COMMISSION
DE RÉGULATION
DE L'ÉNERGIE

CRE's tariff proposal of 28 February 2008 for use of public natural gas distribution networks.

Present: Philippe de LADOUCETTE, president, Michel LAPEYRE, vice-president, Maurice MEDA, vice-president, Eric DYEVRE, Bruno LECHEVIN, Pascal LOROT and Jacques-André TROESCH, commissioners.

Explanatory Statement

The current tariffs for use of public natural gas distribution networks, proposed by CRE (France's Energy Regulation Commission) on 26 October 2005, became effective on 1 January 2006, in accordance with the decision of 27 December 2005 which approved the tariffs for use of public natural gas distribution networks.

The explanatory statement of the tariff proposal of 26 October 2005 stated that: *" Full opening of the natural gas supply market to competition on 1 July 2007, and legal separation of DSOs planned for this date have led to uncertainty surrounding trends in DSO costs. This is why the proposed tariff has been designed to be applied from 1 January 2006 for about two years, and in due course, CRE will propose fresh tariffs if deemed necessary."*

By letter dated 20 July 2007, Gaz de France Réseau Distribution requested that CRE implements a new tariff for use of natural gas distribution networks. In its letter, the operator states that a tariff increase of 11.7% is necessary to cover its costs from 1 January 2008. It also proposes to review the schedule of tariff annually from 2009, using an indexing formula based on inflation and a productivity of 1.5%.

CRE proposes a new tariff for use of natural gas distribution networks for Gaz Réseau Distribution France (GrDF), a company created on 1 January 2008 by the legal unbundling of the Gaz de France Group's distribution activity. This proposal complies with the provisions of article 7 of the law n°. 2003-8 of 3 January 2003 regarding the gas and electricity markets and the public energy supply, according to the terms of which: *"the substantiated tariff proposals for use of natural gas transmission and distribution networks and liquefied natural gas facilities are conveyed to the Ministers of Economy and Energy by the Energy Regulation Commission, especially on request from the operators. Ministerial approval is considered to be obtained within two months of reception of the commission's proposals, unless they have been opposed by any of the Ministers."*

To establish its proposal CRE organised a public consultation from 9 October to 9 November 2007 and held hearing of the natural gas suppliers.

CRE undertook in-depth analyses of the projected costs presented by GrDF to support its request for a tariff increase. CRE ordered several audits and external studies:

- an audit of the unbundled accounts of Gaz de France's distribution activity for the 2006 financial year;
- an audit of GrDF's information system costs;
- a study of the weighted average cost of capital (WACC) for gas infrastructures;
- a benchmarking report on mechanisms of incentive-based regulation of quality of DSO service.

Based on all of this, CRE took into account the totality of GrDF's requests regarding personnel costs, safety expenditure and investments. In view of the evolutions of GrDF's requests, CRE accepts a productivity target of 1.3% on the schedule of tariff. This corresponds to a productivity target of 2.7% on the operator's manageable operating costs.

Furthermore, CRE proposes to introduce a new regulation framework, which will give all the market players better visibility and reduce the risks borne by GrDF:

- a tariff period extended to 4 years with a tariff evolution which is fixed in advance and takes account both of inflation and an annual productivity of 1.3% applied to the schedule of tariff;
- introduction of a correction mechanism of differences between forecasts and actual figures for some cost and revenue items, whose development is difficult for GrDF to predict;
- introduction of a financial incentive mechanism to improve quality of service.

The tariff shown in this proposal is intended to become effective on 1 July 2008. It leads to a 5.6% increase in current Euros compared with the tariff in force, i.e. 0.9% in constant Euros. Given the part of the transportation tariff for distribution network in the retail price of natural gas, this increase would lead, all things being equal, to an increase of 1.5% on 1 July 2008 of regulated retail prices for public distribution for an average domestic customer who consumes gas for heating (customer paying tariff B1 in the Paris region).

This increase takes into account of:

- a reduction of 50 base points in the rate of return on capital, set at 6.75%, related to the reduction of risks for GrDF brought by the new regulation framework;
- adjustments on certain cost lines, compared with the operator's demand, for a total of € 44 M for 2008;
- retaining the climatic adjustment model used for tariffs currently in force.

The GrDF tariff increase is due to the following main factors:

- increase in renewal investments with, specifically, the program for elimination of grey iron gas pipes, which led to the acceleration of investment between 2006 and 2007;
- additional information system and reorganisation costs related to the full opening of the market and the legal unbundling of GrDF;
- the weak growth in distributed gas volumes and in the number of connected customers, which does not compensate for the cost increases described above.

With regard to tariffs structure, the current principles are maintained.

Furthermore, article 29 of the law of 7 December 2006, amending paragraph III of article 7 of the law of 3 January 2003, stipulates that: *"The tariffs for use of public natural gas distribution networks, other than those granted in application of article 25-1 of the present law, are equalised within each operator's delivery zone"*. This tariff proposal defines the pricing rules which apply to new natural gas concessions granted after competitive bids, which can no longer benefit from the tariff equalisation.

As far as the local distribution companies (LDCs) are concerned, the analysis of the consequences of market opening, legal unbundling for some of them and the reform of the status of the electricity and gas industries, is under way. Under the circumstances, CRE will propose new tariffs for the LDCs at a later date, with a target application date of 1 July 2009.

Table of Contents

A – GrDF's tariff

I - Regulation framework: implementation of an incentive-based regulation

This tariff proposal provides for the installation of a regulation framework inciting GrDF to improve its efficiency, both in terms of cost control and quality of service.

This regulation framework results specifically in the implementation of:

- a multi-year tariff over 4 years, from 1 July 2008 to 30 June 2012, with a review of the schedule of tariff each year on 1st July according to predefined rules;
- an expenses and revenues clawback account (CRCP), which permits the correction of difference between actual and projected costs and revenues for certain pre-defined items used for this tariff proposal;
- a cost control incentive;
- an incentive to improve the quality of service.

This new regulation framework will provide all the market players with better visibility and will also reduce risks for GrDF.

1. Expenses and revenues clawback account (CRCP)

This tariff proposal introduces a mechanism for GrDF which is similar to that applied to the operators of gas transmission networks, the expenses and revenues clawback account (CRCP).

Tariff conditions are calculated using hypotheses for costs, quantities of gas distributed and the number of end consumers supplied, for the tariff's period of validity. CRE proposes to set up a mechanism which will resolve the differences between actual and projected costs and revenues for certain pre-defined items.

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 automatically on an annual basis by reducing or increasing the schedule of tariff, limited at 2%. An interest rate is applied to the account balance to ensure the financial neutrality of the mechanism.

For this tariff proposal the cost and revenue items which are subject to this mechanism are:

- the revenues received by GrDF at tariff conditions proportional to the quantities of gas distributed over the distribution network, covered at 100%;
- the capital costs borne by GrDF, covered at 100%;
- the costs of purchase of gas to cover losses of gas and miscellaneous differences, as well as the supplier's distribution imbalance accounts, covered at 90%;
- the fines received by GrDF for exceeding the capacities subscripted for clients who benefit from options T4 and TP, repaid at 100%, in order to ensure the financial neutrality for GrDF of the penalty system;
- the financial incentives generated by the mechanism incentive-based regulation quality of service, for all the indicators involved, apart from that related to the respect of customer appointments. This is in order to allow the repayment to users of the network, of fines for failure to reach the set quality of service, or bonus payments to GrDF if the targets are exceeded.

