



DELIBERATION N° 2018-151

Deliberation of the Energy Regulatory Commission of 11 July 2018 concerning the report on the implementation of Teréga's investment programme for 2017 and approving its updated investment programme for 2018

Present: Christine CHAUVET, Hélène GASSIN, Jean-Laurent LASTELLE and Jean-Pierre SOTURA, commissioners.

Translated from French: only the French version is authentic

1. CONTEXT

Pursuant to the provisions of Articles L.134-3 and L.431-6-II of the French Energy code, gas transmission system operators (TSOs) must submit their annual investment programmes to the French Energy Regulatory Commission (CRE) for approval. Within this framework, CRE *"ensures that the necessary investments are made for the proper development of the networks, and for transparent and non-discriminatory access to them"*.

With regard to the investment programme for the year 2017:

- in its deliberation of 15 December 2016, CRE approved Teréga's investment programme for 2017;
- in its deliberation of 13 July 2017, CRE approved the update to Teréga's 2017 investment programme, and asked the operator to submit a definitive report on the implementation of its 2017 investment programme, by the middle of 2018.

With regard to the investment programme for the year 2018:

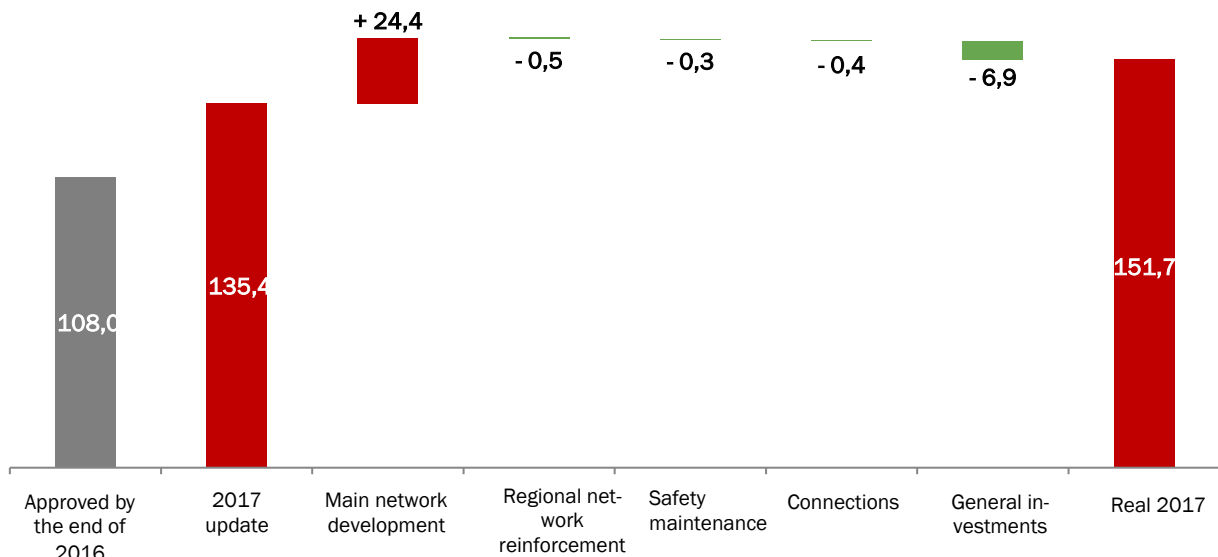
- In its deliberation of 21 December 2017, CRE approved Teréga's investment programme for 2018, and asked the operator to submit, by mid-2018, a mid-year report on the implementation of its 2018 investment programme.

On 15 June 2018, Teréga submitted to CRE its definitive report on the implementation of its investment programme for 2017 and its updated investment programme for 2018. The operator appeared before CRE's board on 28 June 2018, and presented the differences observed between the investment levels approved and actual investments made for 2017, along with updated forecasts for 2018.

2. CRE'S OBSERVATIONS ON THE REPORT ON IMPLEMENTATION OF THE 2017 INVESTMENT PROGRAMME

The investment expenditure approved for 2017 totalled €108 M. During work to prepare the mid-year report on implementation of its investment programme, Teréga submitted to CRE a revised amount of €135 M. Real expenses for 2017 amount to €152 M, i.e. an increase of 13% as compared with the revised budget.

Breakdown of the differences in €M between the mid-year revised trajectory and the actual trajectory of investment expenditure for 2017



Source: Teréga, analysis: CRE

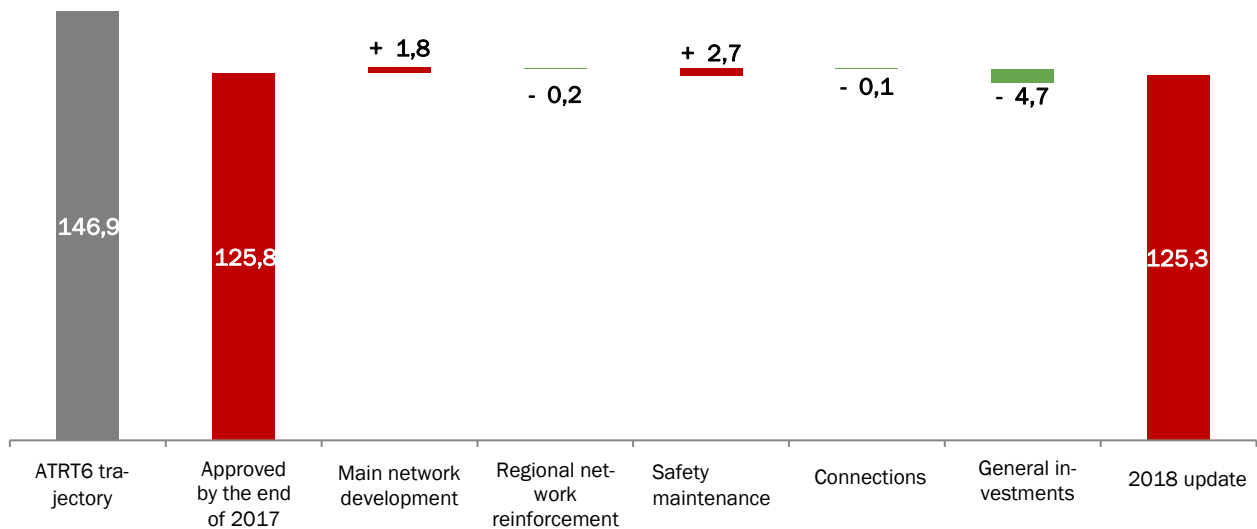
The differences between the actual programme of investments realised and the updated mid-year budget are essentially the result of changes to two items:

