approve the programme, CRE does not give an opinion on compliance with the statutory obligations incumbent on RTE.

2. Description of investment programme submitted by RTE for 2008

- 2.1 The amount of the proposed programme is 852.6 M€ for 2008, up 7% over the 2007 programme, which was approved by CRE on 12 July 2007 (796.6 M€).
- 2.2 The investment expenditure relating to major transmission and interconnection projects (400 kV) is 236.0 M€ down 7.9% compared with the allowance for 2007 (256.2 M€). The share dedicated to the Vigy-Marlenheim 400 kV transmission line project, which will improve the security of supply to Strasbourg, is 71.8 M€ The share of investment expenditure relating to major transmission projects dedicated to stop-gap measures following the non-completion of the Boutre-Broc Carros 400 kV line, aimed at securing the supply to the Provence-Alpes-Côte d'Azur (PACA) Region in the short term, is 11.6 M€ Expenditure dedicated to interconnections is up, at 4.6 M€ compared with 1.7 M€ for the 2007 programme.
- 2.3 The investment expenditure relating to the development of the regional grids is 240.1 M€ up 23.1% over 2007 (195.0 M€). The share dedicated to the construction of a Nanterre-Nourottes 225 kV transmission cable, which will make it possible to improve the electricity supply to the North-West Paris area, is 22.8 M€ The share of investment expenditure relating to the development of the regional grids dedicated to short-term stop-gap measures following the non completion of the Boutre-Broc Carros 400 kV line is 8.7 M€
- 2.4 The investment expenditure for renewal of the regional grids is 215.2 M€ up 14.6% compared with the 2007 programme (187.8 M€).
- 2.5 The investment expenditure relating to information systems for the transmission system is 91.9 M€ This increase of 3.4% compared with 2007 (88.9 M€) results from the growth in expenditure dedicated to the deployment of the fibre-optic grid, which is 63.4 M€ compared with 57.7 M€ in 2007.
- 2.6 The investment expenditure dedicated to information systems for management and the electricity market is 36.2 M€, down 6.5% compared with 2007 (38.7 M€). The share dedicated to information systems to improve customer relationship management and the electricity market is 17.0 M€, in line with the 2007 programme.
- 2.7 The logistics investment expenditure is 33.1 M€, up 10.3% compared with 2007 (30.0 M€).

3. Comments by CRE

CRE makes the following comments on the investment programme submitted by RTE:

- 3.1 The medium-term and long-term investment needs for the public electricity transmission grid result from:
- the goal of integrating electricity markets at European level;
 - the connection of new centralised and decentralised generating units;
 - the rise in electricity consumption;
 - the need to maintain or renew the existing assets.

- 3.2 The primary goal of the investments for the major transmission grid is to reduce congestion and technical losses over the transmission grid. They also contribute to the safety of the electrical system, to secure supply for large pockets of consumption and to meeting generation demand. The slight drop in investment expenditure for the major transmission grid is explained, in particular, by the completion in 2007 of the reconstruction of the 400 kV Chaffard-Grande Ile transmission line and by the low maturity level of current major projects, with the exception of the Vigy-Marlenheim project.
- 3.3 The increased share of expenditure for renewal in investments for the major transmission grid and the setup of a system for monitoring the overall renewal policy will require, when the 2009 investment programme is submitted for approval, the creation of two separate items, "Development of Major Transmission Grid and Interconnections" and "Renewal of Major Transmission Grid and Interconnections".
- 3.4 The short-term stop-gap measures following the non-completion of the Boutre-Broc Carros link will be essential, because they will serve temporarily to relieve some of the recurring congestions in the Provence-Alpes-Côte d'Azur region. However, they will still be insufficient to ensure secured supply to the region, especially in the event of the loss of the 400 kV Tavel-Réaltor-Néoules-Broc Carros line.
- 3.5 The investment for the development of interconnection infrastructures will make it possible to raise the level of mutual back-up between electricity transmission grids and to fluidify energy exchanges at borders with a view to market integration. The investment expenditure dedicated to interconnections, essentially preliminary studies for the France-Spain interconnection by the East Pyrenees and preparatory work for the Albertville-Cornier project, remains low.
- 3.6 However, the report submitted by RTE in support of its investment programme describes efforts, coordinated with certain neighbouring electricity transmission grid operators, aimed at developing new interconnection infrastructures. These efforts should lead to the presentation of the results of these studies, and then to a proposed schedule for the development of the interconnections.
- 3.7 The public transmission grid of the North France zone is crossed by high energy flows related to cross-border exchanges and generation. The latest update of the RTE study on this zone, which was carried out at CRE's request, shows that the reinforcements already decided upon will make it possible to handle the first requests for generation connection. However, the insertion of additional generation would necessitate continued adaptation of the grid. RTE has presented projects for reinforcement in addition to the projects already decided upon, the schedule of which will have to be specified when presenting the interim implementation review of the 2008 investment programme.
- 3.8 CRE remains attentive to changes in the conditions for connection in the present context, which is marked by difficulties in completing new grid infrastructures within deadlines comparable to those of generation investments.
- 3.9 The primary goal of the investments for the development of the regional grids is the secured supply for regional pockets of consumption. They also contribute to the distribution of generation. The significant increase in investment expenditure for development of the regional grids results from the accelerated reinforcement of the grids upstream and the multiplication of connection operations. This dynamic complies with the requirement for quality of service and non-discrimination incumbent on RTE with regard to grid users.

- 3.10 The expenditure for renewal of the regional grids continues to grow and reaches the level deemed desirable in the studies conducted by RTE at CRE's request. When presenting the implementation analysis for the 2007 investment programme, RTE will submit the information serving to monitor the implementation of this policy.
- 3.11 In a context in which environmental factors generate increasing costs for investment projects, CRE had asked RTE for an analysis of the unit costs of investments made between 2000 and 2006. The first results of this study confirm the extent of the expenditure dedicated to the technical, environmental and societal insertion of the transmission lines and cables. This study will be extended in 2008 to include electrical stations.

4. Decision by CRE

- 4.1 CRE approves the 2008 investment programme submitted to it by RTE on 21 November 2007.
- 4.2 The approval of the programme excludes any fungibility between the following categories:

2008	In millions of €
Major transmission and Interconnections	236.0
Regional grids – Development	240.1
Regional grids – Renewal	215.2
Information systems for electrical system	91.9
Information systems for management and electricity market	36.2
Logistics	33.1
Total	852.6

- 4.3 CRE asks RTE, when presenting the implementation analysis of the 2007 investment programme, to set out the indicators for monitoring the implementation of its renewal policy.
- 4.4 CRE asks RTE to submit, at the beginning of July 2008, an interim implementation review of this decision. It recalls that any change to this programme must be submitted to it for approval before implementation. This presentation will be accompanied by the following:
- the result of the studies for development of interconnections presently being conducted by RTE;
 - a schedule for the planned evolutions for the North zone grid.
- 4.5 CRE asks RTE to present, when submitting the 2009 investment programme for approval, a schedule for the development projects for interconnections.

- 4.6 CRE asks RTE to replace, as of the submission of the 2009 investment programme for approval, the "Major Transmission and Interconnections" category with two new categories, "Major Transmission and Interconnections – Development" and "Major Transmission and Interconnections – Renewal".

Signed in Paris, 20 December 2007

For the Commission de Régulation de l'Energie,

President

Philippe de Ladoucette