

Deliberation of the French Energy Regulatory Commission of December 17, 2014 concerning the examination of the ten-year development plan and its decision to approve GRTgaz's investment programme for 2015.

Present: Philippe de LADOUCKETTE, President, Olivier CHALLAN BELVAL, Catherine EDWIGE, H  l  ne GASSIN and Jean-Pierre SOTURA, commissioners.

The purpose of this deliberation is to, on the one hand, review GRTgaz's ten-year plan and its consistency with ENTSOG's network development plan, and on the other hand, to approve GRTgaz's investment programme for 2015.

I. Legal Framework

Directive 2009/73/EC of July 13, 2009 concerning common rules for the internal market of natural gas and the Energy Code define the legal framework applicable to the investments made by the Transmission System Operators (TSOs).

Article 8, paragraph 3(b) of EC Regulation No. 715/2009¹ sets forth that the European Network of Transmission System Operators in Gas (ENTSOG²) shall adopt a non-binding ten-year European network development plan (hereinafter "TYNDP") every two years, after carrying out an open and transparent consultation with all market players. The Agency for the Cooperation of European Regulators (ACER) issues an opinion on the plan and monitors its implementation.

At a national level, according to Article L.431-6 of the French Energy Code, the TSOs are required to elaborate, after consulting the relevant stakeholders, a ten-year development plan for their network (hereafter "ten-year plan") based on:

- Existing gas supply and demand.
- Reasonable medium-term gas infrastructure development forecasts.
- Reasonable medium-term gas consumption forecasts.
- Reasonable medium-term forecasts for international exchanges.

In addition, the ten-year plan must take into account the assumptions and needs identified in the report on investment planning in the gas sector drawn up by the Energy Minister.

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

In application of article L.431-6-I of the Energy Code, the ten-year plan is submitted each year to CRE for examination so that it may ensure that all investment needs are covered and that the plan submitted is consistent with TYNDP.

¹ Regulation (EC) No 715/2009 of the European Parliament and of the Council of July 13, 2009, on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 ([click here](#))

² Or REGERT in French

If there is any doubt on this last point, CRE may consult ACER and request that GRTgaz and TIGF modify their ten-year plan.

Furthermore, according to articles L.134-3, 2° and L.431-6, the TSOs must transmit their annual investment programmes, based on the application of the ten-year plan, to the Energy Regulatory Commission (CRE) for approval. In this context, the CRE "*makes sure that the necessary investments are made, that the networks are developed correctly and that their access is transparent and non-discriminatory*".

II. GRTgaz's ten-year development plan

1. Construction of GRTgaz's ten-year plan

GRTgaz's ten-year plan is based on gas consumption forecasts for the next few years and identifies the main gas transmission infrastructures to be constructed or reinforced between 2014 and 2023. It lists the investments decided or to be implemented within three years and provides a provisional schedule for all of these investments by distinguishing projects which have been decided from projects which have not been decided.

In accordance with CRE's deliberation of December 19th, 2013³, GRTgaz has formally consulted adjacent infrastructures during the construction phase of its plan. GRTgaz presented its ten-year plan during the Gas Concertation meeting of October 23, 2014. TIGF published its final version of the plan on its website on November 13, 2014⁴.

2. Summary of the public consultation organised by CRE

CRE organised a public consultation in relation to the ten-year plans of GRTgaz and TIGF between November 14 and 28, 2014. Fourteen contributions were received from:

- Three industrialists (Petro Ineos, Solvay), including an association (UNIDEN).
- Five shippers: EDF (confidential), Eni, GDF Suez, TGP (confidential) and Galp.
- Four infrastructure operators: Dunkerque LNG (confidential), GDF Suez Infrastructures, Storengy, Géométhane (confidential).
- Two associations: AFG, Uprigaz.

