

PUBLIC CONSULTATION

Public consultation of 27 July 2016 by the French Energy Regulatory Commission on the next tariff for use of the GRTgaz and TIGF natural gas transmission networks

Articles L.452-2 and L.452-3 of the French Energy code empowers the French Energy Regulatory Commission (CRE) to specify the methodology for establishing the tariffs for use of the natural gas transmission networks. CRE can make changes to the tariff levels and structure which it deems justified following, notably, an analysis of operators' accounts and any expected changes in operating or investment costs.

The current tariff of GRTgaz's and TIGF's natural gas transmission networks, termed "ATRT5 tariff", entered into effect on 1 April 2013 for a period of approximately four years, in accordance with CRE's deliberation of 13 December 2012¹.

Work in preparation of the next tariffs, termed "ATRT6 tariff", began early 2016, given the need for visibility requested by stakeholders, the complexity of the topics to be addressed and the time required to adapt the network operators' and market participants' IT systems where necessary.

In February 2016, CRE therefore submitted for public consultation its preliminary analyses concerning:

- the schedule of tariff developments, particularly in view of the creation of a single marketplace by 2018;
- the tariff regulatory framework, especially for investment, service quality and R&D incentives;
- the development of the tariff structure, in particular to take into account the creation of the single marketplace.

CRE received 38 contributions, some of which are confidential. The non-confidential responses are published on CRE's website.

The natural gas transmission system operators GRTgaz and TIGF (the TSOs) each drafted a tariff request presenting their forecast costs for the 2017-2020 period and their requests regarding the regulatory framework. The present consultation covers the characteristics of the regulatory framework envisaged by CRE for the ATRT6 tariff, as well as CRE's guidelines concerning the level of costs to be covered and the subsequent tariff level.

The integration of the elements in the tariff request addressed to CRE by GRTgaz and TIGF would lead to an increase in the average unit tariff of 4.5%/year on average for GRTgaz and an average 5.1%/year for TIGF.

To further its analysis, CRE used reports commissioned from external service providers, the conclusions of which shall be published at the same time as the present consultation. These reports cover the following topics:

- an international comparison of the incentive-based regulatory frameworks of electricity and natural gas network operators in Europe;
- an audit of GRTgaz's and TIGF's operating costs for the 2013-2021 period;
- a study of the financial parameters for calculating the capital expenses of the natural gas transmission network operators and a critical analysis of GRTgaz's and TIGF's requests.

At this stage, CRE projects a lower tariff increase than that requested by the TSOs. It plans to:

- only retain a portion of the increase in net operating expenses requested by the TSOs;

¹ [Deliberation of 13 December 2012 deciding on the tariffs for the use of natural gas transmission networks](#)

- set a weighted average cost of capital (WACC) within the range of 4.75 to 5.5% in real terms before tax.

For example, if the WACC was set at 5.25%, the ATRT6 tariff increase could range between an average -0.3% and +1.7% per year for GRTgaz and between an average -0.1% and +1.2% per year for TIGF.

At the end of June 2016, GRTgaz submitted to CRE a new version of its tariff request containing a new trajectory for allowed revenue and updated capacity subscription forecasts. In this consultation, CRE shall not present these adjustments, which lead to an average drop in the tariff change by -0.1% per year compared to the initial version of GRTgaz's tariff file, i.e. an average increase of 4.4%/year. TIGF has submitted a new version of its tariff request the 30 May 2016.

Regarding the tariff structure, CRE proposes to maintain a structure similar to the ATRT5 tariff structure, with the exception of the consequences of the creation of a single marketplace by 1 November 2018. Moreover, in order to balance out the costs and income between the main network and the regional network, CRE proposes, after a drop as at 1 April 2017, to adjust the main network tariffs only for inflation over the ATRT6 tariff period.

CRE envisions the following timetable for the elaboration and entry into effect of the ATRT6 tariff:

- the present public consultation open until mid-September;
- CRE's tariff deliberation, after opinion rendered by the Higher Energy Council, end 2016;
- entry into effect of the ATRT6 tariff as at 1 April 2017.

Participants are invited to send their contributions to CRE by 16 September 2016 at the latest.

To participate in the consultation

CRE invites all interested parties to submit their contributions, defending their positions, by 16 September 2016 at the latest:

- by email to the following address: dr.cp7@cre.fr;
- by post to: 15, rue Pasquier - F-75379 Paris Cedex 08, France.

Non-confidential contributions will be published by CRE, provided that no secret protected by law is disclosed.

Please state in your response whether you wish for your contribution to remain confidential or anonymous. Otherwise, your contribution will be considered as non-confidential and non-anonymous. Interested parties are invited to submit their observations by explaining their positions.

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1. BACKGROUND AND OBJECTIVES OF THE PUBLIC CONSULTATION

1.1 Impact of the law on energy transition for green growth on the gas transmission tariff

Law No. 2015-992 of 17 August 2015 on energy transition for green growth specifies a certain number of provisions that may have an impact on the transmission tariff.

It introduces, in particular:

- an objective to reduce fossil energy consumption by 30% for 2030, compared to the 2012 reference;
- a 10% objective of "clean" gas in national gas consumption by 2030 aimed in particular at the development of the biomethane sector;
- concerning third-party access to storage, the possibility of legislating by order *"so as to strengthen the security of gas supply and, if necessary to attain this goal, to regulate the tariffs of underground natural gas storage capacity"*. The draft order specifies regulation of storage operators' income and the auctioning of capacity;
- formalisation by means of contracts of short-notice interruptible capacity: this capacity can be interrupted by the TSOs *"when the normal functioning of the natural gas transmission networks is seriously threatened and in order to secure supply to protected customers"* in exchange for financial compensation (Article L.431-6-2 of the Energy code);
- integration in the transmission tariffs of *"the specific situation of gas-intensive companies whose sites have a predictable and stable or anticyclical consumption profile"* (Article L. 431-3 of the Energy code);
- the possibility for the tariffs to deviate from the *"strict coverage of network costs"*, with a goal to *"control gas consumption peaks"* (Article L.452-2-1 of the Energy code).

The impact of these developments on the gas transmission tariffs is outlined further on in this public consultation.

The law on energy transition for green growth moreover specifies a multi-annual energy schedule, set by decree, which establishes the action priorities of public authorities to meet the objectives set by that law.

With regard to gas, the draft decree concerning the multi-annual energy schedule, as forwarded to the Higher Energy Council early July 2016, provides for, in particular:

- an objective to decrease natural gas consumption by 16% in 2023 compared to 2012;
- a goal to inject 1.7 TWh of biomethane into the networks by 2018 and 8 TWh by 2023;
- support for bio-CNG to reach a goal of 0.7 TWh used by 2018 and 2 TWh by 2023, i.e. 20% of CNG consumption by 2023;
- definition of gas storage infrastructure in France considered necessary for security of supply.

