

Decision of Commission de Régulation de l'Énergie [French Energy Regulatory Commission] dated December 18th, 2008 on RTE's investment programme for 2009

Participating in the deliberations were: Mr. Philippe de LADOUCKETTE, chairman, Mr. Michel LAPEYRE, vice-chairman, Mr. Maurice MÉDA, vice-chairman, Mr. Jean-Paul AGHETTI, Mr. Eric DYEYRE, Mr. Pascal LOROT and Mr. Hugues HOURDIN, commissioners.

Pursuant to Article 14 of law No. 2000-108 of February 10th, 2000, amended, the public transmission system operator (RTE) submitted its 2009 investment programme to the Commission de Régulation de l'Énergie (CRE) for approval.

1. Context

- 1.1. Article 14 of the law of February 10th, 2000, amended by the law of December 7th, 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'Énergie 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 February 10th, 2000, amended by the law of December 7th, 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'Énergie 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 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. In accordance with the law, in order to approve these programmes, CRE does not give an opinion on compliance with the statutory obligations incumbent on RTE and that do not fall within CRE's missions.

2. Description of the investment programme presented by RTE for 2010

- 2.1 The proposed programme amounts to 1029.9 M€ for 2009, up 20.8 % over the programme for 2008, approved by CRE on December 20th, 2007 (852.6 M€).
- 2.2 Investment expenditure relating to the major transmission grid and the interconnections amounts to 282.5 M€ up 19.7 % over the allowance for 2008 (236.0 M€). The share of investment expenditure dedicated to reinforcing the double 400kV Tamareau-Tavel axis, aiming to increase transit capacity between the South-East and South-West of France, amounts to 39.9 M€ The share of investment expenditure relating to major transmission projects aiming to secure supply to the PACA region in the short-term amounts to 22.9 M€ Expenditure dedicated to the interconnections amounts to 33, 0 M€ as against 4.6 M€ for the 2008 programme. Expenditure relating to the renewal of the major transmission network and the interconnections amounts to 66.6 M€ for the 2009 programme.
- 2.3 The investment expenditure relating to the development of the regional grids amounts to 324.9 M€ up 35.3% over the allowance for 2008 (240.1 M€). The share dedicated to the achievement of an underground 225kV Escaillon-Néoules link, which will reinforce the electric supply to the Toulon region, amounts to 15.4 M€ The share of investment expenditure relating to the development of the regional grids dedicated to short-term stop-go measures for the PACA region, due to the non-completion of the 400 kV Boute-Broc Carros line, amounts to 17.8 M€
- 2.4 The investment expenditure for renewing the regional grids amounts to 261.5 M€ up 21.5 % compared with the 2008 programme (215.2 M€).
- 2.5 The investment expenditure relating to the resumption of the transmission grids amounts to 3.5 M€ compared with 0 M€ in 2008 and corresponds, in part, to transfers of assets from ERDF to RTE.
- 2.6 The investment expenditure relating to information systems for the electric system amounts to 76.3 M€ compared with 91.9 M€ in 2008. This decrease of 17.0 % compared with the 2008 figures results from the achievement of several remote controlling projects and of the decrease in expenditure dedicated to the deployment of the fibre-optic grid, which is 54.0 M€ compared with 63.4 M€ in 2008.
- 2.7 The investment expenditure dedicated to information systems for management and the electricity market is 42.8 M€ up 18.2% compared with 2008 (36.2 M€). The share dedicated to information systems to improve customer relationship management and the electricity market amounts to 18.4 M€ compared with 17.0 M€ in 2008.
- 2.8 The logistics investment expenditure amounts to 38.3 M€ up 15.7% compared with 2008 (33.1 M€).

