

## Deliberation by the Energy Regulation Commission on the 19<sup>th</sup> of July 2012 examining the ten-year network development plan drawn up by RTE and submitted in 2012

Attending the session: Philippe de LADOUCKETTE, Chairman, Olivier CHALLAN BELVAL, Frédéric GONAND, Jean-Christophe LE DUIGOU and Michel THIOLLIERE, commissioners.

Pursuant to article L. 321-6 of the French Energy Code, RTE, the French transmission system operator, has outlined an initial ten-year network development plan, which it submitted to the Energy Regulation Commission (CRE) on 31<sup>st</sup> January 2012.

CRE launched a public consultation between 10<sup>th</sup> April and 10<sup>th</sup> May 2012. In this deliberation, CRE is publishing the summary of this consultation and its analysis of the ten-year grid development plan.

### 1. Regulatory framework

#### 1.1. *European framework*

The 3<sup>rd</sup> package "Internal Gas and Electricity Market" concerning common rules for the internal electricity market and the terms and conditions for access to the network for cross-border exchanges in electricity makes provision for new obligations for Transmission System Operators (TSO) combined with new powers for national regulators for controlling investments in the grid.

At European level, Regulation (EC) No 714/2009 implemented a coordinated grid planning approach. The European Network of Transmission System Operators for Electricity (ENTSO-E) must, therefore, draft a non-binding ten-year plan every two years for the development of the grid across the European Union, which should include a European generation adequacy outlook, after an open and transparent consultation involving all market players at an early stage. The objective of this is to enable forecasting and technical cooperation between European grid operators. The Agency for the Cooperation of Energy Regulators (ACER) should issue an opinion on this plan and oversee implementation and consistency thereof with the various national plans.

On 5<sup>th</sup> July 2012, ENTSO-E published a new version of the European Ten-Year Network Development Plan (hereinafter referred to as TYNDP) following consultation of all stakeholders. Subsequently, ACER will issue an opinion on this plan.

## 1.2. National framework

Article L. 321-6 of the French Energy Code stipulates that the public transmission system operator must submit each year a ten-year network development plan to CRE, based on existing and forecast supply and demand. This plan should inform market stakeholders about the main transmission infrastructures which are to be built or brought up to standard in the coming ten years, list any investments that have already been decided, identify new investments to be made in the three years ahead and provide a provisional schedule for all of the investment projects. On 31<sup>st</sup> January 2012, RTE submitted its ten-year network development plan to the CRE.

Pursuant to the French Energy Code, CRE has analysed the document and carried out a public consultation on the ten-year plan, in order to ensure, on the one hand, coverage of investment needs and, on the other hand, consistency with the European ten-year plan published by ENTSO-E. CRE can consult ACER in the event of any doubts with regard to this consistency. It may also ask the public transmission system operator to modify the ten-year network development plan.

The French Energy Code stipulates that the ten-year development plan is structured into one section for ten years, and a further section for three years, with the latter containing a greater level of detail. Moreover, pursuant to section II of article L. 321-6 of the French Energy Code, the first three years are binding on the grid operator. Any unrealised investments for grounds "*other than overriding reasons beyond [the TSO's] control*" may be the subject of performance obligations at the request of CRE, ranging from an official notice to the organisation of a call for tenders open to third party investors.

## 2. Content of the ten-year development plan

For the ten-year section, a scope consistent with that of the TYNDP has been selected, including all 400kV lines, interconnections and works which foster cross-border exchanges, direct current lines, and 225 kV structuring lines. A presentation of projects in line with five main objectives has been defined in cooperation with CRE's departments. The breakdown has been established in harmony with that used by ENTSO-E in the framework of the TYNDP. All of the investments outlined in this section represent a total of €10 billion over ten years.

With regard to the three-year section, the projects in the ten-year plan are described in detail according to their final objective:

- The list is exhaustive for projects concerning the market integration and the quality of electricity which constitute the most significant stakes for users of the public electricity transmission system.
- In the case of projects concerning the security of supply and system safety, only the most consequential projects are described in detail given the number of projects concerned. For these, RTE has opted for a threshold of €3m as its inclusion criteria.
- With regard to grid connection projects, those underway and that are due to be commissioned in the next three years are presented in the ten-year plan.

These projects represent a total amount over three years of around €3 billion. In addition to investments concerning the development of the transmission network, RTE will allocate around €1.6m over the next three years to renewing and mechanical security, of which over one billion will be allocated solely to renewing.

