



DELIBERATION NO. 2018-260

Deliberation of the French Energy Regulatory Commission (CRE) of 13 December 2018 deciding on the evolution of the authorised revenue of underground natural gas storage operators Storengy, Teréga and Géométhane for the year 2019

Present : Jean-François CARENCO, President, Catherine EDWIGE, Jean-Laurent LASTELLE and Jean-Pierre SOTURA, Commissioners.

Translated from the French: only the original in French is authentic

The tariff for the use of underground natural gas storage infrastructures owned by Storengy, Teréga and Géométhane, known as the "ATS1 tariff", came into effect on the 1st of January 2018 for a period of approximately two years. It provides for an annual adjustment under the terms set out in the tariff decision of the French Energy Regulatory Commission (CRE) dated 22 March 2018.¹

This deliberation concerns the evolution of operators' authorised revenue as of 1 January 2019.

Evolution of the authorised revenue of operators of natural gas storage infrastructures

Storengy's authorised revenue for 2019 is €524.1m, compared with €539.5m set in the ATS1 trajectory. This is explained, on the one hand, by net operating expenses in 2018 that were lower than the ATS1 trajectory and, on the other hand, by the gains made from the purchase/sale of performance gases. These differences are only partially offset by the bonus resulting from the marketing of storage capacities.

Teréga's authorised revenue for 2019 is €161.4 million compared to €163.8 million in the ATS1 trajectory. This is mainly due to net operating expenses in 2018 being lower than the ATS1 trajectory, partially offset by the bonus resulting from the marketing of storage capacities.

Géométhane's authorized revenue for 2019 is €41.8 million, compared to €41.2 million in the ATS1 trajectory. This is explained, on the one hand, by net operating expenses in 2018 that were higher than the ATS1 trajectory and, on the other hand, by the bonus resulting from the marketing of storage capacities.

¹ Deliberation No. 2018-038 of the French Energy Regulatory Commission (CRE) of 22 March 2018 deciding on the tariff for using the underground natural gas storage infrastructures of Storengy, TIGF and Géométhane with effect from 2018

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1. METHOD: REMINDER OF THE GENERAL PRINCIPLES IN FORCE FOR THE ATS1 TARIFF

1.1 LEGAL FRAMEWORK

Articles L. 452-1 to L. 452-3 of the French Energy Code govern the tariff decision-making powers of the CRE related to natural gas storage.

Article L. 452-2 provides that *“the methods used to set tariffs[...] shall be determined by the French Energy Regulatory Commission (CRE). [...] the operators of the storage facilities referred to in Article L. 421-3-1 shall send to the French Energy Regulatory Commission (CRE), at its request, all information, such as accounting and financial information, required to deliberate on changes in tariffs [...].”*

Article L. 452-3 states that *“The French Energy Regulation Commission (CRE) shall deliberate on tariff changes [...] with, where appropriate, any changes in the level and structure of tariffs that it deems justified [...]. Such deliberations [...] may include [...] appropriate short or long-term incentives to encourage operators to improve their performance [...]”*

1.2 MAIN FEATURES OF THE ATS1 TARIFF

The tariff for the use of the underground natural gas storage infrastructures owned by Storengy, Teréga and Géométhane, known as the "ATS1 tariff", came into effect on the 1st of January 2018 for a period of approximately two years.

The CRE's deliberation issued on 22 March 2018 ruling on the tariff for the use of the underground natural gas storage infrastructures owned by Storengy, Teréga and Géométhane (“Délibération tarifaire” or “Tariff Deliberation”) sets out trajectories of normative capital costs (CCN) and net operating expense (CNE) for storage operators for 2018 and 2019.

The Tariff Deliberation provides for the recovery of authorised revenue on the one hand, from the income of storage operators (mainly from the marketing of storage capacities) and on the other hand, if such income is not sufficient to cover the authorised revenue of the various operators, through compensation collected by the transmission system operators (TSO) from their customers and paid back to the storage operators².

In addition, the Tariff Deliberation introduces a regulation that encourages storage operators firstly to maximise storage capacity subscriptions and secondly to generate auction income. Under this system, operators can keep a share of the auction revenue, which is all the higher when the capacity subscription rate is high.

The Tariff Deliberation sets out the terms and conditions for adjusting authorized income.

Differences between the forecast and actual figures for all expenses and income are adjusted subsequently via the income and expenses adjustment account (CRCP).

The balance of the CRCP is settled annually by reducing or increasing the authorised revenue, within the limit of a variation of the authorised revenue compared to each operator's forecast of +/-5 %.

2. PARAMETERS AND EVOLUTION OF THE TARIFF FOR THE USE OF THE UNDERGROUND NATURAL GAS STORAGE INFRASTRUCTURES OF STORENGY, TEREKA AND GÉOMÉTHANE AS OF THE 1ST OF JANUARY 2019

2.1 Capital expenditure

The normative capital costs (CCN) path is set for the ATS1 tariff period. It is shown in the table below. Any differences between anticipated and actual costs are fully covered by the CRCP (income and expenses adjustment account).