1.2 2017-2021: a transformation period for the TSOs

The TSOs have invested approximately three billion euros over the last ten years, at the core of the French transmission network and interconnections. The level of France's interconnection capacity with its neighbouring countries currently enables the attainment of the objective of European market integration set in the third energy package, as outlined in CRE's report on electricity and gas interconnections in France¹.

GRTgaz and TIGF have taken into account the goals of the law on energy transition for green growth and the prospect of lower consumption in their respective tariff requests. In particular, GRTgaz has launched its GRTgaz 2020 corporate plan, which includes its new regulatory requirements over the ATRT6 period, and also its new goals: support for gas produced from renewable sources, development of new gas uses and research and development activities. TIGF has planned for a research and innovation programme centred on eight themes, including biomethane, smart grids, and structure integrity.

The creation of a single marketplace, resulting from the merging of the TRS zone and the North GRTgaz zone, is the major project of the ATRT6 tariff period. It is based mainly on the reinforcement of the Bourgogne pipeline (GRTgaz) and the Gascogne-Midi reinforcement project (TIGF), as well as adaptation of compression systems, for a target budget set by CRE at €823 M.

The functioning of the market with a single zone will require changes to the current rules for network access, aimed at adapting TSOs offering, facilitating information exchange between TSOs and lifting any operational constraints that may emerge, based on the flow configurations in the GRTgaz network. Therefore, on 2 June 2016,

¹ [Electricity and gas interconnections in France – A tool for the construction of an integrated European market – 15 June 2016](#)

the TSOs launched a common work programme, which will be based on studies conducted by the TSOs, simulations done in collaboration with volunteer shippers and meetings within the framework of Concertation Gaz to inform players and discuss the changes proposed by the TSOs. Following this work cycle, CRE plans to deliberate in the second half of 2017, to determine the operational arrangements for the creation of the single marketplace.

Lastly, in its deliberation of 25 March 2015¹, CRE requested GRTgaz to examine alternative solutions to the use of ENGIE's gas and new energy research and innovation centre (CRIGEN - *Centre de Recherche et Innovation Gaz et Energies Nouvelles*), by the end of 2017 at the latest, since the systematic use of the vertically integrated enterprise (VIE) for its research services does not comply with the provisions of Article L.111-18 of the Energy code. GRTgaz submitted to CRE the alternatives examined to detach its R&D activities from the parent company, and conducted an initial assessment of the associated costs, included in its tariff request.

1.3 Objective of the present consultation

The present public consultation aims to question market participants about the following topics:

- the operators' tariff demands concerning the tariff levels and in particular, the specific costs of the corporate plans to prepare the future of GRTgaz (GRTgaz 2020) and of TIGF;
- the incentive-based regulatory framework, particularly with regard to investment and cost control incentives;
- the transmission tariff structure, in particular
 - o the relative levels of tariff charges and their foreseeable change over the tariff period;
 - o changes in the TSOs' offering.

2. REVIEW OF THE ATRT5 TARIFF

The public consultation on the ATRT6 tariff of 25 February 2016 presented a review of the regulatory framework of the ATRT5 tariff as well as market and gas transmission tariff developments over the last ten years. Feedback shows that the ATRT5 tariff met the objectives set while it was being prepared:

- good visibility into the tariff trajectory was given to all market participants;
- the TSOs were protected against inflation and the risks related to investments and the reduction in subscriptions at certain network points;
- GRTgaz and TIGF made the necessary investments to increase network fluidity, and initiated the investments required to set up the single marketplace in France;
- service quality was improved over the period.

However, gas transmission tariffs increased significantly the last ten years, due to the growth in investments particularly to strengthen the network core so as to reduce the number of zones, and to the drop in consumption.

This review covered capital expenses and investment costs, the general regulatory framework and the CRCP (expense and revenue clawback account), and the TSOs' service quality.

A detailed review of the operating expenses over the ATRT5 period is presented in part 4 "Tariff level" of the present public consultation.

3. TARIFF REGULATORY FRAMEWORK

3.1 Tariff timetable: merging of the zones and visibility into the pricing of inter-connection capacity

3.1.1 Timetable for the creation of the single marketplace

The creation of the single marketplace by 1 November 2018 will result in:

- inclusion in the TSOs' regulated asset base (RAB), as at 1 January 2019, of the capital expenses resulting from the commissioning of the Val de Saône and Gascogne-Midi projects;

¹ CRE deliberation of 25 March 2015 deciding on the approval of contracts signed between GRTgaz and the vertically integrated enterprise or the companies under its control within the framework of the independence obligations set out in the Energy code.

- a loss for GRTgaz, linked to the elimination of tariff charges at the North-South link and of income related to the market coupling mechanism.

In its public consultation of 25 February 2016, CRE presented its preliminary analysis of the ATRT6 tariff development timetable upon the creation of the single marketplace. Most participants were in favour of taking into account, upon creation of the single marketplace, the tariff impact related to the elimination of the North-South fees and to the deferral of GRTgaz's financial loss. Some participants were nevertheless in favour of a progressive lowering of the tariff charges at the North-South link, in order to create a transition period. Others wished for this tariff impact to be taken into account as at 1 April 2019, in order to avoid any specific tariff movements outside of the usual tariff development timetable.

At this stage, CRE is maintaining the position taken within the framework of the first public consultation. It is in favour of taking into account in the tariffs, as at 1 November 2018, the elimination of the North-South fees and the deferral of GRTgaz's loss. A progressive lowering of the tariff charges at the North-South link would complicate the mechanism, as it would be necessary to recover GRTgaz's loss in the other tariff charges before 1 November 2018. Moreover, with the inclusion in the RAB of the Val de Saône and Gascogne-Midi projects as at 1 January 2019 only, the greater portion of costs related to the creation of the single marketplace will be covered by the tariff only as from 1 April 2019. Lastly, the change in the tariffs as at 1 November 2018 will be defined in the deliberation on the annual change in tariffs as at 1 April 2018, so that the market may be sufficiently prepared.

Question 1 Are you in favour of the tariff development timetable once the single marketplace is created, as envisioned by CRE?

3.1.2 Provisions of the draft network code on tariffs

The draft European network code on gas transmission tariffs provides for the publication, by national regulatory authorities, of the applicable tariffs for capacity sold at interconnection points before the start of annual capacity auctions. In addition, the European Commission is examining a proposal to amend the CAM network code¹, aimed at having annual capacity auctions start on the first Monday of the month of July rather than the first Monday of the month of March.

In its first public consultation, CRE proposed, building on the principles adopted for the ATRT5 tariff, to give visibility to market participants as from the ATRT6 tariff deliberation into the annual changes in tariffs at interconnection points.

Most contributors to the public consultation are in favour of CRE's proposal, and consider that it meets market participants' need for visibility into the tariffs at interconnections, and avoids a slippage in the current tariff timetable, which is in line with the storage timetable. Some contributors are however in favour of moving the tariff timetable to October to October, to be in line with the European auction calendar.