The application of the CRCP will be completed if necessary by monitoring of the efficient and prudent nature of the costs involved. In particular, these controls could concern the investments undertaken by GrDF and the costs of gas purchasing.

Additionally, the results of the audits conducted by CRE will be taken into account in the CRCP.

2. Cost control incentive

In order to incite GrDF to control its costs and to provide tariff visibility to the market, this tariff proposal pre-defines the evolution of the GrDF tariff for the 4 years of the tariff period.

This evolution is defined, outside the effect of the CRCP, by:

- a 5.6% increase in the GrDF's tariff in current Euros, on 1 July 2008;
- the application on the GrDF's schedule of tariff on the 1st July of each year, with effect from 1 July 2009 of:
    - the average annual variation for the previous calendar year of the consumer price index excluding tobaco products, as calculated by INSEE for all households in the whole of France (CPI);
    - and an annual productivity target of 1.3%.

To define this tariff evolution path, CRE conducted a detailed analysis of all the forecasts supplied by GrDF. It applied adjustments to certain items, but took into account the whole of GrDF's requests with regard to personnel costs, safety expenses and investments.

The productivity target of 1.3% on the schedule of tariff pre-supposes an evolution of the manageable operating costs equal to an annual variation percentage of CPI - 2.7% counting from the level accepted for 2008.

Any additional productivity gains which may be achieved by GrDF on this base of manageable operating costs, beyond the annual target of 2.7%, will be calculated on the three calendar years 2009, 2010 and 2011 at the end of the tariff period.

GrDF will retain 40% of the gains obtained. The remaining 60% will be used to reduce the evaluation of costs to be recovered in the following tariff.

3. Incentive-based regulation of quality of service

This tariff proposal provides for the setting-up of a mechanism of incentive-based regulation of quality of service, in order to ensure an improvement in the quality of service provided by GrDF and to prevent any deterioration resulting from the productivity efforts asked of the operator.

This mechanism concerns the following areas: environment, quality of interventions, quality of the relations with end customers and suppliers, and quality of allocations and meter reading. Safety is not included in this mechanism, insofar as it is the subject of regulatory obligations for GrDF and of monitoring by the public authorities.

The quality of service regulation mechanism is made up of 2 types of indicators:

- indicators which are subject to CRE monitoring, with publication of the results;
- indicators which are subject to CRE monitoring, with publication of the results and a financial incentive if pre-defined targets are not reached or exceeded. These financial incentives will result in fines and/or bonus paid via the CRCP, apart from those relating to the respect of appointments, paid directly to the suppliers.

If it deems it necessary, CRE will propose developments in the quality of service regulation mechanism to ministers of economy and energy, based on sufficient experience feedback to make the following adjustments:

- application of new indicators or abandonment of existing indicators;
- definition of targets for indicators which do not have any, when sufficient background data are available;

- application of incentives (fines and/or bonus) for the indicators which do not have any if this is shown to be necessary, and re-evaluation of existing financial incentives.

4. Summary

This tariff proposal, effective from 1 July 2008, defines a tariff for GrDF for a 4 years period.

The schedule of tariff is reviewed on 1 July 2009 with the application of the following variation percentage to the tariff in force:

$$\mathbf{Z_1 = CPI - X}$$

The schedule of tariff is then reviewed on the 1st July of each year, with effect from 1 July 2010, with the application of the following variation percentage to the tariff in force:

$$\mathbf{Z_2 = CPI - X + k}$$

Where:

- CPI: average annual variation for the previous calendar year of the consumer price index excluding tobaco products, as calculated by INSEE for all households in the whole of France;
- X: annual productivity target equal to 1.3%;
- k: percentage evolution of the schedule of tariff derived from the reconciliation of the CRCP balance.

The term "k" cannot produce, on its own, an increase or decrease of more than 2% of the schedule of tariff in force. The annual evolution of the GrDF schedule of tariff will therefore be between (CPI – 3.3%) and (CPI + 0.7%).

II - Tariff level

1. Operating costs (OPEX)

The operating costs to be recovered have been established using all the expenses necessary for the operation of the distribution network, as they have been communicated to CRE and as they appear in the operators' accounts.

To set the level of these costs, CRE based its calculations specifically on:

- data derived from the unbundled accounts of Gaz de France from 2006 to 2007;
- the hypotheses of the progression of costs for 2008 to 2012 communicated by GrDF;
- the results of the audit undertaken on the accounts of the operator for the 2006 financial year;
- the results of the audit undertaken on the costs of the operator's information system;

CRE took into account all GrDF's requests regarding personnel costs and safety expenses. It applied adjustments to some items, for a total of € 44 M for 2008.

It may be noted that the additional revenues derived otherwise than from the distribution network tariff are deducted from the operating costs covered by the tariff.

1.1. Development of scope of the OPEX

a) Integration of expenses connected with the densification of the network

For the past two years, the growth in new customers in the distribution networks has slowed considerably. This slowdown is one of the factors in the increase in the GrDF's tariff for use of the distribution network.

It is appropriate to encourage the acquisition of new customers in the distribution networks; this leads to a more intensive use of existing networks, which contributes to a reduction in the average delivery cost for all customers.

Distributor is in a good position to conduct a program in this area because it can write off these costs over the long term whereas suppliers are not certain to retain their new customers over time, since they can change their supplier at any moment.

Within the framework of the public consultation undertaken by CRE at the end of 2007, all suppliers agreed that actions of this kind led by the DSOs should be covered by the tariffs for use of distribution networks, as long as these actions are undertaken in a non discriminatory manner vis-à-vis to all suppliers.

Consequently, this tariff proposal provides for the cover of GrDF's costs towards the densification of its network, for a total of € 27 M.

Conversely, CRE did not underwrite GrDF's communication costs to promote gas usage, and research and development to ensure the availability by 2010 of competitive and efficient gas solutions in buildings (€ 13 M).

CRE will verify that the programs undertaken by GrDF bring benefits to network users without discrimination.

b) Integration of expenses connected with safety in indoor installations

Since 1995, within the framework of the public service contract between the Group and the State, Gaz de France has undertaken a global initiative for quality and safety in indoor installations, via the QSII programme (Quality & Safety of Indoor Installations).

Although existing legislation and regulations do not expressly give GrDF responsibility in this matter, it requests that the tariff take into account of certain programs which contribute to safety of indoor installations. In particular, these concern the financing of diagnosis of indoor installations unused for more than 6 months, and programs to raise awareness of customers and players in the gas field.

In view of their importance in terms of safety for end customers, and to guarantee that these programs will continue to be carried out, CRE decided to accept GrDF's request, which comes to a total of € 8 M in 2008.

1.2. Expenses connected with the opening of the market and legal unbundling

The total opening of the market and the legal unbundling of GrDF bring new expenses, specifically connected with information systems and reorganisation, with effect from 2008.

Because of the scale of the projected information system expenses and their effect on the tariff, CRE commissioned an audit from an external consultancy firm in order to examine the costs presented by the operator. This audit concluded that GrDF managed its computing projects professionally. However, the auditor identified a certain dependence of GrDF on its parent company for numerous services connected with the information system, which in some cases could lead to non-optimal choices for GrDF, causing cost overruns.

Following the conclusions of the audit, GrDF took into account some of the identified adjustments and reduced its forecast information system costs.