² The procedures for collecting and paying this compensation are set out in the deliberation of 22 March 2018 on the introduction of a storage tariff term in the gas transmission tariff.

Normative capital costs (CCN) - in €M	2018	2019
Storengy	344.0	351.9
Teréga	111.0	119.8
Géométhane	22.9	25.4

2.2 Net operating expenses

The net operating expenses trajectory (CNE) is set for the ATS1 tariff period. It is shown in the table below. Any differences between anticipated and actual expenses are fully covered by the CRCP (income and expenses adjustment account).

Net operating expenses (CNE) - in €M	2018	2019
Storengy	179.1	187.6
Teréga	42.4	44.0
Géométhane	15.2	15.8

2.3 Calculation of the CRCP (income and expenses adjustment account)

The CRCP for 2018 is calculated on the basis of estimated amounts for 2018. Its amount is provisional, and its final value will be included in the CRCP at the next tariff change.

In order to ensure that the scheme is financially neutral, the balance of the CRCP is calculated at the nominal risk-free rate of 2.7%.

Storengy

In its tariff dossier, Storengy estimated the balance of the CRCP on 31 December 2018 and reported that €12.0 million was to be returned to the users. This balance corresponds to the following main elements:

- CNEs (net operating expenses) and, to a lesser extent, CCNs (normative capital costs) below the ATS 1 trajectory;
- revenue from the purchase/sale of performance gases;
- the bonus awarded for marketing in 2018.

The balance of the CRCP as of 31 December 2018 retained by the CRE amounted to €-15.3 million. The CRE has made several adjustments in response to Storengy's request:

- in its tariff dossier, Storengy drew up an estimate of the margin for purchases/sales of performance gases at the end of August. A detailed analysis of all operations was carried out by the CRE, which led to a re-estimation of the margin (€ -2.3 million);
- CRE restated certain amounts related to purchase-sales in order to neutralize the impact of transactions carried out before the application of the ATS1 tariff on the authorised revenue of 2018 (€ -3.3 million), as well as the associated injection costs in the CNEs (net operating expenses) (€ -0.4 million);
- the CRE accounted for the remuneration of the gas stored for the purchase/sale of performance gas at the same rate as fixed assets under construction (nominal cost of debt before tax), as provided for in the deliberation of 22 March 2018 (€ +1.0 million);
- finally, the CRE included the expenses arising from the repayment service provided by the transmission system operators (€ +0.26 million).

The final CRCP will take into account the 2018 final figures as well as any additional elements that Storengy may provide.

Storengy - CRCP as of 31 December 2018 In €M	Operator request	Amount with-held by the CRE
Balance of previous CRCPs	0	0
Difference between the estimated CRCP for the previous year on 1 April N and the CRCP for the current year	0	0
Estimated differences in income and expenses for 2018	-9.9	-14.7
Of which marketing income	0	0
Of which repayment of transport operators	2.1	2.1
Of which net operating expenses	-8.5	-8.7
Of which normative capital costs	-1.5	-1.5
Of which gains or losses from purchase/sales of performance gases	-4.5	-10.1
Of which performance gas remuneration	0.0	1.0
Of which incentive regulation marketing bonus	2.6	2.6
CRCP balance as of December 31, 2018 adjusted		-15.1

As the balance of the CRCP in 2019, i.e. € -15.1 million, does not exceed the limit of +/- 5% of the estimated authorised revenue, it will be fully settled in 2019 by reducing the amount of authorised revenue.

Teréga

In its tariff dossier, Teréga estimated the balance of the CRCP on 31 December 2018 and reported that €2.5 million was to be returned to the users. This balance corresponds to the following main elements:

- Net operating expenses lower than the ATS1 trajectory partially compensated by normative capital costs higher than the trajectory;
- the bonus awarded for marketing in 2018.

The balance of the CRCP as of 31 December 2018 retained by the CRE amounted to € -2.3 million. The difference in relation to Teréga's demand is due to the inclusion of expenses arising from the repayment service provided by the transmission system operators (+€0.26m).

The CRE did not question Teréga's estimate of net operating expenses for 2018, given the qualitative information provided by the operator and in spite of the lack of reconciliation with the latest accounting data provided. The CRE will need to obtain reconciliation information between the operator's audited financial statements and the net operating expenses for the 2018 financial year to be able to rule on the final CRCP.

