

## Deliberation of the French Energy Regulatory Commission of 20 December 2012 concerning the examination of the ten-year development plan and approving the 2013 investment programme of GRTgaz

Present: Philippe de LADOUCETTE, Chairman, Olivier CHALLAN BELVAL, Jean-Christophe LE DUIGOU and Michel THIOILLIERE, commissioners.

### I. Context and purpose

#### 1. *European framework*

Directive 2009/73/CE of 13 July 2009 concerning the common rules for the domestic market for natural gas (referred to as the Directive of the “3<sup>rd</sup> Energy Package”) provides that ENTSOG<sup>1</sup> must adopt, every two years, a non-binding ten-year plan for the development of the European gas transmission networks, after an open and transparent consultation involving all of the stakeholders. ENTSOG published the first ten-year network development plan (TYNDP) on 17 February 2011.

The Agency for the Cooperation of European Regulators (ACER) must give an opinion on this plan and monitor its implementation after the national regulators have verified its consistency with the national plans done by the French transmission system operators. ACER gave its first opinion on the plan published by ENTSOG on 16 September 2011.

#### 2. *Domestic framework*

The French transmission system operators (TSO) each publish a ten-year indicative development plan. Article L. 431-6 of the French Energy Code makes the publication of these plans compulsory and provides that the plans are subject to the examination of the Energy Regulation Commission (CRE).

At the end of September 2012, GRTgaz sent its ten-year development plan for the period 2012-2021 to CRE. CRE organised a round table on 29 November 2012 covering the ten-year plans of the transmission system operators in order to ensure the coverage of the needs of the markets in terms of investment and also the consistency of the ten-year plans of the TSOs with the European ten-year plan published by ENTSOG. In the event of doubt on this last point, CRE can consult ACER and can request that the transmission system operators modify their ten-year plan.

Moreover, in application of articles L. 134-3.2 and L. 431-6-II of the Energy Code, the transmission system operators must submit their annual investment programmes to CRE for approval. GRTgaz was heard by CRE on 6 December 2012.

The purpose of this deliberation is, firstly, the examination of the ten-year development plan of GRTgaz, and also the approval of its investment programme for 2013.

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<sup>1</sup> European network of transmission system operators for gas

## II. Ten-year network development plan of GRTgaz

### 1. *Reminder of the main points of the ten-year development plan*

GRTgaz's plan describes the possible developments on its network, taking into account for the next ten years the consumption forecasts and the various projects for the development of adjacent infrastructures, whether decided on or simply under consideration.

This plan, which was presented to the stakeholders on 2 October 2012, is published on the web site of GRTgaz<sup>2</sup>.

### 2. *Summary of the round table*

On 29 November 2012, CRE organised a round table on the ten-year network development plans of GRTgaz and TIGF. Ten stakeholders were represented: three shippers, four infrastructure operators and three associations.

In general, a large majority of the stakeholders consider that the ten-year plans of the TSOs are consistent with the 2011-2020 plan of ENTSOG. They are satisfied with the level of detail of the ten-year plans.

The remarks that follow, which were made during the round table, concern certain particular points of the ten-year plans:

- Several stakeholders consider that the assumptions on changes in consumption selected by the TSOs are optimistic in the current market context;
- The majority of the stakeholders consider that the projects mentioned by the TSOs in their ten-year plans correctly identify the needs of the market;
- Some stakeholders indicated that they were not in favour, at this stage, of the decentralised odourisation project, partly because the cost/benefit ratio is considered uncertain, and also because of the possible consequences of the project on the safety conditions of the distribution networks;
- Three stakeholders considered that the development of interconnections with Spain should be slowed down in order to promote the consumption of gas as close as possible to the place of origin and to integrate all of the gas infrastructure into the development decisions.

### 3. *Analysis of CRE*

#### a) Consistency of the GRTgaz ten-year plan with the ENTSOG plan

CRE considers that the plan communicated by GRTgaz is consistent with the plan published by ENTSOG, despite some discrepancies linked to the differences of the dates of publication of the various plans<sup>3</sup>:

- The projects for the creation of exit capacities to Luxembourg and Germany do not appear in the ENTSOG plan, because they were identified at the beginning of 2011 by GRTgaz;
- The Manosque and Etrez storage development projects were postponed until 2016-2018 by the project carriers, versus 2015 in the ENTSOG plan;
- The project for the development of the interconnection with Switzerland was postponed to 2018, versus 2016 in the ENTSOG plan;

These discrepancies do not throw into doubt the commitments for the creation of capacities made by GRTgaz within the framework of the various open seasons and correspond to updates consistent with the decisions of the project carriers or with the state of progress of the projects.

