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## **CRE publishes the equation used to calculate changes in GDF SUEZ's procurement costs**

With the publication of this equation, consumers will have access to information that explains the relation between trends in oil price indexes and changes in the regulated retail tariffs for the sale of natural gas. The latter factor is in the operator's costs, namely supply, transportation, storage and marketing costs. In addition, the equation has been published in response to CRE's concern for transparency with regard to alternative suppliers, who want more reliable forecasting information in order to set their rates.

The new equation, audited by CRE, provides an accurate approximation of GDF SUEZ procurement costs on the French market. Compared with the previous equation, it should provide greater accuracy for factoring in correlations between the major oil indexes that impact on GDF SUEZ's procurement contracts. Nonetheless, it is to undergo a second audit by the CRE within the next year to test how it stands up in the current context of low oil prices.

The variables for the equation, which are used to calculate changes in GDF SUEZ's procurement costs in €/MWh between two time periods, are as follows:

$$1.3107 \times \Delta I_1 + 0.01988 \times \Delta I_2 + 0.02652 \times \Delta I_3 + 0.06206 \times \Delta I_4$$

Where,

$\Delta I_i$  = change in the  $I_i$  index between two time periods

$I_1$  = average value of the monthly average dollar-euro exchange rate over a given period

$I_2$  = average value of the monthly average price of domestic fuel oil (< 0.1% sulphur content) FOB Barge Rotterdam in euro per tonne over a given period

$I_3$  = average value of the monthly average price of heavy fuel oil (< 1% sulphur content) FOB Barge Rotterdam in euro per tonne over a given period

$I_4$  = average value of the monthly average Brent crude oil price in euro per barrel over a given period

The average values are calculated:

- for subscription tariffs (sites that use more than 4GWh, i.e. around 1,300 sites) : over the 3 months up to the end of the time period, with a one-month difference;
- for public distribution tariffs (around 10 million sites) : over the 6 months up to the end of the time period, with a one-month difference;

***Founded on 24 March 2000, the French Energy Regulatory Commission (CRE) is an independent administrative body. It works to guarantee smooth and efficient operation of the electricity and natural gas markets for the benefit of the end-user. It also works to guarantee the absence of discriminatory practices, cross-subsidies or restrictions on competition.***

Press contact: Anne Monteil - tel.: +33 (0)1.44.50.41.77- Email: [anne.monteil@cre.fr](mailto:anne.monteil@cre.fr)