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

a) Market consultation procedures

A major part of the contributors is favourable to the current terms for the consultation of the market by the TSOs. The respondents specifically refer to their attachment to calls for tender (*open seasons*) for deciding cross-border investments. They consider that the *open season* procedure can be used to reflect the market's interest regarding the implementation of a project and to minimise financial risks in the event of new investments in interconnection capacities.

One association is preoccupied by the reticence of the players to commit on a long-term basis. Furthermore, certain shippers advise caution concerning investments which have not been subject to an *open season* procedure. One shipper requests that contractual solutions be favoured, such as in the case of the JTS (Joint Transmission Storage Service) and of the circulating gas system⁵, which increase the reactivity of the market.

³ Deliberation of December 19, 2013 concerning the examination of the ten-year development plan and leading to the decision to approve the investment programme of GRTgaz for 2014 ([click here](#))

⁴ GRTgaz's ten-year plan ([click here](#))

⁵ CRE's deliberation on October 30th, 2014 concerning the decision related to the variations of the ATRT5 tariff regarding the transitional measures prior to the creation of a unique PEG in 2018 ([click here](#))

b) Consumption variation assumptions during the ten-year plans

Most of the contributors consider that the assumptions selected in GRTgaz's central scenario seem to be optimistic with respect to the current context. Two have especially noted that these assumptions are not consistent with the directions of the energy transition law project.

Industrial consumers consider that the recovery of the consumption in the industrial sector anticipated by GRTgaz is too optimistic regarding the development of the petrochemical industry in the United States due to the low energy prices, which should negatively affect the competitiveness of the French industry.

c) Capacity development during the ten-year plans

Concerning the needs expressed by the market for the next ten years, most players consider that the framework (Val de Saône + Gascogne-Midi) chosen for the creation of the French Title Transfer Point (PEG France) in 2018 must take priority over the other projects described in GRTgaz's ten-year plan.

Several players question the relevance of the Midcat project and recall that the development of interconnections must be based on the results from committing calls for markets.

However, most of them declare that they are favourable to the GRTgaz project for the creation of 100 GWh/d of entry capacities in France from Italy via Switzerland at the interconnection of Oltingue as from 2018, for an investment cost estimated at €12 million plus or minus 30%.

As regards the situation concerning Franco-German interconnection capacities, one of the contributors to the public consultation recalls that the capacities of the Megal pipeline were developed both by the French and German transmission operators. He considers that the new reduction of capacities upon exiting Germany "*would amount to robbing the economic interests of France*".

As regards the storage capacity development projects of Etrez and Hauterives, Storengy recalls that they have not been abandoned but only suspended.

3. CRE's analysis

a) Market consultation procedures

CRE has noted that the GRTgaz market consultation procedure has improved and satisfies the shippers.

b) Consumption variation assumptions during the ten-year plans

CRE considers that GRTgaz's ten-year plan should be based on more diversified scenarios, taking particular account of the energy transition scenarios in France and Europe, and electricity production from gas scenarios established by ENTSOE.

c) Capacity development during the ten-year plans

GRTgaz's ten-year plan takes into account the market's current and long-term needs. It especially describes the investments identified for the creation of the France market place in 2018.

It lists new projects for the development of new capacities at the interconnection points identified so far without assuming the conditions necessary for their completion. CRE notes that the players having responded to the consultation are mostly favourable to the creation of new French capacities at Oltingue as from 2018 in the conditions described by GRTgaz.

Furthermore, GRTgaz's ten-year plan takes into account the revision or cancellation of certain projects due to the absence of market interest. This is the case for the project concerning the sustainability of Fos Tonkin beyond 2020, which was not launched due to a lack of subscription commitments by shippers.

As regards the Eridan project, CRE recalls that this investment remains necessary for increasing gas flows in the South-North direction, in aim of developing entry capacities directly from Spain or regasification capacities located at Fos-sur-Mer. CRE notes that its commissioning has been postponed to 2019-2020. It observes that GRTgaz is proceeding with the studies and administrative work, in

compliance with the deliberation of May 7, 2014⁶.