In view of the importance of information systems for network security and market opening, CRE decided to accept the new GrDF’s requests.

Nevertheless, it asks GrDF to install as soon as possible, a competitive system of selection of its computing service providers before having recourse to the Gaz de France group, in order to optimise its costs. A new audit will be undertaken by CRE. If the results of this audit demonstrate that the amount accepted is excessive, they will be taken into account in the CRCP.

Furthermore, the legal unbundling of the distributor was accompanied by the reorganisation of its real estate management. Before the legal unbundling of the distributor, some of the distributor's tertiary property assets were transferred to the parent company in the framework of this reorganisation, on the base of their nett book value. The parent company now invoices rent to GrDF based on property market prices, which GrDF could influence by optimising the areas used.

In this context, CRE accepts the cover of a total of rental charges based on normative capital costs equivalent to the asset value of the property.

1.3. Development of personnel costs

GrDF's proposals concerning personnel costs have been entirely taken into account by CRE, especially:

- GrDF's hypothesis in terms of the development of staff numbers and their remuneration, including the consequences of the wages agreement signed on 29 January 2008;
- the transfer of customer reception-management from GrDF to Gaz de France Direction Commerciale;
- the effects of the reform of the electricity and gas industry retirement benefit scheme provided by decree no. 2008-69 of 22 January 2008, modifying the national status of the employees of the electricity and gas industries.

1.4. Other operating costs

a) Centrally-managed costs

Part of Gaz de France's centrally-managed costs is borne by GrDF. These charges correspond partly to general administrative costs, and partly to personnel-related expenses (mainly the 1% CCAS and agent tariff).

The analysis of the general administrative costs led CRE to reduce the projected costs provided by GrDF by € 16 M for 2008. The general administrative costs retained are consistent with those of 2007, for an equivalent structure, but exclude communication costs and management personnel costs for the Gaz de France group.

Costs related to staff status have been incorporated on the basis of the group forecasts and using the current method of calculation.

In total, the projected total retained for this tariff proposal for centrally-managed costs allocated to GrDF in 2008 is € 190.5 M, i.e. € 126.5 M for staff employment status costs and € 64 M for general administrative expenses.

The amount of approved general administrative expenses in current Euros remains unchanged over the whole tariff period. Accordingly, any development of the Gaz de France group during the tariff period will have no effect on GrDF's general administrative costs or on the balance of the CRCP at the end of the tariff period.

b) Purchase of losses and miscellaneous differences

Losses and miscellaneous differences correspond to the difference between the quantities delivered by TSO's at the entry of the distribution network and the quantities actually billed to customers on this network. They result from:

- technical losses related to leaks, filling new networks, purging installations before servicing;
- error margin in gas metering at the transport distribution interface and customer delivery stations, as well as from other uncertainties especially those connected with the calculation of the gross calorific value (GCV);
- non technical losses such as fraud, variances between the recorded index when leaving a customer and that recorded at the following customer, reading errors, errors in billing files, etc.

It has been decided that with effect from 1 July 2008, GrDF will purchase the gas required to cover losses and miscellaneous differences on the market, after a competitive bidding procedure. The volume of these losses and miscellaneous differences is estimated at about 0.6% of all quantities distributed, ie about 2 TWh per average climatic year.

2. Capital costs

Capital costs include depreciation and financial return on fixed capital. The calculation of these two componants is made from the valuation and development of assets exploited by GrDF: Regulated Asset Base (RAB).

CRE retained the totality of GrDF's investment forecasts in preparing this tariff proposal. It maintained the principles of calculation for capital costs adopted for previous tariff calculations. Nonetheless CRE modified its view of the WACC for the distribution business used in the calculation of the financial return.

2.1. Value and updating of Regulated Asset Base (RAB)

The valuation of capital used by the operator to provide the natural gas distribution service takes account of historical assets and investment forecasts provided by the operator.

The treatment of assets for the definition of the RAB depends on whether they have been employed before or after 1 January 2003.

a) Initial value of regulated asset base on 31 December 2002

Assets employed before 31 December 2002 are valued by indexing historical costs on inflation, using the following method:

- gross historical asset values are reprocessed with the revaluation differences authorised in 1976, subsidies received for these investments, and funding received from the beneficiaries of these investments;
- these reprocessed gross values are revalued on 31 December 2002 by applying the "GDP Trade price index";
- these revalued gross values are then depreciated using the straight-line method based on the economic life-time of each category of assets (see table below). Assets are considered to be employed on 1 July of the year in question.

Type of asset	Normative life-time (years)
Pipelines and connections	50
Gas pressure regulator stations	40
Compression/metering	20
Other technical installations	10
Structures	30

Some types of assets are subject to special treatment:

- vehicules, fitting-out, office computing equipment, minor equipment etc, are accounted for on the basis of their nett book value;
- land is accounted for on the basis of its non-depreciated revalued historical value.

b) Updating the value of the regulated asset base

Assets employed between 1 January 2003 and 31 December 2007 are included in the RAB at their gross value. Investments planned for from 1 January 2008 are accounted for at their projected gross value as communicated by GrDF.

For all assets, the sums financed by third parties are processed in the same way as in accounting:

- when third party funding is recorded in the accounts as liabilities by the operator as the counterpart to the value of structures recorded as assets, it reduces the value of assets included in the RAB;
- when third party funding is entered in the books by the operator as revenues, the assets are included in the RAB at their total value and the amount of third party funding reduces the operating expenses covered by the tariff.

The conventional date for recording assets in the inventory has been set at 1 July of each year, and that of the removal of assets at 30 June. Only assets being used are included in the RAB.

Once they have been included in the RAB, the value of assets is updated following the method below:

- assets are revalued on 1 January of each year by the rate of inflation from July to July. the revaluation index used is the consumer price index excluding tobacco products, calculated by INSEE for the previous years;
- assets are depreciated using the straight-line method on the basis of their economic life-time. Life-times for asset depreciation after 31 December 2002 are identical to those used to revalue assets employed before that date, except for pipelines and connections for which a life-time of 45 years is used, so as to take into account of the uncertainty regarding the life-time of polyethylene pipes, for which experience feedback is limited.

Assets scrapped before the end of their economic life-time are removed from the RAB and are not subject to depreciation or financial return calculations.

On 1 January 2008, the GrDF's RAB was valued at € 13.174 billions.

2.2. Rate of return of RAB

The method adopted to evaluate the rate of return of assets is based on the weighted average cost of capital (WACC) for a normative financial structure. The operator's rate of return must allow him both to finance the interest charges on his debt and provide a level of profitability on his shareholders' equity comparable to that otherwise obtainable for investments bearing similar levels of risk. The cost of shareholder's equity is estimated using "Capital Asset Pricing Model" (CAPM, or MEDAF) methodology.

As for each new tariff proposal, CRE re-examined the various parameters used to calculate the WACC. Furthermore it commissioned a study by an external service provider concerning the cost of capital of electricity and gas infrastructures. The purpose of the study was to present a comparative analysis of the rates applied by European regulators and to propose a bracket of values for each of the elements making up the WACC.

For this tariff proposal, CRE has adopted the value of 6.75% (real pre-tax rate) as the WACC to finance the GrDF's regulated asset base on the basis of a bracket of values for each of the parameters used for the WACC formula. The values adopted for the rates are shown in the table below.