Building on the previous tariffs, CRE prefers to maintain the current tariff timetable, going from April to April, so as to maintain consistency between the transmission, terminal and storage timetables. The terms and conditions for the change in tariff charges at network interconnection points (PIRs) will be defined for the entire tariff duration in the ATRT6 deliberation to be conducted at the end of 2016.

Question 2 Are you in favour of maintaining the current tariff timetable (from April to April) and defining, as from the ATRT6 tariff deliberation, the terms and conditions for the change in the tariff charges at PIRs for the entire tariff duration?

3.2 Incentive-based regulation for investments

3.2.1 Incentives for projects to create interconnection capacity

Over the last ten years, GRTgaz and TIGF have significantly developed their networks, through the creation of new interconnection capacity with neighbouring countries, the development of entry capacity from LNG terminals and the reinforcement of the national network to reduce the number of marketplaces. These developments have enabled customers to access diverse supply sources and have strengthened the integration of France within the European gas market.

¹ Regulation (EU) No 984/2013 of the Commission of 14 October 2013 establishing a network code on capacity allocation mechanisms in gas transmission systems

Moreover, public authorities have set goals to decrease fossil energy consumption in France by 30% for 2030 within the framework of the law on energy transition for green growth.

In its first public consultation, CRE stated that it intended not to renew the 300-basis point bonus applied to investments to create new transmission capacity at interconnections or to reduce the number of balancing zones.

A great majority of participants were in favour of this proposal. They consider, similar to CRE, that the TSOs have invested sufficiently in network development these past ten years, while demand is now following a downward trend, and the European market is in a state of overcapacity. The TSOs requested that a bonus be maintained which would be granted on a case-by-case basis.

CRE plans to maintain its position and not renew the 300-basis point bonus for the new projects.

However, to cover the event that gas interconnection projects might prove useful, CRE intends to set up an incentive mechanism for TSO projects to create gas interconnection capacity similar to the mechanism defined in the deliberation of 3 April 2013¹ on the electricity transmission tariff.

The mechanism envisaged by CRE breaks down into the following elements:

- the compensation would be awarded on a case-by-case basis, with the amount being calculated according to the results of a cost/benefit analysis conducted *ex ante* by CRE (before the deliberation approving the project);
- the bonus could be revised *ex post* according to the effective rate of subscription of the capacity brought by the interconnection over ten years;
- subsidies obtained would not be included in the RAB, but would be integrated to calculate the bonus.

This bonus would be paid in a single instalment through the CRCP mechanism, after the infrastructure enters into service.

Such a mechanism would enable granting of a bonus to projects that ultimately show their positive value for consumers and stakeholders.

With regard to the specific case of projects of common interest (PCI), in its deliberation of 1 October 2014, communicating the conditions for the application of incentive-based measures to projects of common interest, CRE defined a methodology to assess the risks borne by a PCI initiator likely to enjoy incentive measures in addition to those provided for by the tariff framework in effect. This deliberation specifies that *"for that, the operator shall demonstrate the existence of the risk borne, the persistence of the risk despite the existence of the tariff framework in effect, its exogenous and uncontrollable nature, an extent of risk that is considerable and higher than that of a similar project"*.

Question 3 Are you in favour of the new incentive-based mechanism for the creation of interconnection capacity envisaged by CRE? In particular, are you in favour of the method for determining the bonus *ex ante* based on a cost/benefit analysis? And also more specifically, are you in favour of an *ex post* revision of the bonus based on the effective subscription level?

3.2.2 Incentive to control costs

3.2.2.1 Incentive for investment unit costs

In its first public consultation on ATRT6, CRE stated that it was envisaging an introduction of incentive-based regulation for unit investment costs, as was done in GRDF's ATRD5 tariff. This mechanism consists in assessing the difference between the total cost of infrastructure commissioned and the total theoretical cost of those same infrastructure, calculated using the reference unit cost model applied to the actual level of investment.

In response to the first public consultation, all industrial customers and a large majority of shippers were in favour of the setting up of such a mechanism for gas transmission infrastructure. Certain participants, including the TSOs, however considered that the measures already in effect in the current investment follow-up framework were sufficient.

GRTgaz and TIGF are against the implementation of an incentive-based regulation for unit costs. They consider that the low level of infrastructure commissioned and their particularities (pipeline diameter, treatment of sensitive points, geographical constraints in the territories crossed, etc.) do not enable application of the method

¹ Deliberation of 3 April 2013 deciding on the tariffs for the use of a high-voltage public electricity network

adopted for distribution. Within the framework of exchanges with CRE, the TSOs did not provide any elements to develop a robust model for gas transmission infrastructure unit costs.

Given the difficulties involved in such modelling and the lack of proposals from the TSOs, CRE will not be able to implement incentive-based regulation for unit costs for the ATRT6 tariff, but intends to continue to work on that topic in the future. In that regard, it will request the TSOs to set up in-depth monitoring of the unit costs of their investments so as to be able to submit to it proposals for following unit costs in view of the next tariff.

In the absence of an incentive based on unit costs, CRE however intends to strengthen the TSO's incentive to control investment costs in particular for major investment projects and for "non-network" investments.

3.2.2.2 Incentive to control the costs of major projects

The ATRT5 regulatory framework planned for the implementation of an incentive for any project, excluding safety projects, for which the budget exceeds €50 M or represents at least 20% of the average annual sum of investments over the ATRT5 period. This mechanism was not used during the ATRT5 tariff period, since no relevant project was concerned.

CRE wishes to modify the parameters of the mechanism for the ATRT6 period. It would apply to all projects with a budget higher than €15 M. It would be based on the following principles:

- during the approval of the budget for each project concerned, CRE will audit the budget presented by the TSO, which may be indexed to the hot-rolled coil steel index;
- regardless of the investment expenses made by the TSO, the asset will be entered into the regulated asset base at its real value when it is put into use (minus any subsidies);
- if the investment expenses incurred by the TSO for this project are between 90% and 110% of the target budget, no bonus or penalty will be applied;
- if the investment expenses are less than 90% of the target budget, the TSO will receive a bonus corresponding to 20% of the difference between the actual investment expenses and 90% of the target budget;
- if the TSO's actual investment expenses are higher than 110% of the target budget, a penalty will be applied to the TSO corresponding to 20% of the difference between the actual investment expenses and 110% of the target budget.

At this stage, the envelope for the projects concerned for GRTgaz should amount, according to the TSO, for approximately €600 M (seven projects), excluding the interconnection projects. TIGF's project envelope is estimated at €42 M (two projects), excluding interconnection project.

In addition, CRE intends to apply this mechanism to certain projects that have already been decided and which would be commissioned during the ATRT6 tariff, based on the budget adopted by the operator during its final investment decision.