Concerning the situation of Franco-German interconnection capacities, CRE considers that a good cooperation between the operators is crucial considering the capacity reductions which have already been implemented by German TSOs and the new operations planned in the future. Any new capacity reduction upon exiting Germany and entering France over the long term would reduce the degree of integration between the German and French markets. Furthermore, these effects would be increased in the prospect of creating, in 2018, a single market place, which could then lead to a significantly greater use of the entry points of the North of France.

CRE will pursue its cooperation efforts with the German regulatory authority (BundesNetzAgentur) in order to find a satisfactory solution to this problem.

As regards biomethane, GRTgaz's ten-year plan only specifies the number of projects forecasted and the volumes to be injected into its network over the corresponding time scale. CRE believes that it is necessary that GRTgaz's next ten-year plan should include analyses of the consequences of biomethane development, whether it is connected as transmission or distribution, on the development of its network.

As regards the results of the public consultation that it has conducted and of its own analysis, CRE considers that GRTgaz's ten-year plan correctly accounts for the market's needs.

d) Consistency between the GRTgaz and ENTSOG ten-year plans

TYNDP was published and submitted to ACER on July 10, 2013. ACER published its opinion⁷ on the document on September 10, 2013.

No contributor to CRE's public consultation has identified an inconsistency between GRTgaz's ten-year plan and TYNDP. The differences observed concern the commissioning dates and are explained by the modifications made to the project schedules, which have taken place since the publication of ENTSOG's plan.

CRE considers that GRTgaz's ten-year plan is consistent with ENTSOG's development plan.

III. GRTgaz's investment programme for 2015

GRTgaz transmitted to CRE its 2015 investment programme in November 2014 and was heard by CRE on December 4, 2014.

1. Main data of GRTgaz's investment programme for 2015

The investment programme presented by GRTgaz for 2015 amounts to € 700 million, which represents a 1 % decrease with respect to the budget approved for 2014, which amounted to € 704 million.

a) Expenditures related to increasing the fluidity of the main network

Expenditure forecasts concerning fluidity increase projects amount to € 367 million in GRTgaz's investment programme for 2015, which represents a 4-M€ increase with respect to the amount of 2014 revised at the end of the year.

These expenditures are essentially related to the completion of the connection of the Dunkirk LNG terminal and to the creation of exit capacities at PIR Alveringem, projects approved by CRE in its deliberation of December 22, 2011⁸:

- € 260 million for the Dierrey pipeline, which is to be completely commissioned in 2016.

⁶ Deliberation of May 7, 2014 concerning the directions related to the creation of a single market place in France in 2018 ([click here](#))

⁷ Opinion issued by ACER concerning ENTSOG's development plan ([click here](#))

⁸ CRE's deliberation of December 22, 2011 concerning its decision related to the conditions for connecting the methane terminal of Dunkirk to the GRTgaz network ([click here](#))

- €16 million for the connection of the Dunkirk terminal, which is to be commissioned at the end of 2015.
- € 46 million for creating physical exit capacities from France to Belgium at the interconnection point of Veurne (creation of PIR Alveringem).

In addition, GRTgaz forecasts expenditures for projects, which have already been approved by CRE:

- Launch of projects related to the creation of *PEG* France: € 33 million for the Val de Saône and Gascogne-Midi projects, for which the greatest expenditures are to take place from 2016.
- € 9 million for the Eridan project, in aim of continuing studies for its implementation (the declaration of public utility was obtained on October 31, 2014).