Risk-free rate*	2.40 %
Debt spread	0.40 %
Asset beta coeff	0.58
Equity capital beta	0.83
Market premium	4.50 %
Gearing (debt/debt + equity)	40.00 %
Corporate tax rate	34.43 %
Cost of debt**	2.80 %
Equity capital cost**	9.38 %
True WACC before corporation tax	**6.75 %**

**i.e. a nominal risk-free rate of 4.2%*

*** actual before corporation tax*

Compared with the values used to define the current distribution tariff (ATRD2: third party access to natural gas distribution networks), the main difference is the reduction of the asset beta. This is consistent with the reduction of the risk profile of the gas distribution business within the context of the new regulation framework: implementation of a CRCP which specifically covers the volume risk, annual development of the schedule of tariff taking into account of inflation, and a tariff period of 4 years.

2.3. Investment program

The schedule of investments made in 2006 and 2007, and forecasts for investments for 2008-2012 adopted for the calculation of capital costs is as follows:

In €M	**2006 actual**	**2007 actual**	**2008 forecast**	**2009 forecast**	**2010 forecast**	**2011 forecast**	**2012 forecast**
Investments	786	715	636	621	613	600	597

The high level of investments made in 2006 is mainly connected with the accelerated program for elimination of grey iron piping, which was completed in 2007.

CRE has adopted the totality of GrDF's investment forecasts. As capital costs are included in the CRCP, only investments actually made will give rise to a financial return.

3. Total charges to be covered

3.1. Capital costs

Projected figures for RAB (in €M):

	2008	2009	2010	2011	2012
RAB on 1/1/n	13,174	13,453	13,694	13,894	14,061
Nett investments	636	621	613	600	597
Depreciation	-592	-619	-643	-664	-676
Revaluation	235	239	229	232	235
RAB on 31/12/n	13,453	13,694	13,894	14,061	14,217

Projected figures for capital costs (in €M):

	2008	2009	2010	2011	2012
Return on RAB	910.3	929	944	958	968
Depreciation	592.2	619	643	664	676
Total	1,502.5	1,547	1,588	1,622	1,645

3.2. Operating costs

Nett operating costs adopted for 2008 are estimated at € 1,333.9 M. These costs are made up as follows:

In €M	2008
Extra-tariff revenue	303.8
Stocked and immobilised production	176.5
Operating revenues to be deducted (1)	**480.3**
Purchase of gas for losses and miscellaneous differences	50.0
Centrally-managed costs	190.5
Other operating expenses	1,573.7
Gross operating costs (2)	**1,814.2**
Nett operating costs (3) = (2) - (1)	**1,333.9**

The reference base for measurement of the productivity achieved by GrDF corresponds to the nett operating costs excluding costs of purchase of gas for losses and miscellaneous differences, and excluding centrally-managed costs, increased by the value of stocked and immobilised production. This reference base will be modified as a function of an annual percentage variation equal to CPI - 2.7%. For 2008 this base is equal to € 1,269.9 M.

3.3. Authorised revenue

The authorised revenue which allows the 1st July 2008 schedule of tariff to be defined is equal to the sum of nett operating costs and capital costs, as they result from the above calculating methods, i.e. € 2,836.4 M.

III - Estimations of quantities of gas distributed

Unit tariffs depend on the quantities of gas distributed and the number of end consumers connected to distribution networks.

Forecasts were established using the number of customers actually connected to the GrDF network in 2006 and 2007, and a climatic adjustment model to predict the quantities consumed in an average year.

For 2006 and 2007, the quantities of gas distributed are lower than the forecasts used to establish the current tariffs. On the basis of a study undertaken by GRTgaz for Gaz de France, GrDF requests the recalibration of the climatic model, which would lead to a reduction by 7.8 TWh of the quantities distributed in an average climatic year.

The first distribution network utilisation tariffs proposed by CRE, which became effective on 1 July 2004, had already integrated a modification of the climatic model, resulting in a fall in the quantities of gas distributed. A new modification of the average climatic year, on the sole basis of two successive hot years in 2006 and 2007, does not appear to be justified. Furthermore, the revenues received by GrDF at tariff conditions proportional to the quantities of gas supplied over the distribution network are covered at 100% by the CRCP mechanism.

Consequently, this tariff proposal is based on the same climatic model as was used for the current tariffs.

The present energy framework, together with the consequences of measures to control energy consumption, lead to the adoption of hypotheses for moderate increases in the numbers of customers connected and quantities distributed. The following growth hypotheses were transmitted by GrDF in September 2007:

	Actual 2007	**Projected growth rate compared with previous year**				
		2008	**2009**	**2010**	**2011**	**2012**
Average number of customers during year	11,043,341	0.4 %	0.4 %	0.6 %	0.6 %	0.8 %
Volumes distributed, adjusted for climatic variations (TWh)	332.3	0.2 %	0.3 %	0.5 %	0.7 %	1.2 %

These hypotheses take into account the results of programs to encourage the densification of the network, and the improvement of the competitiveness of gas compared to electricity for heating, by 2010.

IV - Tariff structure

In accordance with the provisions of article 7 of the amended law of 3 January 2003, the tariff for use of GrDF's natural gas distribution networks, other than those granted pursuant to article 25-1 of the aforesaid law, is equalised within the area supplied by GrDF.

The experience feedback of the DSOs and the suppliers of natural gas currently using the distribution networks, together with the market players who contributed to the public consultation led by CRE at the end of 2007, has confirmed that the current pricing principles for use of natural gas distribution networks are satisfactory. The following principles are therefore maintained.

The GrDF tariff is made up of four main tariff options. For a given delivery point, the choice of the tariff option is left to the shipper. The tariff applies by delivery point.

The four main tariff options each correspond to a customer segment:

- option T1: annual consumption from 0 to 6,000 kWh;
- option T2: annual consumption from 6,000 to 300,00 kWh;
- option T3: annual consumption from 300,000 to 5,000,000 kWh;
- option T4: annual consumption greater than 5,000,000 kWh.

The above limits have been determined by taking into account the transportation pricing contribution (CTA) which is applied to the fixed tarif charges and for a modulation of 160 days for option T4.

The structure of the first three options is of binomial type, with an annual subscription and a charge proportional to the quantity consumed.

Option T4 is of trinomial type, with an annual subscription, a charge proportional to the quantity consumed and a charge proportional to the subscribed daily capacity.

These tariffs also include a special tariff option, known as "proximity tariff" (option TP). This tariff option is reserved for cases of end consumers whit the statutory possibilité of connecting themselves directly to a natural gas transmission network. It includes an annual subscription, a charge proportional to subscribed daily capacity and a charge proportional to the distance between the delivery point and the closest transmission network.

Tariff options T4 and TP are related to a mechanism of fines for exceeding subscribed capacity.

For end consumers who are not equipped with individual meters, the tariff applied is a fixed rate, calculated on the basis of option T1.

B - Pricing rules for 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, provides that *"the tariffs for use of public natural gas distribution networks, other than those granted in application of article 25-1 of the present law, are equalised within each operator's delivery zone"*.

This article confirms the principle of equalisation by DSO of the tariffs for use of natural gas distribution networks for concessions granted prior to the modification introduced by the law of 7 December 2006. Conversely, it excludes from tariff equalisation the new concessions resulting from competitive bidding (article 25-1 of the law of 2003)

These new concessions are consequently subject to a double legal framework:

- they are granted by the concession-granting authorities after competitive bidding (article 25-1 of the law of 3 January 2003);
- the network utilisation tariff is set by the Ministers of Economy and Energy on the proposal from CRE (article 7 amended of the law of 3 January 2003).

