Decision of the French Energy Regulatory Commission (CRE) of 04 December 2012 approving the RTE investment programme for 2013

The following parties took part in the session: Philippe de LADOUCETTE, Chairman, Olivier CHALLAN BELVAL and Jean-Christophe LE DUIGOU, commissioners.

Pursuant to Article L. 321-6 of the French Energy Code, the public electricity transmission network operator (RTE) submitted its investment programme for 2013 on 15 November 2012 for the approval of the Electricity Regulation Committee (CRE).

1. Context

1.1 RTE operates and maintains the public electricity transmission network. It is responsible for its development so that producers, public distribution networks and consumers are connected and interconnection is provided with other networks. Under these assignments, which are essential to the future needs of the group, RTE must establish its investments programme every year taking into account performance maintenance and improvement objectives as well as those related to the management of costs borne by the final consumers via tariffs for use of the public electricity transmission network[1].

1.2 By exercising its power to approve the investment programme of RTE, CRE ensures that the investments required for the development of networks is made and that transparent and non-discriminatory access to networks is provided.

This annual power to approve is fully in keeping with the objectives pursued by the implementation of the Directive 2009/72/EC of 13 July 2009 on common rules for the internal market in electricity (known as Directive of the "3rd Energy package") which strengthens the independence and autonomy of the transmission network operator in terms of investments in the transmission network.

1.3 CRE has based its decision to approve the investment programme of the RTE on the consideration of:

- the commitments of RTE to maintain or improve the technical and economic performance level of the public electricity transmission network;
- the following main issues:
  - maintaining the supply security level in particular areas undermined by their low level of local generation and by difficulties involved with obtaining approval for new electric infrastructure, despite the fact that it is essential;

[1] Section I of Article L. 321-6-I of the French Energy Code provides that "the public transmission network operator operates and maintains the public electricity transmission system. It is responsible for its development so that producers and consumers are connected and the connection is provided with public distribution networks and interconnection with networks from other European countries".

- the integration of new generation facilities with the creation, at the earliest possible time, of their connection and reinforcements required for the upstream network, especially to enable variable renewable sources of energy to be integrated;
- integrating European electricity markets which stimulates interconnection capacity development needs;
- a gradual increase in the need to renew facilities due to their ageing.

1.4 These issues require, for the coming decade, substantial investments in the public electricity transmission network. The annual level of investment should total an average of € 1 236 m for the 2009-2013 period, i.e. an increase of 66 % in relation to the 2006-2008 period. The investment programme put forward by RTE for 2013 totals € 1 439.9 m. The outlook presented by RTE within the framework of developing the grid access tariffs TURPE 4 highlights an average level of investment of € 1632 m, i.e. a 32 % increase in relation to the 2009-2013 period. The increase of investment expenditure in the transmission network thus reflects the efforts made by RTE in response to these issues.

1.5 Moreover, in a context of deep changes in generation facilities, CRE remains attentive to changes in the connection conditions of new generation units and their transparent and non-discriminatory treatment. These are crucial for maintaining security of supply.

1.6 CRE also pays particular attention to projects which seek to improve the security of supply of areas whose electricity supply is fragile, which are currently Provence-Alpes-Côte d'Azur (PACA) and Brittany.

1.7 In relation to the development of tariffs for the TURPE 4 period, RTE has produced, at the request of CRE, information relating to the investment trend over the 2013-2016 period. The analysis of CRE points out that the increase of investments as presented by RTE appears to be in line with the supply and demand outlook.

2. Description of the investment programme submitted by RTE for 2013

2.1 The programme put forward totals € 1 439.9 m for 2013, up by 4.4 % on the programme for 2012, approved by CRE on 8 December 2011 (€ 1 379.3 m). This amount is slightly less than the amount indicated in the tariff file that RTE submitted in late July. This development is explained by a slight adjustment of the provisional expenditure for 2013.

2.2 The investment expenditure relating to the development of 400 kV network and interconnections stands at € 404.7 m. For 2013, 35 % of the investment expenditure relating to 400 kV and interconnection projects is dedicated to creating a DC interconnector between Baixas and Santa Llogaia which seeks to strengthen the electrical interconnection between France and Spain.

2.3 The investment expenditure relating to the renewal of the 400 kV network and interconnections stands at € 57.6 m, as opposed to € 47.4 m for the 2012 programme.

2.4 The investment expenditure relating to the development of regional networks stands at € 513.2 m for 2013, up by 47.3 % on the 2012 programme (€ 348.3 m).

2.5 The investment expenditure for the renewal of regional networks stands at € 325.1 m, as opposed to € 291.2 m for the 2012 programme. € 173.1 m is dedicated to the renewal of lines and cables and € 152.0 m is dedicated to the renewal of substations.

2.6 The investment expenditure relating to the taking over of transmission networks stands at € 2.7 m as opposed to € 1.0 m in 2012 and corresponds to the transfer of ERDF assets to RTE.