Furthermore, GRTgaz has asked CRE to authorise an investment of €12 million, including €1 million in 2015 for the creation of 100 GWh/d of nearly definite entry capacities at Oltingue. GRTgaz forecasts that these capacities will be commissioned on October 1, 2018. GRTgaz requests the application of the basic 300-basic point bonus to this project, insofar as it increases the fluidity of gas exchanges within the European market and diversifies the sources of supply for the French market.

b) Other GRTgaz investment expenditures

i. Expenses related to regulatory obligation

Expenditures related to safety and obsolescence amount to €199 million, which represents a 15 % increase with respect to the 2014 budget revised at the end of the year. They are mainly due to the implementation of the safety requirements set forth in regulatory texts resulting from the application of the multi-fluid decree⁹ and to the transfer of the interconnection of Beynes from Storengy to GRTgaz.

Expenditures related to the implementation of public service obligations amount to €25 million, which represents a 22 % increase with respect to the amount estimated at the end of 2014, and essentially concern the continuity of supply.

Expenditures related to the environment amount to €19 million, which represents a 41 % decrease with respect to the amount estimated at the end of 2014. They are mainly due to the end of the OSCAR II project.

Expenditures related to the information systems in 2015 amount to €43 million, which represents a 16 % decrease with respect to the budget estimated in 2014 (€52 million). The GRTgaz and GDF Suez IT unbundling programme is coming to an end with significantly lower expenditures planned for 2015 (€4 million) with respect to the amount estimated in 2014 (€17 million). Provisional expenditures for 2015 especially concern the implementation of the common market place between the South PEGs of GRTgaz and of TIGF on April 1, 2015.

ii. Study for converting H gas of the L gas area

GRTgaz plans to launch a study concerning the conversion of the L area into H gas. GasTerra has announced the end of the production of the Groningue field for 2029, while ensuring that all contracts will be fulfilled until deadline. GRTgaz, in coordination with GRDF and Storengy, plans a conversion of all its clients over 8 years between 2021 and 2029, with a pilot operation in 2018. In this prospect, GRTgaz requests the launch of the studies for this project as of 2015. GRTgaz estimates the cost of these studies and of the preparation of the pilot operation at €11.2 million between 2014 and 2017. Expenditures for 2015 amount to €800K.

iii. Power to gas pilot project

GRTgaz plans to launch the construction of a pilot platform for producing hydrogen and methane from electricity via hydrolysis technologies. The platform would be used for 3 years. In order to implement this long-term project, which could enable the gas transmission network to contribute to the energy

⁹ Decree of March 5th, 2014 defining the application procedures of Chapter V of Title V of Book V of the Environment Code and concerning the safety regulations for the transmission pipelines of natural gas or similar, hydrocarbon and chemical products ([click here](#))

transition, GRTgaz is actively searching for funding and plans to develop various partnerships, including with TIGF and RTE. The global budget for this project amounts to €27.7 million, including €12 million to be covered by GRTgaz. GRTgaz has asked CRE to approve the launch of this project and its inclusion in the regulated asset base. Due to the specificity of the project, GRTgaz has requested an accelerated amortisation over 5 years.

2. CRE's analysis

a) Fluidity increase investments

CRE has not observed any delay in the implementation of the investment projects. The capacities will be created in compliance with the schedule defined in the deliberations approving these projects.

Concerning the creation of 100 GWh/d of nearly firm entry capacities at Oltingue, CRE is favourable to this investment, which can be used to create an additional source of supply for the French market. The interest of this project and its low cost justify the fact that it should be launched today despite the failure of the *open season* conducted in 2012.

In compliance with applicable tariff rules, the Oltingue project will not receive the 300-basic point bonus during 10 years.

b) Study for converting gas H of the area of gas B

CRE is favourable to GRTgaz's proposal to launch a preliminary study of the conversion of L gas in the French network into H gas. It will be useful for GRTgaz to prepare the adaptation of its network in coordination with adjacent infrastructure operators. CRE approves the expenditures amounting to €0.8 million planned by GRTgaz for 2015.

