

Deliberation of the French Energy Regulatory Commission of 19 December 2013 concerning the examination of the ten-year development plan and approving the 2014 investment programme of TIGF

Present: Philippe de LADOUCETTE, Chairman, Olivier CHALLAN BELVAL and Jean-Pierre SOTURA, Commissioners.

I. Background and purpose

1. Regulatory framework

The directive 2009/73/EC dated 13 July 2009 concerning common rules for the internal market in natural gas and the Energy Code define the legal framework applicable to investments made by transmission system operators (TSOs).

Furthermore, on 14 October 2013 the European Commission published a list of Projects of Common Interest¹ (PCI), based on Regulation (EU) No. 347/2013² on guidelines for trans-European energy infrastructure. These projects, deemed essential for the integration of European energy markets, will benefit from the advantages provided for in the aforementioned Regulation: fast-track procedure for granting administrative authorisations, specific regulatory treatment (option of cross-border cost allocation and incentives for high-risk projects) and eligibility for European subsidies.

a) At European level

The European Network of Transmission System Operators for Gas (ENTSOG) has to define every two years a non-binding ten-year European network development plan (hereinafter referred to as the ENTSOG ten-year plan), after an open and transparent consultation with all market players concerned. The Agency for the Cooperation of Energy Regulators (ACER) has to issue an opinion on this plan and monitor its implementation, following an assessment of the consistency with national TSOs' ten-year plans.

The ENTSOG ten-year plan for the 2013-2022 period was published on 21 February 2013 and subject to a public consultation until 21 May 2013. The final version of the plan³ was published and submitted by ENTSOG to ACER on 10 July 2013.

This development plan, based on the data transmitted by the European TSOs and project promoters, identifies potential and confirmed projects to develop the transmission networks, LNG terminals and storage in Europe. The infrastructure projects are analysed in light of the forecast gas supply and demand trends at European level in order to assess their relevance.

This plan also presents a modelling of the European network as well as the ability of the European

¹ For gas, nine French projects, contributing to the creation of the North-South priority corridor in Western Europe, have been selected. http://ec.europa.eu/energy/infrastructure/pci/pci_en.htm

² Regulation (EU) No. 347/2013 of the European Parliament and of the Council dated 17 April 2013 on guidelines for trans-European energy infrastructure.

³ ENTSOG's ten-year development plan

<http://www.entsog.eu/publications/tyndp#ENTSOG-TEN-YEAR-NETWORK-DEVELOPMENT-PLAN-2013-2022>

system to cope with supply disruptions. ACER published its opinion⁴ on the ENTSOG ten-year plan on 10 September 2013.

b) At national level

Article L. 431-6 of the French Energy Code sets out that every year TSOs must submit to the French Energy Regulatory Commission (CRE) a ten-year development plan (hereinafter ten-year plan) for their network based on the existing and forecasted gas supply and demand, after consulting all stakeholders.

This plan should indicate to market players the main transmission infrastructure that has to be built or upgraded over the following ten years, list the investment projects already decided, identify new investments to be made over the upcoming three years and provide a projected schedule for all investment projects.

2. Purpose

In accordance with Article L. 431-6 of the French Energy Code, CRE organised a public consultation from 7 to 25 November 2013, in order to collect the market's comments on the ten-year plans of GRTgaz and TIGF. If there is any doubt with regard to the consistency of the French TSOs' ten-year plans with the ENTSOG plan, CRE may consult ACER and request that GRTgaz and TIGF modify their ten-year plans.

Moreover, in application of 2° of Article L. 134-3 and II of Article L. 431-6 of the French Energy Code, TSOs have to submit their annual investment programmes to CRE for approval. TIGF submitted its programme to CRE in November 2013 and was received by CRE during a hearing on 5 December 2013.

The purpose of this deliberation is firstly to examine TIGF's ten-year plan and its consistency with the ENTSOG ten-year plan, and secondly, to approve its 2014 investment programme.