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<sup>2</sup> <http://www.grtgaz.com/details-grands-projets/plan-decennal.html>

<sup>3</sup> The last ENTSOG plan was published in February 2011. The GRTgaz ten-year plan was published in October 2012.

#### b) Contents of the GRTgaz ten-year plan

CRE considers that the projects presented by GRTgaz in its ten-year plan are in accordance with the needs of the market.

It considers that the making available of information concerning the financial forecasts for the investments not decided linked to the development of storage and LNG terminals would reinforce transparency.

Section II of article L. 431-6 of the Energy Code provides that the first three years presented in the ten-year plan are binding for the operator. The investments not made for reasons "*other than urgent reasons* [that the operator] *does not control*" can be subject to realisation obligations. CRE can, if necessary, send a formal warning to the TSO or organise a call for tenders open to third-party investors.

With regard to the major projects provided for in the ten-year plan and approved by CRE, GRTgaz indicated during its hearing that it was considering the following changes:

- A postponement from 2015 to 2016 of the building of the Dierrey-Voisines section and the modification of the interconnection in Voisines for the Arc de Dierrey project. GRTgaz specified that this postponement would have no consequences on the availability of the capacities subscribed at the Veurne interconnection between France and Belgium and at the entry point from the future Dunkirk terminal. According to GRTgaz, this postponement will likewise have no consequences on the capacity of its network to absorb, as of the end of 2015, flows of gas corresponding to the total emission capacity of the Dunkirk terminal. The operator also indicated that the Arc de Dierrey project would benefit, despite this postponement, from European subsidies linked to the purchase of the tubes. The postponement of one year will however lead to an additional cost of 18 M€ to the total cost of the project, linked to the storage of the tubes and the mobilisation of the teams, and will postpone until the end of 2016, instead of the end of 2015, the elimination of the minimum flow of gas that is currently necessary in Obergailbach (80 GWh/d).
- An upward re-evaluation of the budget of the Eridan project, initially planned as 484 M current euros, to take the detailed studies into account.

CRE gave a reminder that the investments linked to the Eridan project and to the connection of the Dunkirk terminal (including the arc de Dierrey pipeline) are subject to a system that incentivises cost control.

### **III. GRTgaz investment programme for 2013**

By exercising its power of approval of the investment programmes of the gas transmission system operators, CRE oversees, as part of its mission, the making of the investments necessary for the proper functioning of the market and transparent and non-discriminatory access to the transmission networks.

CRE based its decision for approval of the investment programme of GRTgaz taking into account:

- The presence in the investment programme of projects for development of the network or the studies necessary for the proper functioning of the market;
- The transparent and non-discriminatory treatment of the stakeholders, with regard to the connection of combined-cycle gas plants for example;
- The control of the cost of the projects appearing in the investment programme, particularly with regard to the impact on the rates for the use of the gas transmission networks.

## 1. **Main elements of the annual investment programme of GRTgaz for 2013**

The investment programme presented by GRTgaz was in the amount of 820 M€, down 76 M€ (- 8 %) with respect to the planned budget of 896 M€ for 2013 in the ATRT5 tariff scheme and up (+ 7 %) with respect to the programme approved for 2012 (764 M€).

### a) Investments dedicated to smoothing the operation of the network

For 2013, three major projects lead to the following investment amounts:

- 379 M€ for the connection of the Dunkirk terminal between now and 2015, including 200 M€ for the building of the Arc de Dierrey pipeline. This project was approved by CRE on 22 December 2011;
- 22 M€ for the Eridan project for which commissioning is planned in 2016. This project was approved by CRE on 19 April 2011;
- 11 M€ of investments are planned in 2013 by GRTgaz for the project for the creation of a new interconnection from France to Belgium in Veurne.

### b) Investments in conjunction with the other purposes of the GRTgaz investment programme

The investment expenditures for projects for the reinforcement of the physical safety of facilities and the replacement of obsolete assets amount to 198 M€ for 2013, versus 229 M€ in the programme approved for 2012 (- 14 %). One third of these expenses (64 M€) correspond to new safety requirements linked to the implementation of the multi-fluid ruling of 4 August 2006.

The investment expenditures for projects linked to the environment are 37 M€, versus 53 M€ in the programme approved for 2012 (- 30 %) (end of the OSCAR programme), and involve, for the most part, the adaptation of compression stations to the regulatory requirements in terms of polluting emissions (OSCAR 2 project for 14 M€ and renovation of the Beynes compression station for 21 M€).