CRE will issue its opinion at a later date regarding the entire pilot project while especially taking into account the results from the technico-economic study planned by the energy transition draft law currently being discussed in Parliament.

c) Power to gas pilot project

CRE is favourable to the *Power to gas* project principle presented by GRTgaz. It considers that this project is part of the energy transition framework, especially in aim of diversifying the uses of the gas transmission networks over the long term.

However, the project has not been sufficiently developed for CRE to approve its launch at present. To this day, CRE has not obtained the expected funding, nor definite commitments from potential partners. The technical conditions for developing the industrial prototype have not been defined.

As a result, CRE approves the principle of the pilot *Power to gas* project of GRTgaz, provided that the cost to be covered by GRTgaz amounts to €12 million for a total budget of €27.7 million. CRE has asked GRTgaz to submit, during 2015, a formal approval request on the basis of a stabilised project, including, in particular, the financing plan, the partnerships and the funding obtained. CRE has also asked GRTgaz to present this project during the Concertation Gaz meeting.

d) Other expenditures made by GRTgaz

GRTgaz's expenditures concerning other objectives are generally stable and are related to regulatory obligations regarding safety, the environment, consumer connection, continuity of supply or independence.

IV. CRE's decision

1. Decision made by CRE concerning GRTgaz's ten-year development plan

CRE has observed that GRTgaz's ten-year plan correctly reflects the needs expressed by the stakeholders and is consistent with ENTSOG's ten-year plan.

CRE has asked GRTgaz to develop, in its next ten-year development plan, its analysis of:

- Various gas consumption assumptions on the basis of more diversified scenarios.
- Projects concerning the injection of biomethane into transmission and distribution networks and their consequences on the development of the network.

2. Decision made by CRE in relation to GRTgaz's investment programme for 2015

CRE has approved GRTgaz's investment programme for 2015. This programme amounts to €700M, which is shared out as follows:

M€	Approved in 2014	Estimated in 2014	Approved in 2015
Development of the network	364	363	367
Safety / obsolescence	181	174	199
Environment	35	31	19
Information system	41	52	43
Connections	35	31	29
OSP Supply, Quality	30	21	25
Other	17	15	18
Total	704	686	700

CRE has especially approved the launch of the project for the creation of 100 GWh/d of nearly definite capacities at Oltingue for €12 million (+/- 30 %), including €1 million in 2015.

CRE gas approved expenditures of €0.8 million in 2015, related to the study concerning the conversion into H gas of the L-gas area.

Regarding the Power to gas pilot project, CRE approves the principle of this project on the basis of a charge for GRTgaz of € 12 million out of a total budget of € 27.7 million. CRE asks GRTgaz to present at mid-2015 a formal request for approval on the basis of a stable project.

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

Any modification of this programme shall be submitted to CRE for approval.

GRTgaz will submit to CRE, during June 2015, an intermediate implementation assessment of this decision.

Lastly, GRTgaz will submit to CRE, during June 2015, an intermediate implementation assessment of this decision, which will include, in particular, a progress report of the main projects being launched.

Paris, December 17, 2014

For the Energy Regulatory Commission
The President

Philippe de LADOUCKETTE

V. Appendices

1. Main projects to be commissioned between 2014 and 2016

Project (M€)	Date of deliberation	Initial Budget	Final budget / upon completion	Commissioning date
Hauts de France II + Arc de Dierrey	July 12, 2011 and December 22, 2011	1,118	1,084	2015-16
Connection of the Dunkirk terminal		67	57	

2. Main projects to be commissioned after 2016

Project (M€)	Date of deliberation	Initial Budget	Budget upon completion	Expenditures involved	Commissioning date
Doubling of the Rhône Artery (Eridan)	April 19, 2011	484	613	33	2019-20
Val de Saône	October 30, 2014	650	744*	16	2018-19
Gascogne-Midi	October 30, 2017	21	21	1	2018
Creation of 100 GWh/j of capacities at the entry at Oltingue	December 18, 2014	12	12	1	2018

* Budget presented by GRTgaz