II. TIGF's ten-year development plan and consistency with the ENTSOG plan

1. Reminder of the main points of TIGF's ten-year development plan

TIGF's transport grid ten-year development plan presents the situation of flows and marketable capacity at the French-Spanish interconnection points and at the Midi Network Interconnection Point (PIR) over the period from 2010 to 2013. It also identifies the main fluidity investments that have been decided or are under study, and investments for public service, the reinforcement of the regional network, connections and safety, and maintenance based on projected consumption trends over the 2013-2022 period. The plan has been published on the TIGF website⁵.

2. Summary of the public consultation

From 7 to 25 November 2013, CRE organised a public consultation on the consistency of the ten-year development plans of GRTgaz and TIGF with the ENTSOG ten-year plan. The ten contributions received were submitted by:

- Four infrastructure operators: Dunkerque LNG (confidential), GDF Suez Branche Infrastructures, GrDF, Storengy,
- Four shippers: Eni, Eon, GDF Suez and TGP (confidential),
- Two associations: AFG, Uprigaz.

The non-confidential contributions have been published on CRE's website at the same time as this deliberation.

⁴ ACER's opinion on ENTSOG's ten-year development plan

http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Pages/default.aspx

⁵ TIGF's ten-year development plan

http://www.tigf.fr/fileadmin/Nos_projets/Projets_transport/Programme_prospectif_%C3%A0_10_ans/EN_20130906_Publication_Programme_TIGF_a_10_ans_final.pdf

Most of the contributors are in favour of the current market consultation procedures for TSOs and support CRE's proposal to request that the TSOs present their ten-year plans as part of the Concertation Gaz⁶ working group prior to publication.

With regard to demand forecasts, most contributors agree with the TSOs' analysis with regard to downward revision of demand scenarios over the plan's period, in particular for industrial and residential consumption. Some believe that the gas-based electricity generation hypotheses are ambitious in view of the current uncertain situation. One market player suggests considering different demand forecasts when drafting ten-year plans.

As regards the transmission capacity offer in 2013, all contributors are concerned by capacity congestion at the North-South link. Some note that the conversion of 40 GWh/d of interruptible capacity into firm capacity does not appear in GRTgaz's plan. They believe that this conversion adversely impacts interruptible capacity availability. Storengy notes that congestion on the North-South line also has an impact on transmission conditions to and from the Atlantic transmission storage interface points (PITS).

There is a mixed response to the investments planned with a view to creating a single market zone in France by 2018. Several contributors are waiting for the conclusions of the cost/benefit analysis commissioned by CRE before stating their opinion. One operator has noted that the merger between the North and South zones must be a priority. Two other contributors believe that the sale of additional firm daily transmission capacity ("JTS" mechanism) since May 2013 partly meets shippers' requirements on this link.

For the project to create a third interconnection between France and Spain east of the Pyrenees (Midcat project), most contributors believe that the market conditions are not favourable today for this investment.

In general terms, several contributors call for caution with regard to investments in gas infrastructures given the uncertain nature of gas demand. Some market players have expressed their reservations with regard to several projects that have not been decided, stated in the TSOs' ten-year plans, including the development of interconnection capacity or decentralised odourisation. Some contributors note in particular that the development of interconnections must reflect market requirements and be consistent with the results of open season procedures.

Lastly, several contributors agree with CRE's analysis regarding the good overall consistency of French TSOs' ten-year plans with the ENTSOG ten-year plan.

3. CRE's analysis

CRE believes that the projects presented by TIGF in its ten-year plan reflect the requirements expressed by market players and are on the whole consistent with the ENTSOG ten-year plan, with the exception of the nature of capacity available at the Biriadou interconnection point as from 2015.

a) Drafting of the ten-year plan by TIGF

In order to improve market dialogue on investment projects, CRE asks TIGF to present its draft ten-year plan as part of the Concertation Gaz working group in order to collect observations of market players prior to its finalisation.