The projects, for which an incentive mechanism has already been defined, will remain subject to this mechanism.

The bonus and penalty would be calculated during the commissioning of projects and included in the CRCP.

Lastly, CRE intends to audit GRTgaz's and TIGF's method of calculating the forecast cost of projects, and of following the costs to execute the projects.

- Question 4** Are you in favour of the reinforcement of the incentive-based mechanism to control the costs of major projects as envisaged by CRE? Are you in favour of the thresholds and levels proposed by CRE?
- Question 5** Do you think it is relevant to extend the application of this mechanism to the already decided projects?

3.2.2.3 Incentive to control "non-network" investment costs

In compliance with one of the recommendations made within the framework of the report commissioned by CRE on the incentive-based regulation for network operators¹ and in keeping with its decision concerning the tariff framework of GRDF's ATRD5 tariff, CRE wishes to give incentive to the TSOs to control their capital expenses similar to their operating expenses across a scope of "non-network" expenses, including assets such as real estate, vehicles and IT systems. Since these expense items may in fact give rise to trade-offs between investments and operating expenses, capital expenses and operating expenses related to these items must fall under the same incentive-based regulatory framework.

¹ External international comparison of the incentive-based regulatory frameworks of electricity and natural gas operators in Europe

The mechanism envisaged consists in defining, for the ATRT6 tariff period, the trajectory for these capital expenses which would be excluded from the scope of the CRCP. The gains or losses that could be made would therefore be fully kept by the operator. Therefore, for these cost items, overall regulation of capital and operating expenses would be implemented.

By incentivising capital expenses similar to operating expenses, CRE wishes to encourage the operator to generally optimise all of its expenses.

However, in order to preserve the TSOs' capacity to adapt and innovate, CRE intends to exclude from the incentive-based mechanism for capital expenses certain IT system projects whose capital expenses would then be included in the CRCP. The projects concerned must have a high cost, and major uncertainty concerning their budget and/or their effective achievement.

The investment expense envelope concerned by this mechanism represents €308 M and €65 M for GRTgaz and TIGF respectively over the ATRT6 period. In addition, GRTgaz has requested the exclusion of several IT projects falling within the scope of the GRTgaz 2020 project, the largest of which covers real-time teletransmission (ESTER project). TIGF has requested the exclusion of several IT and telecom projects, in particular the reform of the commercial chain.

In addition, CRE intends to carry out an *ex post* analysis of the trajectories for bringing into service the different investments concerned in order to ensure that any gains made during the tariff period do not lead to an increase in expenses for the following tariff periods.

Question 6 Do you have any comments about the incentive-based mechanism for "non-network" capital expenses?

3.3 Incentive-based regulation: service quality

3.3.1 Continuation of the current mechanism

3.3.1.1 Summary of the first public consultation

Within the framework of the first public consultation of February 2016 on ATRT6, CRE reviewed the incentive-based mechanism in effect since 2008. It noted the remarkable progress made by the TSOs between 2009 and 2015, particularly in the field of consumption data, which is essential for shippers' balancing. Consequently, CRE proposed to continue the mechanism in effect, while envisioning minor adjustments, in particular to rationalise the number of indicators followed.

In their answers, all participants are in favour of the continuation of the mechanism in effect. Some shippers highlight that the number of indicators is detrimental to the clarity of the mechanism, and that it would be beneficial to maintain only the indicators that give rise to financial incentives.

3.3.1.2 CRE's initial position

CRE therefore confirms its initial position, and intends to maintain the incentive-based regulation mechanism for the TSOs' service quality.

3.3.2 Simplification of the service quality monitoring mechanism

3.3.2.1 Summary of the first public consultation

To simplify the service quality monitoring mechanism, CRE had proposed to no longer follow the indicators below, which do not give rise to financial incentives, and which it considers to no longer be adapted to market participants' current needs:

- **monitoring of the timeframes for connections**, i.e. the ratio of the number of days behind schedule for gas supply to connection structures compared to the deadline set out in the contract with the client. The low number of new connections recorded over the last five years (less than three per year, France), makes this indicator irrelevant;
- **accuracy of information on customer portals, calculated based on the number of complaints concerning information accuracy**. Since the TSOs are in direct contact with their customers, these customers rarely use the dedicated channel for complaints about this subject;
- **the timeframes for sending to distribution system operators (DSOs) files on gas off-take at interface between transmission and distribution networks (PITDs)**, i.e. the number of days per month for which the

TSO transmitted to the DSOs the file relating to daily provisional off-takes outside the deadline. The quality of data at PITDs is already incentivised; late sending is followed within the framework of ATRD5: this indicator is therefore redundant.

All but one of the participants are in favour of the elimination of the three indicators mentioned above. One shipper expressed its fear that eliminating the monitoring of the timeframe for sending allocations would deteriorate the quality of measurements at the PITDs. CRE reiterates that an indicator giving rise to a financial incentive already exists and will be maintained to follow the quality of measurements at the PITDs.

Moreover, in its 2014 report, CRE noted a deterioration in the quality of the data at PITDs published by GRTgaz on D+1. It however observed a stark improvement over the first five months of the year 2016¹: the number of non-compliant days dropped from 11 in 2015 to 3 in 2016. In addition, GRTgaz's new metering system (ETR project) will be rolled out in the upcoming months, which should improve the quality of data, but requires an observation period before deciding on a possible reinforcement of this indicator.

For TIGF, the number of non-compliant days amounted 8 in 2015 (six during December). As well as for GRTgaz, the new metering system (SIAM project) delivered at the end of 2017 should lead to an improvement of available data.

Lastly, two suppliers and the two TSOs proposed to eliminate the indicator for following the availability of the TSOs' shipper portal (TRANS@ctions for GRTgaz and Tetra pour TIGF).

3.3.2.2 New proposals for indicator elimination

Following the public consultation, CRE proposes to eliminate six other indicators in addition to the three indicators proposed for elimination during the first public consultation:

- **Availability rate of user portals and TSOs' public data platforms.** The availability rate is close to 100%. CRE proposes moreover to create a financial incentive for the availability of the information most useful for balancing on the TSOs' public portals.
- **Incentive for the provision to the market of additional firm capacity at the North-South link.** This indicator, set up when North-South congestion was at its peak, has not been incentivised since 2015. GRTgaz has implemented mechanisms to optimise availability and improvement of work schedule forecasts which was met with satisfaction by shippers. Moreover, spreads have been lower than €2 for a year, making this indicator of secondary importance, until the merger planned for 2018.
- **Monitoring of the TSOs' interventions in the market for balancing.** This indicator aims to avoid abnormal prices with the use of a financial incentive. CRE considers that the prices at which the TSOs purchase or sell gas is not specifically related to the quality of service provided to shippers. Therefore, CRE wishes for this indicator to continue to be followed and presented as part of Concertation Gaz, but not as part of the incentive-based regulation for service quality. In any event, CRE does not intend to incentivise this indicator. Balancing prices higher than those of the day-ahead market may be justified when the network is tight. In this instance they convey a price signal for shippers to balance.
- **Return to the linepack level of the previous day (MWh at 25°C)** This indicator, coupled with the previous one, aimed to not discourage the TSOs from intervening, even at a price higher than the market price, if the network so required. As for the previous indicator, CRE wishes for it to continue to be followed and presented in Concertation Gaz, but considers that it does not relate to the TSOs' quality of service.
- **Compliance with the maintenance programme for interruptible capacity of the North-South link published at M-2 by GRTgaz.** This indicator, set up when North-South congestion was at its peak, reached its objectives. GRTgaz considerably improved its processes, to the extent that compliance with the maintenance programme is better at the North-South link than in the rest of the network. In addition, CRE proposes changes to the monitoring of TSOs' capacity interruptions (see section 3.3.4).
- **Average processing time for capacity booking requests:** currently, these requests are fully automated via the PRISMA, TRANS@ctions and DATAGAS platforms, and governed by the CAM network code.

Question 7 Are you in favour of the elimination of the nine indicators proposed by CRE?

¹ Incentive-based regulation of the quality of service of electricity and gas transmission system operators – 2014 Report, published 9 February 2015

In addition, CRE wishes to harmonise for GRTgaz and TIGF the method for calculating the indicator covering the **quality of intraday quantities telemetered at delivery points of customers connected to the transmission network and transmitted during the day.**

This indicator is currently followed using two different indicators:

- that of TIGF corresponds to the number of compliant intraday meter readings of telemetered industrial delivery points for the month¹ relative to the total number of intraday meter readings of telemetered industrial delivery points for the month (one value followed by TIGF per time slot);
- GRTgaz's indicator follows the rate of information of very good quality, of good quality, of poor quality. Information is said to be of very good quality if the difference, in absolute value, between the energy measurement of day D transmitted during the day and the definitive measurement of day D transmitted M+1 is strictly lower than 1%. If the difference is between 1% and 3% (respectively strictly higher than 3%), the value is said to be of good quality (respectively of poor quality).

CRE intends to adopt only one definition for the indicator, corresponding to the rate of information of very good, good and poor quality, based on the thresholds of 1% and 3% both for TIGF and for GRTgaz.

The financial incentive would therefore apply to the average, all time slots combined, between the rate of information of very good quality and of poor quality:

- penalties: €10 k for TIGF and €20 k for GRTgaz per percent of information of poor quality;
- bonus: €500 for TIGF and €1 k for GRTgaz per percent of information of very good quality;
- the annual limit would remain at €300 k for TIGF and €600 k for GRTgaz.

Question 8 Are you in favour, for TIGF, of changing the calculation of the indicator covering the quality of intraday quantities telemetered at delivery points of customers connected to the transmission network and transmitted during the day to bring it in line with that of GRTgaz?

3.3.3 Financial incentive for the indicator covering the availability of the five pieces of information most useful for shippers' balancing, on the TSOs' public portals (SMART GRTgaz and Datagas TIGF)

3.3.3.1 Summary of the first public consultation

To reflect the development in the data necessary for the proper functioning of the market, CRE intended to introduce a new financial incentive for an indicator created in 2014 for balancing, that is the availability of the five pieces of information most useful for shippers' balancing.

Most contributors are in favour of incentivising that indicator. One TSO requested that availability be followed only from 6:00 a.m. to 11:00 p.m.

3.3.3.2 CRE's initial position

CRE confirms its intention to financially incentivise the indicator covering the availability of the five pieces of information most useful for balancing.

Since the implementation of this indicator, the average information availability rate has been 94.8% for GRTgaz and 88.3% for TIGF.

It envisions the following conditions for calculating penalties and bonuses based on the average cumulated availability rate for the information concerned:

- when the average availability rate of all of the information being considered for a month is higher than 99%, the bonus is €40 k per month for GRTgaz and €20 k for TIGF;
- when the average availability rate for a month is lower than 95%, the penalty is €40 k per month for GRTgaz and €20 k for TIGF;
- if the average availability rate is between these two figures, the indicator is neutral;

¹ For a given month M, a meter reading is compliant if there are no more than five days in month M for which the measurement of energy of the time slot of day D transmitted on day D is of poor quality. A measurement transmitted on day D is of poor quality if the difference, in absolute terms, with the definitive measurement of the same time slot of day D transmitted M+1 is strictly higher than 3% and at 100 kWh.

- the annual limit per point would be €+/-400 k for GRTgaz and €+/-200 k for TIGF;
- CRE intends to follow this indicator between 6:00 a.m. and 3:00 a.m., and to leave the 3:00 a.m. to 6:00 a.m. time slot available to the TSOs to carry out maintenance of their IT systems.

Question 9 Are you in favour of the financial incentive of the availability of the five pieces of information most useful for shippers' balancing on the TSOs' public portals?

3.3.4 Incentive for availability of firm capacity

3.3.4.1 Summary of the first public consultation

During work operations in their networks, the TSOs first interrupt interruptible capacity, and then firm capacity as required.

Since 1 April 2012, the TSOs have published the availability rate of firm capacity, per month, in aggregate form for each type of point (PIR, PITM, PITS).

In its 2014 report on the quality of service of the DSOs and TSOs¹, CRE made a critical assessment of GRTgaz's performance in this field. At the time of the tariff update as at 1 April 2016, the possibility of financially incentivising firm capacity availability and maintenance programme compliance was examined, but not adopted.

Questioned during the public consultation of February 2016, participants' views are divided regarding the financial incentive for firm capacity:

- Shippers are mostly in favour of financially incentivising the availability of firm capacity. One shipper considers that *"France is the only country in western Europe to have firm capacity that is regularly interrupted"*. Similarly, two other shippers are of the opinion that *"it is part of the TSOs' missions to ensure the highest possible level of availability of firm capacity for all of GRTgaz's and TIGF's network points. Shippers that have booked capacity pay the relevant tariff to be able to use this capacity when they so desire. When that is not the case, rather than penalising the TSOs, giving compensation to shippers could be envisaged."*
- The TSOs as well as two associations expressed their disagreement, in particular for security reasons: they considered that if the TSOs have a financial incentive to maximise available capacity, they could be placed in a position that drives them to risk the operational security of the network:
 - the FNME-CGT union stated: *"We do not agree with emphasis being placed on conducting business as usual at the expense of operation, which could have an impact on the safety and activity of teams."*;
 - *"GRTgaz is not in favour of a financial incentive being applied to the maintenance programme: such an incentive might affect maintenance operations to secure property and people; the evolution of the indicator depends above all on factors over which GRTgaz has no control: changes in regulations, a significant impact on the result of a year of major projects (e.g. the connection of the Dunkerque Terminal and the ALVERINGEM point heavily limited the Dunkerque PIR in 2015)"*;
 - *"TIGF wishes to alert CRE to the fact that it does not have all of the leverage required to manage the availability of its own capacity. Certain maintenance activities conducted in GRTgaz's network have a direct impact on the availability of capacity in the TIGF network."*

3.3.4.2 GRTgaz will implement actions to improve the availability of firm capacity

On 2 June 2016, GRTgaz presented, within the framework of Concertation Gaz, the initiatives launched by the inhouse working group set up in 2016. These initiatives cover four main fields:

- **Optimisation of work organisation**

GRTgaz is examining the possibility of defining the work most likely to be postponed at the last minute. For this type of work, unavailability could be limited with the use of inter-operator swaps. Since these swaps are not firm, if the swap is not available, the work operation would then be postponed.