3. Comments by CRE

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

- 3.1 The continued increase in investment expenditure, observed since 2005, is coherent with the resumption of a cycle of investments in the electricity industry. The need for investment on the medium and long term in the public transmission grid results 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 in 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 securing supply for large pockets of consumption and to inserting generation facilities.
- 3.3 The 2009 investment programme creates two separate items: “Development of Major Transmission Grid and Interconnections” and “Renewal of Major Transmission Grid and Interconnections”. The expenditure for renewal of all the grids amounts to 328.1 M€ i.e. 37.8% of the investment in the grids. These figures highlight the increase in RTE’s expenditure for renovations, anticipating the need to renew the grid on the long term, in compliance with CRE’s request.
- 3.4 The short-term stop-gap measures following the non-completion of the Bouts-Broc Carros link are essential to temporarily relieve some of the congestion on the networks in the PACA region. These will be implemented by 2010 but will still not be sufficient to guarantee secured supply to the region. In response to the region’s electric fragility, RTE presented a series of measures aiming to adapt the grid for better security of supply on the long-term.
- 3.5 The investments in the development of interconnection infrastructures make it possible to raise the level of mutual back-up between electricity transmission grids and to fluidify energy exchanges at the borders, with a view to market integration. The investment expenditure dedicated to the interconnections is sharply increasing, which corresponds to the launch of projects for changing conductors for the Albertville-Cornier and France-Italy Optimisation projects, beginning work for the Lorraine-Ardenne project) and to studies prior to the France-Spain interconnection via the East of the Pyrenees.
- 3.6 Despite the achievement of projects for new interconnection infrastructures, the level of energy exchanges at the borders still depends on the proper development of the national major transmission grid upstream. This is why CRE pays particular attention to identifying the investments to be provided on the grid upstream, without which the efforts put into developing the interconnection infrastructures would only lead to limited gains in terms of capacity for exchanges.

- 3.7 The public transmission grid of the North France zone is crossed by high energy flows related to generation in this zone and cross-border exchanges. RTE presented a schedule for the adaptations of the grid allowing the insertion of generation plants for which connection requests have been formulated. This schedule is nonetheless likely to change depending on the rate of progress of projects for generation facilities that are under way.
- 3.8 CRE remains attentive to the 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. To this effect, CRE closely monitors RTE's identification of the necessary developments for the upstream grid to be able to integrate generation facilities in transparent and non-discriminatory conditions.
- 3.9 There seem to remain today heavy uncertainties on the effective volumes for operation on the medium and long term of new generation facilities, as well as on where they should be located. These uncertainties have a significant impact on the nature and scale of congestion suffered on the transmission network. In this context, it is necessary to examine the evolution of these congestions based on different scenarios of implantation of these new generation facilities.
- 3.10 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 local generation. The significant increase in investment expenditure for the development of regional grids results from the accelerated reinforcement of the upstream grids 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.
- 3.11 When presenting its investment programme, RTE committed to reaching precise and quantified targets in terms of quality of service, reflecting the proper development of the grid. These commitments cover safeness of the electric system, security of supply, quality of supply, technical and economic efficiency, connection, and maintaining the grid in an operational condition.

4. Decision by CRE

- 4.1 CRE approves the 2009 investment programme submitted by RTE on November 18th, 2008 :

2009	In millions of €
Major transmission and Interconnections – Development	215.9
Major transmission and Interconnections - Renewal	66.6
Regional grids - Development	324.9
Regional grids - Renewal	261.5
Resumption of Transmission grids	3.5
Information systems for the electric system	76.3
Information systems for management and electricity market	42.8
Logistics	38.3
Total	1 029.9

- 4.2 CRE asks RTE to present, at the beginning of July 2009, an interim implementation review of this decision.
- 4.3 CRE asks RTE to present, when submitting the investment programme for 2010 :
- A study on the sensitivity of congestions appearing on the grid, depending on the volume and location of future generation facilities which are likely to become operational.

- An updated schedule of the planned evolutions for the North zone grid.

Signed in Paris, December 18th, 2008

For the Commission de régulation de l'énergie,
Chairman

Philippe de Ladoucette