In addition, CRE requests that TIGF formally consult the infrastructure operators (LNG terminals and storage facilities) in order to collect information concerning any projects they may have to develop capacity on their infrastructures.

b) Acknowledgement of market requirements

TIGF's ten-year plan takes into account the results of the open season procedures launched in coordination with GRTgaz and the Spanish TSOs to develop interconnection capacity between France and Spain and between the TIGF and GRTgaz zones in 2013 and 2015. The timeframes and implementation budgets for these investments are consistent with the projections presented by TIGF at

⁶ Forum bringing together all market players for dialogue on the rules governing access to the natural gas transmission networks, set up by the CRE deliberation dated 18 September 2008.

the time of the open season procedures.

With regard to the MidCat⁷ project, CRE reminds that the open season procedure conducted in 2010 was unsuccessful due to insufficient market demand. The completion of the project will require the reinforcement of the French network, in addition to the work planned for the creation of a single Title Transfer Point (PEG) in France, and will depend on the results of the open season procedure that may be launched again after 2015.

As regards the decentralised odourisation project planned by TIGF by 2019, CRE reminds that the different gas odourisation practices are a key challenge for the attractiveness of the French market and its integration in the European market. The draft network code on interoperability provides for the harmonisation of odourisation practices in Europe if they result in obstacles to trade or if the TSOs do not find an agreement within a six-month deadline on contractual solutions such as swaps and flow commitments. On this matter, CRE requests that TIGF closely follows the results of the pilot project on decentralised odourisation conducted on the GRTgaz network.

Given the results of the consultation that it conducted and the above analysis, CRE considers that TIGF's ten-year plan takes into account market requirements.

c) Consistency of TIGF's ten-year plan with the ENTSOG plan

As in 2012, CRE has noted an inconsistency between the ENTSOG ten-year plan and the TIGF plan with regard to the planned capacity increase at Biriadou in 2015. ENTSOG's plan presents firm capacity of 60 GWh/d from France to Spain as from early 2016, while this capacity is interruptible in the TIGF plan. During the second open season for the development of interconnection capacity between France and Spain in 2015, market demand was sufficient to increase firm annual capacity at the Biriadou PIR to 60 GWh/d from Spain to France in December 2015, but was insufficient for the creation of additional firm capacity from France to Spain. As a result, additional capacity from France to Spain will be marketed as interruptible capacity.

With the exception of this oversight in the ENTSOG ten-year plan and the difference in dates concerning the commissioning of the MidCat project, TIGF's ten-year plan is on the whole consistent with the ENTSOG ten-year plan.

CRE has requested that TIGF submit to ENTSOG any useful information for the drafting of the European ten-year plan, in particular during the public consultation organised by ENTSOG.

III. The TIGF investment programme for 2014

By exercising its power of approval of the investment programmes of the gas transmission system operators, CRE ensures that the investments necessary for the proper functioning of the market and transparent and non-discriminatory access to the transmission networks are realised.

1. Main elements of the TIGF 2014 annual investment programme

The 2014 investment programme presented by TIGF is in the amount of €123M, up 3% compared to the planned budget of €119M in the ATRT5 tariff scheme. As a reminder, the programme approved for 2013 was €152.1M. This budget was revised by TIGF halfway through the year to €130M.

a) Development of the main network

The investment expenditure for the development of the main TIGF network totals €60.6M for 2014, equivalent to the amount in the revised 2013 budget. This expenditure mainly covers the Adour pipeline project, to the tune of €45.6M.

b) TIGF's other investment expenditure

The investment expenditures for projects for the reinforcement of the TIGF regional network represent €1.3M, consistent with the revised 2013 budget.

⁷ Listed as a PCI

The investment expenses for the projects for improvement of safety and the replacement of obsolete assets represent €31.1M.