¹ Incentive-based regulation of the quality of service of electricity and gas transmission system operators – 2014 Report, published 9 February 2015

GRTgaz is also envisaging work schedules to shorten the period during which capacity is unavailable. This would require, for certain types of work, operations on the weekend or during greater time slots. The potential additional cost remains to be assessed by the TSOs and presented within Concertation Gaz.

GRTgaz is working on the standardisation of work by type of operation in order to better analyse their duration.

Lastly, GRTgaz is conducting a project to optimise intelligent pig inspection campaigns. These campaigns, imposed by regional environment directorates every ten years, are coming to an end for a large part of the network, which should naturally lower the level of interruptions due to maintenance for the next five years.

- **Technical innovation to reduce the duration of interventions**

GRTgaz is looking into using speed control pigs. While the current pigs require a reduced flow, speed control pigs can maintain their speed despite pipeline pressure, thus minimising the inconvenience for the transmission of gas during pigging.

Following the comparative study of maintenance techniques used by other European TSOs, in particular TIGF, GRTgaz identified the possibility of implementing temporary repairs in certain cases. These repair techniques enable the duration of interventions to be reduced.

GRTgaz is also reviewing the operating method for characterising defects before repairs. The goal is to better assess the duration of the intervention before the work is launched. Similarly, GRTgaz wishes to further its consideration of feedback in order to adapt maintenance campaigns.

- **Improvement of the accuracy of published forecasts**

In compliance with CRE's request, since 1 April 2015, GRTgaz and TIGF have published the probable, non-binding level of capacity, in addition to their binding forecasts.

Moreover, all of the abovementioned initiatives should enable GRTgaz to fine-tune its unavailability forecast, by identifying as accurately as possible the probable duration of an intervention.

- **Adaptation of the commercial offer to maximise available capacity**

GRTgaz proposes to implement an offer called "Optiflow", which is based on the creation of super-points during work periods, as from April 2017. Super-points consist in publishing overall capacity restriction for several points, leaving shippers with the choice to make nominations at each of the points, instead of applying the restriction to each point on a pro rata basis. This mechanism is possible only if the restriction covers the network core and affects several PIRs or PITTMs. Capacity available at super-points would be calculated relative to the portfolio of each of its customers, so that they can assess the restriction and choose the portion of capacity they wish to allocate at each of the points making up the super-point. This calculation would be updated at each nomination cycle, which would enable shippers to use the capacity remaining at the super-point, through the use-it-or-buy-it (UBI) mechanism.

At this stage, GRTgaz proposes to set up four super-points, depending on the work impact:

- PIR Dunkerque + PITTM Dunkerque LNG + PIR Taisnières H + PIR Alveringem
- PIR Dunkerque + PITTM Dunkerque LNG
- PIR Taisnières H + Obergailbach
- PIR Taisnières H + Obergailbach - Oltingue

This "Optiflow" offer could afterwards be extended to storage.

Lastly, GRTgaz is assessing the benefit of releasing capacity previously announced as unavailable, even at the last minute. Currently, capacity cannot be released later than 3:00 p.m. at D-1. Therefore, even when the TSO can offer more capacity to the market, this capacity is withheld. In Concertation Gaz, GRTgaz proposed eliminating the notion of deadline for release, or pushing it back, for example to 4:00 p.m. on day D.

3.3.4.3 CRE's initial position

CRE does not share the opinion of certain players, including GRTgaz and TIGF, that providing an incentive to the TSOs to maximise available capacity would threaten the security of the network. It is the TSOs' first and foremost responsibility to ensure the physical safety of property and equipment and people during the operation of the network. Within this framework, nothing prevents the TSOs from seeking to improve the availability of firm capacity in their networks, including during maintenance periods. Given the European comparative study presented by GRTgaz in Concertation Gaz, CRE is convinced of GRTgaz's room for improvement to meet this objective.

CRE welcomes the initiatives launched by GRTgaz. The actions outlined above must be analysed in comparison to the benefits for the market in terms of the availability of firm capacity. CRE therefore wishes for GRTgaz to present in Concertation Gaz before the end of the year a review of the actions that will be adopted and implemented as from 1 April 2017. In particular, at this stage, CRE considers that fine-tuning unavailability and implementing maintenance super-points are relevant actions, in preparation of the merging of GRTgaz's North and South zones. These initiatives, presented in Concertation Gaz, gave rise to positive reactions from those present, who wished for them to be implemented as early as possible.

CRE would like to ensure through the present consultation that the improvements presented by GRTgaz are deemed sufficient by a majority of market participants. If such is the case, at this stage it envisages to not financially incentivise firm capacity availability. However, if there have been none of the expected improvements as from April 2017, CRE could financially incentivise the indicator for firm capacity availability during the ATRT6 tariff period.

Moreover, the monitoring of firm capacity availability performed since 2012 is not sufficiently detailed. Therefore, CRE maintains its proposal presented during the previous public consultation, to request the TSOs to specify the rate of availability of firm capacity and capacity booked point by point, and no longer in aggregate form by type of point.

Lastly, CRE discards the idea, raised during that same public consultation, of replacing the historical indicator by a calculation of days of unavailability. In addition to having the advantage of continuity, the current indicator better reflects the reality of the inconvenience for shippers.

Question 10 Are you in favour of detailed monitoring by point, for PIRs and PITs, of the indicator for availability of firm capacity, without any financial incentive?

3.4 Incentive-based regulation: evolution of coverage through the CRCP of certain items

The regulatory framework in effect for the ATRT5 tariff contains a CRCP mechanism (expense and revenue clawback account) enabling the coverage, a posteriori and for certain predefined items, of all or part of the differences between forecast and actual expense and revenue figures.

The CRCP balance, discounted at the nominal risk-free rate of 4% per year before tax, is cleared over a period of four years, by increasing or decreasing the TSOs' allowed revenue.

CRE wishes to continue this mechanism for the ATRT6 tariff, making minor adjustments to the items covered and the associated rates of coverage, in order to take into account certain background developments compared to the ATRT5 tariff period. These modification proposals are described below.