This tariff proposal provides for a single tariff structure to apply to all new concessions concerned by non-equalisation, identical to the equalised tariffs structure, in order to facilitate access to natural gas distribution networks and data flows between DSO and suppliers.

For local authorities, this single structure will also simplify the analysis of tenders by DSOs responding to calls for competitive bids.

For each DSO the reference tariff structure is that of the GrDF tariff proposed by CRE, made up of the following elements:

- the five existing tariff options (T1, T2, T3, T4 and TP);
- tariff continuity between two tariff options;
- the present cut-off points between tariff options, which are set, taking into account of the CTA (transportation pricing contribution), at 6,000 kWh/yr, 300,000 kWh/yr and for a modulation of 160 days, 5,000,000 kWh/yr;
- the relative share between fixed charges and variable charges for each tariff option.

The projected tariff level is defined by the DSO within the framework of a call for tenders for servicing a new concession, by applying a multiplier to the GrDF's schedule of tariff.

Operationally, these principles are applied as follows:

- when tenders are invited for servicing a new concession, the candidate DSOs reply by adopting the current GrDF tariff (GrDF tariff proposed by CRE and approved by the ministers) as their projected tariff, to which they apply a multiplier to all charges:
- the DSO retained following the call for tenders transmits to CRE all the projected tariff charges relating to servicing the new concession; schedule of tariff, period of application, indexing clauses etc;
- pursuant to article 7 of the law of 3 January 2003, CRE, having examined and verified that the DSO's projected tariff is in accordance with the reference tariff structure, will propose this tariff to the ministers responsible for the economy and energy.

Any operator of a new concession which is not connected directly to a transport network is in the position of a second tier DSO, even if the upstream distribution network is managed by the same operator.

Finally, DSOs with equalised tariffs are required to set up separate cost accounting structures for local areas who benefit from equalised tariffs and the others. This separation should be made according to auditable methods, taking account of costs actually chargeable.

Tariffs for use of public natural gas distribution networks

I - Definitions and general principles applying to tariffs for use of public natural gas distribution networks

1. Definitions

Shipper:

Natural person or legal entity who signs a contract with a distribution system operator (DSO) for transportation on the natural gas distribution network. The shipper may be the eligible consumer, the supplier or their representative, as defined by article 2 of the law of 3 January 2003.

Delivery Point:

Exit point of a distribution network where a DSO delivers gas to an end consumer, in performance of a contract signed with a shipper for transportation on the natural gas distribution network.

Transport Distribution Interface Point (PITD)

Physical or notional interconnection point between a natural gas transmission network and a natural gas distribution network.

Second tier distribution system operator ("Second tier DSO"):

A DSO is called "Second tier" if its network is supplied though the intermediary of another DSO's network.

Expenses and Revenues Clawback Account (CRCP):

The CRCP is an extra-accounting fiduciary account, funded at regular intervals by all or part of the differences between costs and revenues actually identified, and the projected costs and revenues for pre-defined items. The balance of this account is reconciled by reducing or increasing the schedule of tariff.

2. Invoicing by delivery point

The tariff applies by delivery point. The amounts due for each delivery point supplied by a shipper are added to the shipper's monthly invoice.

3. Services covered by tariffs for use of natural gas distribution networks

The use of distribution networks cannot give rise to any invoicing other than that resulting from the application of these tariffs, with the exception of additional services for which tariffs are published by the DSOs in their catalogues of services.

The minimum services whose cost is covered by the tariff for use of each DSOs distribution network are as follows:

- services related to quality and safety:
  - continuity of transportation under the conditions laid down by decree no. 2004-251 of 19 March 2004 governing public service obligations in the gas sector;
  - information on interruption of service due to works, in compliance with the decree of 19 March 2004;
  - providing an emergency and troubleshooting number available 24 hours/day;
  - 24 hrs/day emergency call-out availability for problems connected with safety, in compliance with the order of 13 July 2000 governing safety rules for distribution of combustible gas by piping;
  - guaranteed calorific value as defined by the orders of 16t September 1977 and 28 March 1980;
  - available pressure upstream of the delivery station, in accordance with the standard delivery conditions published by each DSO;
  - first call-out to a consumer to provide trouble-shooting or repairs in the event of a lack of gas;
- services related to consumption metering:
  - provision of a meter when the flow rate is lower than 16 m3/hr;
  - periodic checking of meter and convertor calibration;
  - continuity of metering and pressure reduction;
  - periodic meter reading under the conditions laid out in paragraph 5. below;
  - notification of the visit of the meter reader for end consumers under options T1 and T2;
  - possibility for end consumers under options T1 and T2 to read their own meters and transmit their index;
- services related to contractual management:
  - management acts related to switching of supplier or to modifications to the transportation contract;
  - work carried out on the customer's premises in the event of cancellation;
- other:
  - making an appointment by telephone for any technical operations requiring a study to be undertaken;
  - for a second tier DSO, all services related to natural gas transportation from the Transmission Distribution Interface Point (PITD) concerned.

4. Structure and choice of tariff options

Each DSO tariff includes four main options:

- options T1, T2, T3, of binomial type, each including a subscription and a charge proportional to the quantities delivered;
- option T4, of trinomial type, including a subscription, a charge proportional to the subscribed daily capacity and a charge proportional to the quantity delivered.

The choice of which tariff option to apply at each delivery point is decided by the shipper concerned.

For end consumers who are not equipped with individual meters, the tariff applied is a fixed rate, calculated on the basis of option T1.

Each tariff also includes a tariff option known as "proximity tariff" (TP) which is available for delivery points concerning end consumers with the statutory possibility of connecting themselves to a transmission network. This tariff option includes an annual subscription, a charge proportional to subscribed daily capacity and a charge proportional to the straight-line distance between the delivery point and the closest transmission network. The distance charge is modulated by a multiplier which depends on the population density of the municipality in which the delivery point concerned is installed.

5. Meter readings mode at a delivery point

Options T1 and T2 include annual or six-monthly meter readings.

Option T3 includes monthly meter reading.

Options T4 and TP include daily metering, read on a daily or monthly basis.

The shipper may opt for more frequent meter readings than included in the tariff option for the delivery point. The tariff applied is shown in each DSO's catalogue of services.

6. Monthly or daily subscriptions for daily capacity

Tariff options T4 and TP include a charge for annual subscription for daily capacity. It is also possible to subscribe for daily capacities on a monthly or daily basis.

The charge for monthly subscription for daily capacity is equal to the charge for annual subscription for daily capacity, multiplied by the following coefficients:

Months	Monthly charge as proportion of annual charge
January - February	8/12
December	4/12
March - November	2/12
April - may - June - September - October	1/12
July - August	0.5/12

When the good functioning of the network allows it, daily subscriptions for daily capacity are marketed by the DSOs to meet the exceptional spot needs of an end consumer.

For each DSO, the charge which applies to the daily subscription for daily capacity is equal to 1/20 of the charge applying to the corresponding monthly subscription.

7. Fines for exceeding the subscribed daily capacity

Each month, for tariff options T4 and TP, exceeding daily capacity subscribed is subject to fines.