2.7 The investment expenditure for the information systems stands at € 79.0 m, as opposed to € 75.2 m for the 2012 programme.

2.8 The investment expenditure relating to logistics stands at € 57.6 m, as opposed to € 59.9 m for the 2012 programme.

3. Observations of the CRE

The CRE makes the following observations on the investment programme submitted by RTE:

3.1 The efforts made by RTE to respond to the issues of integrating markets and integrating new generation facilities are explained by a high level of investment expenditure relating to the 400 kV network. About 45 % of this expenditure will be dedicated to interconnections with, particularly, the continuation of works relating to the interconnection between France and Spain through the East Pyrenees.

3.2 Works undertaken by RTE and its British counterpart have enabled preferential connection points to be selected in both countries and seabed survey to be undertaken in search of a submarine route for a new interconnector. Moreover, in 2012, the analysis works of regulators provided operators with a clear vision of the regulatory frameworks in respect of both countries with a view to decision-making for the short term project. In light of this, the feasibility studies carried out by RTE and its British counterpart should enable the conditions to be officially established in 2013 so that the project can continue.

3.3 The investment expenditure dedicated to the development of regional networks is maintained at a high level. The main purpose of these investments is to guarantee the security of supply of regional pockets of consumption and also help to dispose of local generation.

3.4 Part of the expenditure for developing regional networks is dedicated to securing areas whose electricity supply is fragile. In particular, in 2013, the works relating to the creation of three 225 kV underground links will continue. These links are expected to be commissioned by the end of 2015 in order to improve the security of supply of the PACA region. As for Brittany, RTE will install in 2013 static reactive power compensators so as to limit the risk of a voltage collapse in the West of France. The extent of these measures will depend on the results of the electricity demand management measures which may have been implemented at a local level.

3.5 Given the low level of local generation in Brittany (10.8 % of Breton consumption in 2011), the electricity supply of this region is mainly based on remote generation sites, placing the latter in a situation of an electricity peninsula. Increasingly tense operational situations, especially in the North of Brittany, accentuated by the dynamic growth in electrical consumption of the region, highlight the decline in the supply security level in Brittany, which is exposed to risks of power cuts or voltage collapses. In this context, RTE has implemented emergency measures by creating, in 2010, the 400/225 kV electrical substation of Calan in Morbihan seeking to improve the security of supply of the South of Brittany, and by installing, between 2011 and 2013, a volume of 1150 Mvar of reactive power compensators intended to maintain voltage at 400 kV and 225 kV. Moreover, RTE submitted the supply security development outlook in Brittany according to several power demand and demand management scenarios. The factors outlined by RTE underline, in particular, the dependence on the development of regional generation as well as on the sustainability and availability of the existing generation facilities, notwithstanding electricity demand management measures which may opportunely lessen the growth of regional consumption or adaptations of the network which may be implemented. In particular, RTE establishes that the implementation of a conventional generation facility by 2016 in the West of a Lorient and St Brieuc axis remains absolutely necessary. RTE adds that this shall be supplemented by 2017 by the creation of a new 225 kV axis between Calan and Plaine-Haute helping to secure the North of Brittany.

3.6 Works undertaken by RTE and its British counterpart have enabled preferential connection points to be selected in both countries and seabed survey to be undertaken in search of a submarine route for a new interconnector. Moreover, in 2012, the analysis works of regulators provided operators with a clear vision of the regulatory frameworks in respect of both countries with a view to decision-making for the short term project. In light of this, the feasibility studies carried out by RTE and its British

counterpart should enable the conditions to be officially established in 2013 so that the project can continue.

3.7 Given the importance of the connection conditions in a context marked by the difficulties in creating new infrastructure within deadlines comparable to those of generation facilities, it is important that RTE pursue its efforts to identify necessary developments of the upstream network to be able to integrate generation facilities under transparent and non-discriminatory conditions.

3.8 Upon submission of its investment programme, RTE undertook, at the request of the CRE, to meet precise and quantified service quality objectives which reflect the successful development of the network. These undertakings cover the domains of electrical network safety, security of supply, quality of supply, maintained operation, technical and economic efficiency, and connection.

4. Decision of the CRE

4.1 CRE approves the programme for 2013 which was submitted by RTE on 15 November 2012:

Year 2013	In millions of €
400 kV network and Interconnections - Development	404.7
400 kV networkk and Interconnections - Renewal	57.6
Regional networks - Development	513.2
Regional networks - Renewal	325.1
Taking over of Transmission networks	2.7
Information systems	79.0
Logistics	57.6
Total	**1 439.9**

4.2 RTE will submit to CRE, at the start of July 2013, an interim implementation review of this decision.

4.3 RTE will submit to the CRE, at the same time as the investment programme for 2014:

- the results of studies whose aim is to decide on investments to increase interconnection capacity between France and England;
- an information point on the progress of projects seeking to improve supply security in Brittany;

Drafted in Paris, on 04 December 2012

On behalf of the Electricity Regulation Committee,

The chairman,

Philippe de LADOUCETTE