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The new tariffs for the use of public natural gas distribution networks by local distribution companies come into effect on 1 July 2009

Like the tariff applicable to GrDF since 1 July 2008, the new tariffs for use of the public natural gas distribution networks by local distribution companies provide an incentive for the latter to control costs and improve quality of service, for the benefit of the end customer. Since these tariffs are set for a period of four years, they provide all the players in the market with a clearer long-term view of changes in the tariffs and will foster competition within the territories covered by local distribution companies.

For the eight local distribution companies to which a specific tariff applies, these tariffs, defined by CRE, introduce a regulatory framework identical to that developed for GrDF's tariff, which came into effect on 1 July 2008 in application of the Order of 2 June 2008. They minimise the operators' risks, without altering the current tariff structure:

- the period for which the tariffs apply is now four years, and the tariff scale will be revised each year on 1 July in line with inflation and with an annual growth factor defined for each local distribution company.
- a financial incentive mechanism has been introduced to improve the quality of service provided by local distribution companies;
- a mechanism to adjust for variance has been introduced, mainly to secure operators' forecast revenue for transportation of the volumes of gas distributed.

The regulatory framework that applies to the fourteen local distribution companies that do not have unbundled accounts, but to which a common tariff applies, is the same as that for the other local distribution companies.

The tariffs factor in the following changes, expressed in current Euros. The reasons are explained below:

| Local distribution company | Change to the tariff on 1 July 2009 | Annual change to the tariff scale effective from 1 July 2010 ¹ |
|--|-------------------------------------|---|
| Régaz (Bordeaux) | +7.8% | CPI -0.7% |
| Réseau GDS (Strasbourg) | +5.4% | CPI -0.7% |
| Gaz Electricité de Grenoble | -2.9% | CPI -0.1% |
| Vialis (Colmar) | +6.0% | CPI -2.0% |
| Gédia (Dreux) | -3.4% | CPI -0.5% |
| Caléo (Guebwiller) | -2.1% | CPI -1.3% |
| Gaz de Barr | -2.4% | CPI -0.2% |
| Veolia Eau (Huningue, St Louis, Hégenheim and Village-Neuf) | +9.6% | CPI -1.0% |
| 14 local distribution companies to which the common tariff applies | +1.4% | CPI -0.9% |

The changes to the tariffs for local distribution companies, which have not changed since 1 January 2006, can be explained by several structural factors: the tariffs for local distribution companies have generally increased due to the accelerated withdrawal of grey iron piping in 2006 and 2007 and the reform of pension schemes under the regulations applicable to the French electricity and gas industries. In addition, rates of growth in the number of customers connected and the volumes of gas distributed (slower growth, or even a downturn in the case of certain local distribution companies) no longer offsets the cost increases described above.

To define these tariffs, CRE carried out an in-depth analysis of the individual situation of each local distribution company to which a specific tariff applies. In line with the operators' request, and following audits carried out by external audit agencies, the new tariffs factor in adjustments for certain cost items. These adjustments do not affect costs relating to changes in the workforce, safety costs or investments.

In light of developments in the financial environment and the reduced risks for the local distribution companies provided by the new regulatory framework, the rate of return on invested capital has fallen from 7.25% to 6.75%.²

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.

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¹ CPI: average annual variation over the previous calendar year in the consumer price index excluding tobacco products, as calculated by INSEE for all households in the whole of France.

² Real rate before tax

Appendix

The 8 local distribution companies to which a specific tariff applies as on 1 July 2009:

- Régaz (Bordeaux)
- Réseau GDS (Strasbourg)
- Gaz Electricité de Grenoble
- Vialis (Colmar)
- Gédia (Dreux)
- Caléo (Guebwiller)
- Gaz de Barr
- Veolia Eau (Huningue, St Louis, Hégenheim and Village-Neuf)

The 14 local distribution companies to which the common tariff applies as on 1 July 2009:

- Sorégies (Vienne)
- Énergies Services Lannemezan
- Energis - Régie de Saint-Avoid
- Gazélec de Péronne
- Energies et Services de Seyssel
- ESDB - Régie de Villard Bonnot
- Régie Municipale Gaz et Electricité de Bonneville
- Régie Municipale Gaz et Electricité de Sallanches
- Régie du Syndicat Électrique Intercommunal du Pays Chartrain
- Énergies Services Lavour
- Énergies Services Occitans - Régie de Carmaux
- Régie Municipale Multiservices de La Réole
- Gascogne Energies Services
- Régies Municipales d'Electricité, de Gaz, d'Eau et d'Assainissement de Bazas