Daily capacity overshoots taken into account for any given month is equal to the sum of the maximum breach of daily capacity for the month under consideration and of 10% of other breaches of daily capacity for the month higher than 5% above the subscribed daily capacity.

The fine is due if the overshoot thus calculated is greater than 5% of the subscribed daily capacity.

For the excess part between 5% and 15% of subscribed daily capacity, the fine is equal to this excess part multiplied by twice the monthly charge for daily capacity as defined in the preceding paragraph.

For the excess part above 15% of subscribed daily capacity, the fine is equal to this excess part multiplied by 4 times the monthly charge for daily capacity as defined in the preceding paragraph.

8. Consolidation of delivery points

Within the framework of option T4, the consolidation of subscriptions to daily capacity of several delivery points is authorised if the following conditions are simultaneously met:

- the delivery points concerned are on the distribution network of the same DSO and are supplied by the same PITD;
- gas delivered to each of the delivery points concerned is intended, after transformation, to fulfil the needs of the same end consumer on the same site. This utilisation leads to alternate consumption of all or part of the natural gas delivered.

The charge for annual subscription of daily capacity for option T4 is increased by 20% in the case of consolidation of subscriptions of several delivery points. The annual subscription remains due for each delivery point.

9. Supply of one delivery point by several shippers

When several shippers supply the same delivery point simultaneously, they must choose the same tariff option. The corresponding tariff will apply entirely for each of them, except option T4 and the "proximity tariff" option, for which the monthly amount due for subscription and the charge proportional to distance is shared between the shippers concerned proportionally to the subscribed capacities for the month under consideration for this delivery point. When the subscribed capacity is zero for a given month, the share is made on the basis of that of the previous month.

10. Pricing conditions for second tier DSOs

A DSO is called "second tier" if its network is supplied by the intermediary of another DSO's network.

From the tariff and contractual point of view, the second tier distribution network is made directly accessible to the shippers from the transmission network, based on the following system:

- shippers pay the second tier DSO a single tariff covering the service of transportation from the Transmission Distribution Interface Point (PITD) concerned to the end consumer's delivery point;
- the costs to be covered by the second tier DSO's tariff include the costs related to transportation on the first tier DSO's distribution network;
- these costs are subject to a contract between the first tier DSO and the second tier DSO, or a protocol, when the first tier DSO and the second tier DSO are one and the same legal entity, submitted to CRE.

II - Tariff for use of public natural gas distribution networks of Gaz Réseau Distribution France (GrDF)

The tariff for use of public natural gas distribution networks of Gaz Réseau Distribution France (GrDF), other than those granted in accordance with article 25-1 of the law of 3 January 2003 amended, are equalised within the GrDF's delivery zone.

The tariff defined below applies for 4 years with effect from 1 July 2008, with a mechanical adjustment on 1 July of each year.

When the reading of gas consumption includes at the same time, consumption due at the old and the new tariffs, it will be calculated proportionally according to the number of days in each period.

1. Equalised GrDF tariff effective from 1 July 2008 to 30 June 2009.

The tariff for use of public natural gas distribution networks within the GrDF's delivery zone, other than those granted in accordance with article 25-1 of the law of 3 January 2003 amended, is as follows:

Tariff option	Annual subscription in €	Proportional price in €/MWh	Charge for annual subscription for daily capacity in €/MWh/day
T1	28.56	22.73	
T2	110.28	6.67	
T3	627.24	4.68	
T4	12,672.00	0.65	164.76

"Proximity tariff" option (TP)

The tariff charges for the "proximity tariff" option are as follows:

Tariff option	Annual subscription in €	Charge for annual subscription for daily capacity in €/MWh/day	Annual distance charge in €/meter
TP	29,563.80	82.32	53.88

A multiplier is applied to the annual distance charge. It is equal to:

- 1 if the population density of the municipality is less than 400 inhabitants/km²;
- 1.75 if the population density of the municipality is between 400 and 4,000 inhabitants/km²;
- 3 if the population density of the municipality is greater than 4,000 inhabitants/km².

Consumers without individual meters

For end consumers who are not equipped with individual meters, the tariff which applies is an annual fixed rate of € 54.12.

2. Equalised GrDF tariff effective from 1 July 2009 to 30 June 2010

The GrDF schedule of tariff will be adjusted mechanically on 1 July 2009 by applying the following variation percentage to all current tariff charges in force on 30 June 2009:

$$\mathbf{Z_1 = CPI - X}$$

CPI is the inflation index corresponding to the 2008 average annual variation for consumer prices excluding tobacco products, as calculated by INSEE for all households resident in France.

X is the annual productivity target equal to 1.3%;

The resulting schedule of tariff will be published by CRE before 1 July 2009.

3. Equalised GrDF tariff applying with effect from 1 July 2010

The GrDF schedule of tariff will be adjusted mechanically on 1 July 2010 and on 1 July 2011 by applying the following variation percentage to all current tariff charges in force on 30 June 2010 and 30 June 2011 respectively:

$$\mathbf{Z_2 = CPI - X + k}$$

CPI is the rate of inflation, for an adjustment of the schedule of tariff on 1 July of year A, corresponding to the average annual variation of the consumer price index excluding tobacco products calculated by INSEE for all households resident in the whole France for the calendar year A-1.

X is the annual productivity target equal to 1.3%;

k is the evolution of the schedule of tariff, expressed as a percentage, resulting from the reconciliation of the CRCP balance. k is between -2% and +2%.

The resulting schedule of tariff will be published by CRE before 1 July of each year.

3.1. Calculation of the balance of the CRCP

The balance of the CRCP is calculated by CRE for each year of the tariff period following the method described in the table below.

If the final amount of certain differences is not known with certainty when the calculation is made, an estimation is undertaken based on the best information available at the time. A correction of this estimation is made the following year based on the final values.

Item covered by the CRCP	Share of total covered by CRCP	Method of calculation of total for each item
Capital costs	100 %	Difference between: • the total capital costs, calculated a posteriori on the basis of actual data for investments made, assets removed from the RAB, and inflation; • the hypothesis of capital costs included in revenue to be recovered by the tariff.
Costs of purchase of losses and miscellaneous differences, and balance of supplier's distribution imbalance accounts	90 %	Difference between: • costs of purchase of gas and the balance of supplier's distribution imbalance accounts, calculated a posteriori on the basis of actual data; • the hypothesis of gas purchase costs.
Revenue related to the quantities of gas transported on the distribution network	100 %	Difference between: • revenue related to quantities of gas transported calculated a posteriori on the basis of six-monthly gas quantities and by tariff option actually transported in the period considered; • revenue related to six-monthly projections by tariff option for quantities of gas transported, used to determine the tariff applied during the period in consideration.
Fines related to exceeding subscribed capacities	100 %	Total fines invoiced during the period considered.
Financial incentives related to quality of service	100 %	Total fines and/or bonuses related to quality of service indicators subject to financial incentives, excepting that related to the respect of appointments.

For 2008, the calculation of differences is based on the data for the second half year, except for capital costs for which the difference for the second half year is equal to 50% of the difference observed for the whole of 2008.

For 2009, 2010 and 2011 the calculation of actual capital costs is made using the investments actually made during the previous years.

The balance of the CRCP calculated for a calendar year A is reconciled in the following way:

- the part of this balance which implies a modification of the schedule of tariff on 1 July of year A+1, equal to or less than 2%, is reconciled entirely on that date. It determines the term k;
- the rest of the balance is carried over to the CRCP calculated for the calendar year A+1, if necessary.