3.4.1 Items fully covered through the CRCP

The items fully covered through the CRCP are those over which the TSOs have no control.

The expense and revenue items which are fully covered are as follows:

- income related to shipping in the downstream transmission network;
- income received as part of entry and exit charges at storage facilities;
- income related to the sale of capacity at the North-South link, through market coupling, until the creation of the single zone;
- income from the connection of combined-cycle gas turbines (CCGT) and combustion turbines (CT);
- capital expenses incurred by the TSOs, within the limit of the incentive-based regulation mechanism described in "2.2. Incentive-based regulation for investments" of the present consultation;
- expenses for GRTgaz and income for TIGF related to the agreement between the two operators allowing GRTgaz to use TIGF's network;
- the difference between the projected inflation taken into account for the annual updating of the TSOs' operating expenses and actual inflation;
- expenses related to the supply of a flexibility service for the network fed with B gas.

CRE does not plan to make any changes to these items.

GRTgaz and TIGF requested full coverage through the CRCP of the differences between costs and income for new items, of which the main ones are presented below:

- expenses related to the provision by GRTgaz of a service involving the conversion of H gas into B gas. In order to enable the development of competition in the B zone, GRTgaz provides a service converting H gas into B gas which is accessible to all suppliers that have H gas in the north of France. To propose this service, GRTgaz uses an H gas to B gas swap contract taken out with ENGIE (which has a long-term supply contract for B gas), as well as physical conversion tools (in particular the Loon-plage peak H to B convertor). The use of the conversion service depends heavily on the pace of market opening in the B zone, over which the operator has no control. Given this element, CRE agrees with a full coverage through the CRCP of the expenses resulting from the evolution of the conversion volumes;
- income related to the provision by GRTgaz of the service involving the conversion of H gas into B gas:
 - GRTgaz provides a "basic" conversion service available to all shippers within the limit of their needs to supply end customers with B gas. This service is not billed to shippers;
 - GRTgaz also offers a "peak" H gas to B gas conversion service available to all shippers with H gas in the north of France. The income from the associated subscriptions to this service is currently covered 50% through the CRCP. In line with its request for full coverage of expenses related to the provision of the H-B gas conversion service, GRTgaz has requested full coverage through the CRCP of income related to subscriptions to the H-B conversion service. At this stage, CRE agrees with this proposal;
- expenses related to the separation of GRTgaz's R&D activities from the parent company: GRTgaz conducted an initial assessment of the costs associated with separating these activities, which was included in its tariff request. It highlighted that it was a preliminary and non-exhaustive estimate, which could evolve significantly depending on the work carried out with ENGIE on this topic. Given the uncertainty surrounding the final amount corresponding to separation, CRE is in favour at this stage, of covering through the CRCP the costs for the separation project, as well as the deoptimisation costs that may result from the partial transfer of CRIGEN's activities. It will however request GRTgaz to submit a detailed forecast separation budget to it, reviewed following work conducted with ENGIE;
- the expenses related to conversion of the B zone to H gas within the framework of the end of B gas imports from the Netherlands. A precise forecast of the costs associated with conversion of the B zone cannot be calculated until the specific regulatory framework for this project is finalised: the Decree of 23 March 2016 related to this project specifies in particular the joint development, by the gas transmission system operators and the underground natural gas storage operator, of a draft B zone conversion plan¹. Given all of this uncertainty, CRE is in favour of the coverage of the associated costs through the CRCP, in line with the decision to cover through the CRCP in GRDF's ATRD5 tariff the costs to be incurred by the DSO as part of conversion;
- ancillary income related to major infrastructure projects, which require for example moving of facilities. CRE is in favour of full coverage through the CRCP of this income, which is not under the TSOs' control. CRE did take note of major volatility in this income item under ATRT5, which represented €8 M in 2013, €23 M in 2014 and €9 M in 2015. This income was higher by €28 M than the forecast made by GRTgaz during ATRT5 preparation work. This difference is due to the decisions to carry out major railroad and highway infrastructure projects, over which GRTgaz has no control. For the ATRT6 period, GRTgaz is expecting income at around €18 M, related mainly to the Magé0 and Canal Seine Nord projects.

In addition, CRE envisions full coverage through the CRCP of the following expenses related to network security:

- expenses related to security contracts signed with adjacent operators (storage and terminal operators), since these are or will be regulated in the near future. CRE will ensure symmetrical treatment of these contracts (full coverage through the CRCP of related income) within the framework of the next tariffs for access to terminals and the first tariffs for access to storage;
- any costs related to the compensation, by the TSOs, of customers connected to the transmission networks that have signed an interruptibility contract within the framework of the mechanism described in 5.3.2.2 of the present consultation.

Question 11 Are you in favour of CRE's proposals concerning the items fully covered through the CRCP?

¹ Decree No 2016-348 of 23 March 2016 on the project to convert the low calorific natural gas network in the Nord, Pas-de-Calais, Somme, Oise and Aisne administrative departments.

3.4.2 Items 80% covered through the CRCP

The items for which the rate of coverage through the CRCP is set at 80% are those for which the TSOs have some latitude for improving their performance. Retention by the TSOs of 20% of the difference between forecast and actual expenses and revenues aims to encourage them to increase income or reduce the expenses associated with the item in question.

Power expenses (gas and electricity) are currently covered 80% through the CRCP, so as to encourage operators to optimise their energy purchase strategies and make efforts to control their consumptions: motive energy and cumulative imbalance accounts¹. For the ATRT6 tariff, TIGF requests CRE to increase this level of coverage to 100%. CRE is not in favour of taking TIGF's request into account. It considers that the TSOs have room to optimise their energy purchases and consumptions. It does not intend to modify the rate of coverage through the CRCP of power expenses, for which forecasts are updated as at 1 April each year.

Furthermore, CRE intends to change the rate of coverage through the CRCP of upstream subscription income, currently set at 50%. On 25 February 2016, CRE consulted about the possible elimination of incentive-based regulation regarding the selling of upstream capacity, considering that the mandatory entry into effect of the CAM network code as at 1 November 2015 and the selling of all capacity at interconnection points through PRISMA platform auctions, as well as the termination of the selling of capacity at the North-South link within the framework of the creation of a single marketplace, heavily restrict the TSOs' room for manoeuvre with this item. Contributors to the public consultation were mainly in favour of maintaining an incentive aimed at the TSOs' commercial dynamism. Therefore, CRE intends to set the rate of coverage through the CRCP for this item at 80%, in order to encourage the TSOs to propose commercial offers to maximise the selling of capacity in the upstream network, while taking into account the drop in the TSOs' room for manoeuvre.

Question 12 Are you in favour of CRE's proposals concerning items covered 80% through the CRCP?