Storengy - CRCP as of 31 December 2018 In €M	Operator request	Amount withheld by the CRE
Balance of previous CRCPs	0	0
Difference between the estimated CRCP for the previous year on 1 April N and the CRCP for the current year	0	0
Estimated differences in income and expenses for 2018	-2.5	-2.3
Of which marketing income	-0.7	-0.7
Of which repayment of transport operators	-0.1	-0.1
Of which net operating expenses	-3.8	-3.5
Of which normative capital costs	0.7	0.7
Of which gains or losses from purchase/sales of performance gases	0.0	0.0
Of which incentive regulation marketing bonus	1.4	1.4
CRCP balance as of December 31, 2018 adjusted		-2.3

As the balance of the CRCP in 2019, i.e. € -2,3 million, does not exceed the limit of +/- 5% of the estimated authorised revenue, it will be fully settled in 2019 by reducing the amount of authorised revenue.

Géométhane

In its tariff dossier, Géométhane estimated the balance of the CRCP on 31 December 2018 and reported that 0,3 M€ was to be returned to the operator. This balance corresponds to the following main elements:

- Net operating expenses higher than the trajectory of the ATS1 due to maintenance (replacement of exchangers) and an increase in energy purchases associated with an increase in natural gas injections;
- to a lesser extent, normative capital costs below the trajectory of the ATS1, due to the adjustment of investments following the CRE's deliberation on 19 July 2018 approving the investment programme for the year 2018 for Géométhane;
- the bonus awarded for marketing in 2018.

The balance of the CRCP as of 31 December retained by the CRE amounted to € 0.6 million. The difference in relation to Géométhane's demand is due to the inclusion of expenses arising from the repayment service provided by the transmission system operators (+€0.26m).

Géométhane - CRCP as of 31 December 2018 In €M	Operator re-quest	Amount withheld by the CRE
Balance of previous CRCPs	0	0
Difference between the estimated CRCP for the previous year on 1 April N and the CRCP for the current year	0	0
Estimated differences in income and expenses for 2018	0.3	0.6
Of which marketing income	0.0	0.0
Of which repayment of transport operators	0.0	0.0
Of which net operating expenses	0.5	0.7
Of which normative capital costs	-0.3	-0.3
Of which gains or losses from purchase/sales of performance gases	0.0	0.0
Of which incentive regulation marketing bonus	0.2	0.2
CRCP balance as of December 31, 2018 adjusted		0.6

As the balance of the CRCP in 2019, i.e. € +0,6 million, does not exceed the limit of +/- 5% of the estimated authorised revenue, it will be fully settled in 2019 by increasing the amount of authorised revenue.

2.4 2019 Authorized Income

For the year 2019, the authorized income of storage operators is as follows:

Storengy - Current €M	2018	2019
Net operating expenses trajectory (CNE)	179.1	187.6
Normative capital costs trajectory (CCN)	344.0	351.9
Clearance of the updated balance of the 2018 CRCP	-	-15.1
Authorized Income	523.1	524.4

This revenue corresponds to an increase of 0.3% compared to the 2018 authorized revenue (the ATS1 tariff trajectory predicted an increase of +3.1%).

Teréga - Current € millions	2018	2019
Net operating expenses trajectory (CNE)	42.4	44.0
Normative capital costs trajectory (CCN)	111.0	119.8
Clearance of the updated balance of the 2018 CRCP	-	-2.3
Authorized Income	153.4	161.4

This revenue corresponds to an increase of 5.3% compared to the 2018 authorized revenue (the ATS1 tariff trajectory predicted an increase of +6.8%).

Geomethane - Current €M	2018	2019
Net operating expenses trajectory (CNE)	15.2	15.8
Normative capital costs trajectory (CCN)	22.9	25.4
Clearance of the updated balance of the 2018 CRCP		+ 0,6
Authorized Income	38.1	41.8

This corresponds to an increase of 9.5% compared to the 2018 authorized revenue (the ATS trajectory predicted an increase of +7.9%).

DECISION

In accordance with the deliberation of the French Energy Regulatory Commission (CRE) issued on 22 March 2018 on the tariff for the use of Storengy, TIGF and Géométhane's underground natural gas storage facilities from 2018 (ATS1), this deliberation defines the changes in the authorised revenue of Storengy, Teréga and Geométhane for the year 2019.

The authorised revenue of the storage operators for the year 2019 amounts to:

- €524.4 million for Storengy, an increase of 0.3% compared to the 2018 authorized revenue;
- €161.4 million for Teréga, an increase of 5.3% compared to the 2018 authorised revenue;
- €41.8 million for Géométhane, an increase of 9.5% compared to the 2018 authorized revenue.

The authorised revenue of storage operators for 2019 amounts to €727.6 million, an increase of 1.8% compared to the authorised revenue for 2018. It is 2.3% lower than the amount forecast for 2019 by the ATS1 deliberation.

This deliberation will be published in the "Journal officiel de la République française" (*official journal of the French Republic*) and on the CRE website. It will be sent to Storengy, Teréga and Géométhane and submitted to the Minister for Ecological and Solidarity Transition (ministre de la transition écologique et solidaire), as well as to the Minister of Economy and Finance (ministre de l'économie et des finances).

Done and approved at Paris on the 13th of December 2018

For the French Energy Regulatory Commission (CRE),

President,

Jean-François CARENCO