The balance of the CRCP of the second half-year 2008 will not be reconciled on 1 July 2009. It will be totally carried over in the CRCP balance calculated for 2009 and will be reconciled on 1 July 2010.

The sums taken into account in the CRCP are updated with an interest rate equivalent to the risk-free rate adopted for this tariff proposal. This rate is set at 4.2% per year, nominal, before taxes and applies to a period of:

- 27 months for the differences observed in the second half-year 2008;
- 18 months for the differences observed for 2009, 2010 and 2011;
- 12 months for the balance of the CRCP which may be carried over from one year to another.

At the end of the tariff period, the balance of the CRCP composed of differences for 2011, estimated differences for the first half year 2012 and the sums carried over from previous years, is taken into account to define the tariff for the following tariff period.

3.2. Reference values for cost and revenue items subject to the CRCP mechanism

Projected capital costs and gas purchase costs to cover losses and miscellaneous differences (in € M):

	2008	**2009**	**2010**	**2011**	**2012**
Capital costs (CAPEX)	1,502.5	1,547.4	1,587.6	1,622.0	1,644.8
Costs of purchase of gas to cover losses and miscellaneous differences	50	50	50	50	50

Forecast quantities of gas transported (in GWh):

Tariff option	**2008**	**2009**	**2010**	**2011**	**2012**
T1	6,122	6,057	5,992	5,927	6,108
T2	166,217	166,542	167,129	167,707	168,849
T3	92,978	93,379	94,029	94,931	96,332
T4	61,477	61,841	62,433	63,251	64,428

3.3. Other reference values used to calculate the factor k

Forecast average annual numbers of customers connected:

Tariff option	**2008**	**2009**	**2010**	**2011**	**2012**
T1	3,291,235	3,225,704	3,160,173	3,094,641	3,029,110
T2	7,695,810	7,806,407	7,941,047	8,075,687	8,229,561
T3	99,924	101,922	103,961	106,040	108,161
T4	3,044	3,107	3,171	3,236	3,302
TP	79	79	79	79	79

Forecast annual subscriptions for daily capacities (in GWh/day):

Tariff option	**2008**	**2009**	**2010**	**2011**	**2012**
T4	376	378	382	387	394
TP	37	37	38	38	39

Distance forecasts for the proximity tariff (in meter):

Tariff option	2008	2009	2010	2011	2012
TP	40,408	40,408	40,408	40,408	40,408

3.4. Indications for passing from annual projections to half-yearly projections:

Half-yearly breakdown for a year A of quantities of gas transported by tariff option:

Tariff option	1st half-year	2nd half-year
T1	53 %	47 %
T2	57 %	43 %
T3	58 %	42 %
T4	59 %	41 %

Half-yearly breakdown for a year A of numbers of consumers connected by tariff option:

- the average number of consumers connected for the 1st half-year is calculated as follows:

$$\frac{\left(\left(avnumbercust_{yearA-1} + avnumbercust_{yearA}\right)/2 + avnumbercust_{yearA}\right)}{2}$$

- the average number of consumers connected for the 2nd half-year is calculated as follows:

$$\frac{\left(\left(avnumbercust_{yearA} + avnumbercust_{yearA+1}\right)/2 + avnumbercust_{yearA}\right)}{2}$$

These two formulae are also used, and in the same way, to obtain half-yearly break-downs by tariff option of the projections of annual subscriptions for daily capacities and for distance subscriptions.

4. Allocation of additional productivity gains on operating costs (OPEX)

The productivity target of 1.3% on the schedule of tariff pre-supposes an evolution of the manageable operating costs equal to an annual variation percentage of CPI - 2.7% counting from the level accepted for 2008.

At the end of the tariff period, the additional productivity gains which could be obtained by GrDF on this OPEX base, beyond the target of 2.7% per year, will be evaluated by comparison between:

- GrDF's total nett operating costs, reduced by gas purchase costs and normative centrally-managed costs, and increased by the value of stocked and immobilised production, calculated a posteriori on the basis of actual data for 2009, 2010 and 2011;

- the trajectory of reference for GrDF's nett operating costs, reduced by costs of gas purchases and normative centrally-managed costs, and increased by the value of stocked and immobilised production. This trajectory will be calculated at the end of the tariff period for 2009, 2010 and 2011, by the annual application of a variation percentage equal to CPI - 2.7% starting from the level adopted for 2008, i.e. € 1,269.9 M.

If the costs reached are below the trajectory of reference, any additional productivity gains will be allocated between GrDF and the network users. GrDF will retain 40% of the gains obtained. The remaining 60% will be used to reduce the evaluation of costs to be recovered in the following tariff.

5. GrDF's quality of service regulation mechanism

Monitoring of quality of service is in operation for GrDF in the operator's key activity areas. This monitoring is composed of indicators which are transmitted regularly to CRE by GrDF and published.

Some indicators which are particularly important for the correct functioning of the market are subject to a system of financial incentives.

The indicators for monitoring quality of service transmitted to CRE by GrDF must be certified by an external body. Furthermore, the operation for monitoring GrDF's quality of service may be submitted to any audit that CRE may deem useful.

5.1. Monitoring indicators for GrDF's quality of service giving rise to financial incentives

a) Quality of JJ meter readings transmitted to TSOs for daily allocations to PITDs:

Calculation:	Monthly average of the number of values of consumption by remotely metered consumers (JJ) integrated in the calculations of allocations at J+1 / number of remotely metered consumers (JJ) recorded in the OMEGA portal for day J. (one indicator only, all suppliers, all ZET(1)s, all TSO(2)s together).
Monitoring:	- frequency of calculation: monthly - frequency of transmission to CRE: monthly - frequency of publication: quarterly - frequency of calculation of incentives: monthly
Objective:	- basic objective: 90 % per month - target objective: 95 % per month
Incentives:	- fines: € 10,000 per point below the basic objective - bonus: € 10,000 per point above the target objective - payment: to the CRCP

(1) ZET: zone d'équilibrage transport (transport balancing zone)
(2) TSO: Transmission system operator

b) Delay before transmission to the TSOs of daily estimations of quantities loaded by suppliers at PITDs:

Calculation:	Number of days per month for which the DSO has transmitted projected allocations calculated at J+1 within the time limit agreed between the TSOs and the DSO. (one indicator only for the two TSOs)
Monitoring:	- frequency of calculation: monthly - frequency of transmission to CRE: monthly - frequency of publication: quarterly and annually - frequency of calculation of incentives: annually
Objective:	- basic objective: 330 days per year - target objective: 350 days per year
Incentives:	- fines: € 20,000 per day below the basic objective - bonus: € 20,000 per day above the target objective - payment: to the CRCP

For 2008 this indicator is calculated only for the 2nd half year, on the same principles but with basic and target objectives per half-year of 165 days and 175 days respectively.

c) DSO's Supplier portal availability rate:

Calculation:	Number of hours of availability / projected number of portal opening hours
Monitoring:	- frequency of calculation: weekly - frequency of transmission to CRE: monthly - frequency of publication: quarterly and annually - frequency of calculation of incentives: weekly and annually
Objective:	- basic objective: 96 % per week - target objective: 99 % per year
Incentives:	- fines: € 10,000 per week below the basic objective - bonus: € 100,000 per year above the target objective - payment: to the CRCP