- For “Main network development”, in 2017 Teréga anticipated expenditure on the Gascogne-Midi project, leading to a change in the calendar of investment spending. Expenditure on Research and Innovation (R&I) fell due to the delay in energy transition-related projects, in particular the Jupiter 1000 Power to Gas project;
- As regards “General Investments”, the operator experienced delays in deployment of a new IT system intended for operational management of contracts and data transmission (the Storage and Transport Application Redesign project). For R&I projects, spending is down, due to the delay in several projects relating to the digital transition and remote monitoring.

3. CRE'S OBSERVATIONS ON THE IMPLEMENTATION OF THE 2018 INVESTMENT PROGRAMME

The investment expenditure approved for 2018 totalled €126 M. In June, Teréga sent CRE a revised trajectory of its expenditure, which now totals €125 M (i.e. a reduction of 0.5% on the budget approved).

Breakdown of the differences in €M between the approved trajectory and the revised trajectory of investment expenditure for 2018



Source: Teréga, analysis: CRE

The differences are mainly due to the following changes:

- Expenditure on main network development increased by €1.8 M, mainly owing to the rescheduling of spending on the Sauveterre compression project. The project's cost at completion, at around €25 M, remains below the initial budget of €27 M;
- Expenditure on safety and maintenance programmes rose by €2.7 M as compared with the budget approved, owing to the decision to bring forward work on pipelines and block valve stations;
- Expenditure on general investments fell by €4.7 M, largely owing to the postponement of certain developments in IT systems as part of Teréga's re-organisation. Expenditure on R&I rose, notably due to the increased cost at completion of the mobile recompressor project.

CRE'S DECISION

1. Pursuant to the provisions of Articles L.134-3 and L.431-6-II of the French Energy code, gas transmission system operators (TSOs) must submit their annual investment programmes to the French Energy Regulatory Commission (CRE) for approval.
2. For 2017, CRE notes that the differences between the actual investment expenses and the investment programme approved for 2017 are mainly related to the postponement of work, which has no impact on the projects' commissioning dates and cost at completion. Consequently, CRE notes that the implementation of Teréga's investment programme is in line with the programme approved.

€ million	Approved 2017	Revised 2017	Realised 2017
Principal network development	56.0	72.4	96.8
Regional network reinforcement	1.9	2.8	2.3
Safety and maintenance	30.5	38.3	38.0
Connections	2.1	1.8	1.5
General investments	17.3	20.0	13.0
Total	107.8	135.4	151.7

3. For 2018, CRE notes that the implementation of Teréga's investment programme at the mid-year point is in line with the programme approved at the end of 2017. It notes also the small variations in the cost of these investments resulting in the programme being revised. Consequently, CRE approves the revised investment budget for 2018, as submitted by Teréga. This budget breaks down as follows:

€ million	Approved 2018	Revised 2018
Principal network development	60.3	62.1
Regional network reinforcement	6.8	6.6
Safety and maintenance	35.6	38.3
Connections	1.5	1.4
General investments	21.6	16.9
Total	125.8	125.3

4. CRE requests Teréga to submit a definitive report on the implementation of its 2018 investment programme for 2018, by 30 June 2019. This report should notably include an update on the progress of the various projects begun.
5. Approval of the investment programme has no bearing on the way in which the expenditure concerned is taken into account in tariff levels.
6. Any change to the investment programme must be submitted to CRE for approval.

11 July 2018

7. This deliberation will be published on CRE's website and notified to Teréga. It will also be sent to the Minister of State, the Minister for Ecological and Inclusive Transition, and the Minister for Economy and Finance.

**Deliberated in Paris, 11 July 2018.
For CRE, the Energy Regulatory Commission
Commissioner**

Christine CHAUVET

5. APPENDICE

5.1 Main network development projects commissioned as from 2018 (> €20 M)

Project	Date of deliberation	Date of deliberation setting target budget	Target budget	Cost at completion	Commissioning date
Gascoigne-Midi	30 October 2014	30 October 2014	€152 M	€152 M	2018
AGU compression reinforcement	15 December 2016	15 December 2016	€25.5 M	€25.4 M	2019
Capens-Pamiers reconstruction	13 July 2017	15 February 2018	€29.7 M	€29.7 M	2021

5.2 Monitoring of Research and Innovation projects

Project	Approved budget	Spending committed to date	Costs at completion (€M)
Jupiter 1000	1.8	2.1	2.3
Mobile recompressor	1.2	0.4	2.1
Production and instant transformation of hydrogen into methane from CO ₂ from other processes	0.4	0.1	0.6