The other investment expenses amount to €27.5M, including €17.3M for the construction of a single site to group together all TIGF staff in the Pau metropolitan area and €10.2M mainly for information systems.

2. CRE's analysis of the TIGF annual investment programme for 2014

a) Development of the main network

CRE notes that TIGF's investment expenditure for 2014 is consistent with the ATRT5 tariff scheme, with its past deliberations, and with the results of the open season procedures for the development of interconnections with Spain.

It observes that the progress of projects related to the results of these open season procedures is consistent with the timeframes agreed. On 1 April 2013, TIGF commissioned 65 GWh/d of additional capacity at the Larrau interconnection point, which has increased total firm capacity at this interconnection to 165 GWh/d in both directions. Investments concerning the Adour pipeline will increase entry capacity at the Biriadou interconnection point to 60 GWh/d as at 1 December 2015.

b) TIGF's other investment expenditure

CRE observes that TIGF's investment expenditures, which do not concern the main network, are in line with the revised 2013 budget.

As regards investments on the regional network, the expenditures planned for the connection of new installations concern also the injection of biogas as from 2015. These projections are consistent with the forecasts agreed as part of the biogas injection working group.

The expenditures related to the construction of a single headquarters have sharply increased due to a postponement of the schedule from 2013 to 2014. This does not call into question the overall cost of the project.

Lastly, the expenditures for information systems are on the decline, due to the end of the project to separate information systems between TIGF and the Total group requested by CRE in its Deliberation dated 26 January 2012 deciding on TIGF's certification.

IV. CRE's decision

1. CRE's decision concerning TIGF's ten-year plan

CRE notes that the projects presented by TIGF in its ten-year plan reflect the requirements expressed by market players and are generally consistent with the ENTSOG ten-year plan.

CRE requests that TIGF:

- Undertake to provide ENTSOG with any useful information for the drafting of the European ten-year plan, in particular during the public consultation organised by ENTSOG,
- Organise as part of the Concertation Gaz working group, in coordination with GRTgaz, a meeting with market players prior to the official publication of its ten-year plan,
- Formally consult the operators of adjacent infrastructures, in order to collect information on any capacity development projects they may have for their infrastructures

CRE recommends that the operators of adjacent infrastructures undertake to provide ENTSOG with any useful information for the drafting of the European ten-year plan, in particular during the public consultation organised by ENTSOG.

2. CRE's decision concerning TIGF's annual investment programme for 2014

CRE approves TIGF's investment programme for 2014. The programme totals €123M, broken down as follows:

In millions of Euros	2013 (approved)	2013 (revised)	2014 (approved)
Development of the main network	86.3	64.9	60.6
Development of the regional network	3.3	2.7	3.8
Safety and maintenance	39.8	40.5	31.1
Property	10.4	6.5	17.3
Other	12.3	14.9	10.2
Total	152.1	129.5	123.0

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

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

TIGF shall submit to CRE, in June 2014, a report on the implementation of this decision, with in particular a detailed progress report on the projects concerning the Adour pipeline and the Sauveterre compression station, specifying the budget already committed and the updated total projected end budget for each of these projects.

Paris, 19 December 2013

For the Energy Regulatory Commission,
The Chairman,

Philippe de LADOUCKETTE

V. Appendices

1. Main projects for the development of the network commissioned in 2012 and 2013

Project	Date of the Deliberation	Initial budget	Final budget	Date of commissioning
Guyenne pipeline phase II	17 December 2009	115	102	April 2013
Béarn pipeline	17 December 2009	104	102	2012
Lacal counter-flow	17 December 2009	7	5.2	2012

2. Main investments approved

Project	Date of the Deliberation	Initial budget	Expenditure to date	Date of commissioning
Adour pipeline	16 December 2010	126	4.5	1 December 2015
Single headquarters	20 December 2012	21.6	7.5	2015
Sauveterre compression station	17 December 2009	45	2.5	2017