For 2008 this indicator is calculated only for the 2nd half year, on the same principles but with a target objective of 99% per half-year and a bonus of € 50,000 per half-year above this target objective.

d) Number of planned appointments not kept by the DSO:

Calculation:	Number of planned appointments not kept by the DSO (an indicator for T1/T2 consumers, an indicator for T3/T4/TP consumers)
Monitoring:	- frequency of calculation: quarterly - frequency of transmission to CRE: quarterly - frequency of publication: quarterly - frequency of calculation of indemnities: quarterly
Objective:	100% of appointments not kept and reported by suppliers (claim on the OMEGA portal) are indemnified
Incentives:	- fines: identical amounts to those invoiced by GrDF when an intervention is not made due to the consumer or supplier (absent at appointment, etc) according to the consumer's tariff option, for each failed appointment. - payment: directly to suppliers who request it

e) Rate of responses to Supplier complaints within 30 days:

Calculation:	Number of supplier complaints dealt within 30 days / total number of complaints transmitted by suppliers (all types of complaints posted to the OMEGA portal)
Monitoring:	- frequency of calculation: quarterly - frequency of transmission to CRE: quarterly - frequency of publication: quarterly - frequency of calculation of indemnities: quarterly
Objective:	100% of supplier complaints posted to the OMEGA portal not dealt within 30 days and reported by suppliers are indemnified
Incentives:	- fines: € 25 by complaint not dealt within 30 days and reported - annual maximum: € 200 000 - payment: to the CRCP

5.2. Other GrDF service quality monitoring indicators

a) Indicator related to the environment:

Title of indicator	Calculation of indicator	Frequency of trans-mission to CRE:	Date of implementation
Atmospheric emissions of greenhouse gases	Tonnes of greenhouse gases (CO_2 equivalent) released into the atmosphere	Year	1 July 2009

b) Indicators related to quotations and interventions:

Title of indicator	Calculation of indicator	Frequency of trans-mission to CRE:	Date of implementation
Time taken for start-ups	Number of start-ups achieved by time slot (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)	Monthly	1 July 2008
Rate of start-ups in the time stated in the catalogue of services	Number of start-ups achieved in the time stated in the catalogue of services / number of start-ups completed (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		
Time taken for disconnections	Number of disconnections achieved by time slot (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		
Rate of disconnections in the time stated in the catalogue of services	Number of disconnections achieved in the time stated in the catalogue of services / number of disconnections completed (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		
Time taken for switching supplier	Number of supplier switches achieved by time slot (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		
Rate of switching supplier achieved in the time stated in the catalogue of services	Number of supplier switches achieved in the time stated in the catalogue of services / number of supplier switches completed (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		

Time taken for connections	Average time taken to complete a connection or number of connections completed by time slot: - for T1/T2 consumers - for T3/T4/TP consumers (i.e two indicators: an indicator for T1/T2 consumers, an indicator for T3/T4/TP consumers)	Quarterly (from 1 July 2008) Monthly (from beginning of 2009)	1 July 2008 (for T1/T2 consumers, monitoring of average time taken) beginning of 2009 (for T3/T4/TP consumers, monitoring by time slot)
Rate of connections completed in the agreed time	Number of connections completed in agreed time / number of connections completed: - for T1/T2 consumers - for T3/T4/TP consumers (i.e two indicators: an indicator for T1/T2 consumers, an indicator for T3/T4/TP consumers)		1 July 2008 (for T1/T2 consumers) beginning of 2009 (for T3/T4/TP consumers)
Amount of indemnities paid following complaints due to missed appointments	Amount of indemnities paid following complaints due to missed appointments: - for T1/T2 consumers - for T3/T4/TP consumers (i.e two indicators: an indicator for T1/T2 consumers, an indicator for T3/T4/TP consumers)	Quarterly	1 July 2008

c) Indicators related to relations with end consumers:

Title of indicator	**Calculation of indicator**	**Frequency of trans-mission to CRE:**	**Date of implementation**
Rate of accessibility of call centre for end consumers	Number of calls taken/number of calls received - Access to gas welcome no. - Safety call-out no. (i.e. two indicators for all consumers taken together T1/T2/T3/T4/TP: an indicator for the access to gas welcome no., an indicator for the safety call-out no.)	Quarterly	1 July 2008
Number of complaints by end consumers by type	Total number of complaints from end consumers by type (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		
Rate of response to customer complaints complaints within 30 days:	Number of complaints from end consumers answered within 30 days/Total number of complaints sent by end consumers (i.e an indicator for all types of consumer together: T1/T2/T3/T4/TP)		

d) Indicators related to relations with suppliers:

Title of indicator	Calculation of indicator	Frequency of trans-mission to CRE:	Date of implementation
Number of complaints from suppliers by type	Total number of complaints from suppliers by type	Quarterly	1 July 2008
Amount of indemnities related to complaints not dealt within the objective time limit	Amount of indemnities arising from complaints not dealt within 30 days		

e) Indicators relating to meter-reading and invoicing:

Title of indicator	Calculation of indicator	Frequency of trans-mission to CRE:	Date of implementation
Rate of actual 6M (half-yearly) readings on index (read, or read remotely)	Number of actual 6M PCE(3) indexes read / number of 6M PCE indexes transmitted (mixed indicator: electricity and gas)	Quarterly	1 July 2008
Time before publication of JJ readings (daily remote readings)	Number of remote read JJ PCEs on day J whose value has been transmitted on day J+1 / total number of JJ PCEs on day J	Monthly	
Time before publication of MM readings (monthly readings)	Number of remote read MM PCEs in month M whose value has been transmitted 7 business days after the beginning of month M+1 / total number of MM PCEs for month M		
Publication rate for meter readings by OMEGA for JJ/JM	Number JJ/JM PCE meter readings transmitted by historical applications (input to OMEGA) / Number of JJ/JM PCE meter readings published by OMEGA (output of OMEGA)		
Time before publication of JJ/JM by OMEGA	Time between date of receipt of JJ/JM PCE reading and day of publication by OMEGA		
Publication rate for meter readings by OMEGA for MM	Number MM PCE meter readings transmitted by historical applications (input to OMEGA) / Number of MM PCE meter readings published by OMEGA (output of OMEGA)		
Time before publication of MM by OMEGA	Time between date of receipt of MM PCE reading and day of publication by OMEGA		
Publication rate for meter readings by OMEGA for 6M	Number of 6M PCE meter readings transmitted by historical applications (input to OMEGA) / Number of 6M PCE meter readings published by OMEGA (output of OMEGA)		
Time before publication of 6M by OMEGA	Time between date of receipt of 6M PCE reading and day of publication by OMEGA		

(3) PCE: metering or estimation point

III - Tariff rules applying to new natural gas distribution concessions

All offers in response to an invitation to tender for supplying new concessions with natural gas must take as reference the GrDF's schedule of tariff in force at the time of the invitation to tender.

A single multiplier is applied to all the charges in the schedule of tariff. Tariff charges resulting from annual subscription, subscriptions for daily capacity and subscriptions for distance must be divisible by 12 and given to 2 decimal places.

Any operator of a new concession which is not connected directly to a transmission network is in the position of a second tier DSO, even if the upstream distribution network is managed by the same operator.

Signed in Paris, 28 February 2008

For the Energy Regulation Commission

The President

Philippe de LADOUCETTE