The investment expenditures linked to the information systems amount to 36 M€, versus 47 M€ in the programme approved for 2012 (- 23 %), including 19 M€ linked to the separation of the information systems of GRTgaz and GDF Suez imposed by the 3<sup>rd</sup> gas directive.

The investment expenditures for connections and services for third parties were 35 M€, versus 28 M€ in the programme approved for 2012 (+ 25 %), including 25 M€ linked to deviations of structures on the regional network at the request of third parties.

The investment expenditures linked to the implementation of the public service obligations represented 25 M€, versus 20 M€ in the programme approved for 2012 (+ 25 %), including 16 M€ for continuous delivery.

### c) Investments linked to the study budgets for projects not undertaken

GRTgaz forecasts a study budget of 11 M€ for projects not undertaken, including chiefly 6 M€ for the Val de Saône pipeline (Bourgogne pipeline), 1 M€ for the doubling of the Arc Lyonnais pipeline, 2 M€ for the decentralized odourisation project and 1 M€ for the creation of exit capacities to Luxembourg.

GRTgaz is requesting the coverage, in the amount of 5.3 M€ for 2013, of possible written off costs linked to the study projects mentioned in the development programme for the doubling of the Arc Lyonnais pipeline, the decentralized odourisation project and the creation of exit capacities to Luxembourg.

## 2. CRE analysis of the GRTgaz annual investment programme for 2013

### a) Investments dedicated to smoothing the operation of the network

The expenditure forecasts for the dedicated to smoothing the operation of the network projects are 467 M€ in the GRTgaz investment programme for 2013, versus 507 M€ in the ATRT5 tariff scheme (- 8 %). The discrepancy is mainly linked to the favourable price terms for the installation work and the purchase of tubes for the reinforcement of the Hauts de France, in the amount of 64 M€.

### b) Investments linked to other purposes of the GRTgaz investment programme

With regard to the other purposes, the investment expense forecasts are 353 M€, versus 389 M€ in the ATRT5 tariff scheme (- 10 %).

This discrepancy is mostly linked to the postponement to 2014-2015 of investments in the information systems, in the amount of about 15 M€, and investments linked to the safety of the existing network (14 M€), while awaiting the publication of the professional guides linked to the circular of 2009 further specifying the multi-fluid ruling of 2006.

### c) Investments linked to study budgets for the projects not undertaken

CRE considers that the detailed content of the studies concerning the projects not committed, for which GRTgaz is requesting the coverage of the possible future stranded costs, must be specified.

## IV. Decision of CRE

### 1. *Decision of CRE concerning the GRTgaz ten-year plan*

CRE considers that the ten-year network development plan of GRTgaz covers the needs in terms of investment and is consistent with the European plan developed by ENTSOE.

For its future ten-year development plans, it asks GRTgaz to provide financial forecasts for the undecided investments linked to the development of storage units and LNG terminals.

### 2. *Decision of CRE concerning GRTgaz's annual investment programme for 2013*

Within the framework of its mission, CRE approves the investment programme of GRTgaz for 2013. The approved investment programme is in the amount of 820 M€, broken down as follows:

In millions of euros	Year 2012 (approved)	Year 2012 (estimated)	Year 2013 (approved)
Main network – development	373.5 M€	282 M€	467 M€
Investments linked to the public service obligations	20.2 M€	20 M€	25 M€
Safety and obsolescence	229.2 M€	231 M€	198 M€
Environment	53.3 M€	74 M€	37 M€
Connections	27.7 M€	27 M€	35 M€
IS	46.8 M€	55 M€	36 M€
Other	13.2 M€	15 M€	21 M€
<b>Total</b>	<b>763.8 M€</b>	<b>704 M€</b>	<b>820 M€</b>

The approval of the investment programme does not prejudice the price tariff treatment of these expenses.

CRE asks GRTgaz to provide it with details concerning the content of the studies linked to the projects not undertaken mentioned in the investment programme for 2013.

It asks GRTgaz to give it, by the end of March 2013 at the latest, an assessment for the Dunkirk terminal connection (including the Arc de Dierrey pipeline) and Eridan projects presenting:

- The updated total provisional budget;
- The planned implementation date;
- The budget already committed;
- In the event of upward or downward discrepancies compared with the approved budget, the reasons for these discrepancies;
- The consequences of a postponement of all or part of each of these two projects.

All modifications of the investment programme must be submitted to CRE for approval.

In June 2013 GRTgaz will give CRE a report on the carrying out of this decision.

Paris, 20 December 2012

For the Energy Regulation Commission

The Chairman,

Philippe de LADOUCKETTE