The consultation document<sup>1</sup> published by CRE on 10<sup>th</sup> April 2012 provides a more detailed and, nevertheless, summarised overview of the projects in the ten-year development plan (sections 3 and 4 respectively for the ten-year and three-year sections).

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<sup>1</sup> <http://www.cre.fr/en/documents/public-consultations>

### 3. Overview of public consultation

Pursuant to the provisions of article L. 321-6 of the French Energy Code, CRE has carried out a public consultation. Twelve stakeholders responded to said consultation between 10<sup>th</sup> April and 10<sup>th</sup> May 2012.

In its consultation document, CRE formulated fifteen questions allowing it to draw parallels with the responses provided by stakeholders on particular issues and assess the recurrence of the same concerns. Below it summarises the most important responses from stakeholders in relation to the ten-year network development plan.

3.1. The stakeholders have made relatively few comments concerning the scope. However, several of them expressed the wish that the issue of renewal should be tackled. In addition, one stakeholder wanted the ten-year section of the development plan to be covered in an exhaustive manner, beyond the provisions of the French Energy Code, with the inclusion of all investments.

3.2. Few remarks were made on the hypotheses about consumption. One stakeholder considers that the consumption hypotheses considered were rather conservative, whilst another considers that these should be updated downward.

On the other hand, several participants in the consultation would like the various production scenarios used to verify the pertinence of projects to be explained in more detail.

Several stakeholders underlined the importance of regional plans for connecting renewable energy sources to the network (hereinafter referred to as S3REnR) in the drawing up of the ten-year development plan and notably for consideration of connection and grid development needs.

Certain stakeholders additionally insisted on the need to take due consideration of all tidal turbine connection projects.

More generally, others requested further detail about the consideration of the impact of the intermittent nature of renewable energies on the design of the grid.

Moreover, some stakeholders made comments on the drawing up of the RTE “generation adequacy forecast report”, notably concerning the resources used to match supply with demand.

3.3. Several participants underlined the level of information appearing in the ten-year plan as being rather reduced in comparison to the TYNDP concerning economic studies for interconnection projects outlined in the RTE ten-year plan, and believe that there is a need to align these. Moreover, some stakeholders expect more clarification as to the planned increases in net transfer capacities during the coming decade, whether in terms of imports or exports.

3.4. Concerning the pertinence of projects proposed by RTE, the majority of stakeholders believed that they were a satisfactory response to the issues of energy policy. One stakeholder did however consider that the development of interconnections was excessively focused on the prospects of market integration, potentially to the detriment of the aspects of sustainable development and system security, whilst another considered that the aspects of security of supply should be better apprehended through economic analyses undertaken at European level in order to optimise the European generation mix. Concerning, more specifically, the three-year section of the plan, although some participants in the consultation underlined the difficulty of verifying that all requirements are covered by the projects presented, the majority felt that this was satisfactory.

3.5. The terms of consultation in the Electricity Transmission System Users Committee (hereinafter referred to as the CURTE) appear satisfactory in the view of stakeholders insofar as regular exchanges can lead to continuous improvement. However, one stakeholder outlined the desire to be involved earlier in work concerning the ten-year network development plan.

## 4. Analysis by the CRE

CRE would like to outline its analysis taking due account notably of the comments made by stakeholders.

CRE considers that the plan published by RTE complies with market needs and that it outlines projects which are consistent with those of the European ten-year plan as published by ENTSO-E on 5<sup>th</sup> July 2012. CRE notes the overall quality of this first edition, notably considering the difficulty and volume of work represented by this new exercise.

However, CRE notes that a certain number of points warranted improvement in the next edition of the ten-year network development plan.

### **1.3. Scope**

Concerning development projects, CRE considers that the scope of the ten-year development plan is suitable, in both its ten-year and three-year sections. However, in order to have an overall vision of grid development, it would appear to be important that RTE outline its strategy concerning the renewal and management of assets.

### **1.4. Consumption and production hypotheses**

The consultation document briefly presents the hypotheses used in the ten-year network development plan which originate, for the most part, from the 2011 edition of the RTE generation adequacy forecast report, and analyses their consistency with those of the TYNDP.

In the ten-year network development plan, RTE mainly makes reference to the 2011 edition of the generation adequacy forecast report. The planning approach which was used for the national and European plans is however based on a wider corpus in the form of additional hypotheses for volume or for location of generation units. CRE believes that it is important to get further information about the spectrum of hypotheses used so as to select the projects in the ten-year network development plan. This should at the very least take due consideration of all scenarios outlined in the TYNDP.

Concerning renewable energies, the regional climate, air and energy plans (hereinafter referred to as SRCAE) and the S3REnR, which result from Law No. 2010-788 of 12<sup>th</sup> July 2010 presenting the national commitment for the environment (called the "Grenelle II" Act), were unknown at the time of drafting this first version of the ten-year plan, and consequently could not be taken into consideration in the renewable energy development hypotheses. The SRCAE and S3REnR will definitely be an element that will increase the transparency of the hypotheses for the development of renewable energy sources. The completion of the S3REnR should allow the information resulting from it to be gradually integrated into future editions of the ten-year network plan. It does, however, appear necessary to clarify the manner in which information from the SRCAE and S3REnR will be integrated into the ten-year network development plan as and when they are formulated.

### **1.5. Consistency with the TYNDP in terms of investments and information**

CRE considers that projects outlined in the RTE ten-year plan are consistent with those indicated in the TYNDP.

In particular, CRE notes that the discrepancies observed in four projects from the draft TYNDP version and the ten-year plan have indeed been rectified in the final version of the TYNDP as published on 5<sup>th</sup> July by ENTSO-E.

However, CRE underlines the difference in the level of information between the European and national plans concerning the results of project assessments. The TYNDP developed a multi-criteria analysis, including in particular an evaluation of the socio-economic surplus caused by the increase in exchange capacities. Nevertheless, CRE observes that the ten-year plan does not outline the economic studies performed in the framework of cooperation between European system operators and the summary results of which are presented in the TYNDP. Considering that these economic studies are, for stakeholders, essential information in the evaluation of the relevance of the level of development of exchange capacities, CRE believes that the level of information of the ten-year plan should be improved for the projects developing exchange capacities, in consistency with the information presented in the TYNDP.

Moreover, the project clustering approach developed in the TYNDP allows for an illustration of interactions between interconnection itself and the reinforcement of the upstream grid leading to the same objective of increased exchange capacities. For projects related to the development of exchange capacities, CRE considers that the information presented in the ten-year plan should draw on the benefit of approaches already implemented in the framework of the TYNDP for multi-criteria analysis and project clustering and thereby provide an equivalent level of information.

Finally, it seems necessary that market stakeholders should have a sufficient degree of information on the prospects of development for exchange capacities. For the most mature projects and insofar as RTE has sufficient visibility, detailed information including exchanges and levels of capacity increases, in terms of imports and exports, should be provided, in the same manner as that presented in the present edition of the ten-year plan for France-Spain interconnection.

### **1.6. Monitoring developments between versions and successive editions**

RTE has undertaken, within the CURTE, a consultation onto an initial version of the draft ten-year plan. This is a second version, following due consideration of the opinions expressed by the said consultation, which has been submitted to CRE.

It seems necessary to ensure greater transparency in the manner in which RTE deals with responses, and the subsequent modifications made to the ten-year plan.

Moreover, the ten-year plan should be revised on an annual basis. A large section of projects in the ten-year plan presented in 2012 will appear in the future ten-year plan to be presented in 2013. It is essential that developments made to projects between successive versions of the plan are clearly indicated (whether concerning commissioning dates, delays, modifications or cancellations of projects).

## **5. Decision issued by the CRE**

5.1. CRE considers that the ten-year network development plan covers all of the requirements concerning investments and that it is consistent in terms of projects with the European ten-year plan as published by ENTSO-E.

5.2. CRE requests that RTE, in the future version of the ten-year plan does as follows:

- Presents its policy concerning renewal and management of assets in the ten-year plan;
- Explains the project selection process and the range of generation hypotheses considered for this purpose;
- Explains the methods of integrating information from regional plans (SRCAE and S3REnR) in future editions of the ten-year plan;
- Presents, for projects concerning the development of exchange capacities, a level of information which is consistent with the TYNDP and, in particular, specifies the results of economic studies undertaken;
- Indicates, for mature interconnection projects, planned increases in exchange capacities and their time schedules, both for imports and exports;
- Clarifies the consideration of the impact of the variations in renewable energies on system development needs;
- Specifies the changes made to the ten-year plan following the consultation carried out by RTE within the CURTE;
- Includes follow-up on all of the projects in the previous version of the ten-year plan, indicating whether or not these projects have been delayed, modified, cancelled or commissioned.

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For the *Commission de Régulation de  
l'Énergie*,  
The Chairman,

Philippe de LADoucette