3.4.3 Items not covered through the CRCP

At this stage, CRE intends to not cover the following items via the CRCP mechanism:

- "non-network" investment expenses: these expenses shall be covered by a specific incentive-based regulation (see 3.2.2.3. of the present consultation). CRE proposes not to cover these expenses through the CRCP and to let the TSOs keep the gains or losses made compared to the tariff trajectory;
- research and development expenses: these expenses will be subject to a specific incentive-based regulation, through which the portion of the forecasted tariff envelope which would have not been used by the TSOs will be passed on to network users through the CRCP. This specific incentive-based regulation has been presented by CRE in the public consultation of 25 February 2016;
- expenses related to action plans aimed at lifting residual congestion following the creation of the single marketplace: GRTgaz is working on the implementation of mechanisms to resolve any congestion that might subsist after the zone merger, and discussions in Concertation Gaz will continue after the ATRT6 tariff deliberation. GRTgaz wishes for the creation of a fast-recovery, non-tariff-related financial neutrality account based on the balancing neutrality account, to cover the costs generated by the mechanisms in question. At this stage, CRE considers that this point must be addressed within the framework of Concertation Gaz and does not wish to cover this item through the CRCP before this phase of discussion with market participants after which CRE will decide the tariff handling of those expenses;
- expenses related to the plan to limit the impact of the maintenance programme on capacity offered to shippers, for which GRTgaz requests full coverage: at this stage, CRE is not in favour of the coverage of this item through the CRCP, and considers that it must be included in the operator's overall productivity, similar to other operating expenses.

Question 13 Are you in favour of CRE's proposals concerning items not covered through the CRCP?

¹ The cumulative imbalance accounts reflects the difference, due mainly to metering errors, between the quantities of gas measured at network entries and those measured at network exits.

4. TARIFF LEVEL

4.1 Review of the ATRT5 period: operating expenses

4.1.1 GRTgaz

Over the ATRT5 period, the net operating expenses¹ incurred by GRTgaz were generally lower than the operating expenses forecast in the trajectory set by the tariff:

In current €M	2013 Actual	2014 Actual	2015 Actual
Operating expenses set by the ATRT5 tariff	767	740	746
Actual net operating expenses*	701	697	722
Differences	-65	-43	-24
- Including the difference related to the items included in the CRCP	-23	-0.2	6
- including the difference related to items not included in the CRCP	-42	-43	-30

*The actual trajectory includes the tax credit for competitiveness and employment (CICE).

During the 2013-2015 period, the cumulated difference between the ATRT5 tariff trajectory and the actual trajectory was €133 M, i.e. -5.9 % compared to forecast expenses.

The difference related to items in the CRCP (energy costs, income from CCGT connections and service contract with TIGF) represented €18 M of the total €133 M. The difference corresponding to the operating expenses not included in the CRCP (kept by GRTgaz) therefore totalled €115 M for the 2013-2015 period.

The main differences, excluding items in the CRCP, are due in particular to:

- staff costs borne by GRTgaz that were lower than tariff forecasts because of, on the one hand, the effects of the company's adjustments aimed at anticipating the end of major investment projects ("volume" effect), and on the other hand, changes seen in the social statutory charges and pension obligations that were lower than expected ("price" effect) ;
- the CICE income, of an average €2.2 M per year ;
- income from refundable services that were higher than tariff forecasts, in connection with major railroad and highway infrastructure projects and regulatory compliance programmes (construction and modification of structures refunded by third parties).

4.1.2 TIGF

Over the ATRT5 period, the net operating expenses incurred by TIGF were generally lower than the operating expenses provided for in the trajectory set by the tariff:

In current €M	2013 Actual	2014 Actual	2015 Actual
Operating expenses provided for by the ATRT5 tariff	64	71	74
Actual net operating expenses	63	68	71
Differences	-1	-3	-3
- including the difference related to the items included in the CRCP	6	2	-1
- including the difference related to items not included in the CRCP	-7	-5	-2

During the 2013-2015 period, the cumulated difference between the net operating expense trajectory set by CRE and the actual trajectory was €8 M, i.e. -3.7 % compared to forecast expenses.

The difference related to items in the CRCP (energy costs and service contract with GRTgaz) led TIGF to receive €7 M. The difference corresponding to the operating expenses not included in the CRCP (kept by TIGF) therefore totalled €15 M for the 2013-2015 period.

The main differences, excluding items in the CRCP, are due in particular to :

- the setting up by TIGF of a proactive policy to reduce network surveillance and inspection costs ;

¹ Net operating expenses are defined as gross operating expenses from which operating income is deducted (mainly income from connection and services for third parties).

- optimisation of the replacement programme for the preventive maintenance of machines: within the framework of this programme, TIGF was required to review the relevancy of its machine replacement programme and postponed some of these replacements initially scheduled for the ATRT5 period ;
- the sale of TIGF by Total in 2013, which led to a delay of some projects.

4.1.3 Summary

Over the 2013-2015 period, for both operators, the costs recorded were lower than the ATRT5 projected cost trajectory. Incentive-based regulation for operating expenses is aimed, by leaving operators with 100% of any differences between the actual trajectory and the ATRT5 projected trajectory, at encouraging them to improve their efficiency over the tariff period.

The level of efficiency so demonstrated will be taken into account by CRE to establish the next tariff, so that network users benefit from GRTgaz's and TIGF's productivity gains.

For the ATRT6 tariff, CRE plans to continue applying the incentive-based regulation currently in place.

Moreover, some of the differences are paNTRY due to forecast errors during the setting of the ATRT5 tariff rather than actual productivity gains. It highlights the information asymmetry between the TSO and the regulator during the setting of the ATRT5 tariff.

Therefore, CRE considers that the level of expenses recorded over the 2013-2015 period must be the point of reference for the construction of the ATRT6 operating expenses trajectory.

Question 14 Are you in favour to continue applying the incentive-based regulation mechanism for TSOs' operating expenses, under which operators are left with 100% of gains and losses when differences occur with the planned trajectory?

4.2 GRTgaz's request

4.2.1 Forecast operating expenses

GRTgaz forwarded its operating expenses forecast for the next tariff period. The operator constructed its forecasts by distinguishing:

- base expenses corresponding to the costs associated with a like-for-like scope of activity compared to the ATRT5 period ;
- costs associated with the "GRTgaz 2020" project, corresponding to new obligations and ambitions to support energy transition.

- **Overall trajectory requested by GRTgaz for the ATRT6 tariff**

The forecast net operating expenses, presented by GRTgaz for the 2017-2020 ATRT6 period, are as follows:

In current €M	2015 Actual *	2017	2018	2019	2020
Net operating expenses	738	819	851	878	902

*the actual 2015 value was restated for the refund of "3R" (repair, renewal and replacement) expenses (impact of €15.7 M) in order to keep a like-for-like basis with the 2017-2020 period.¹

For net operating expenses, GRTgaz's request would lead to an increase of +€81.7 M in 2017, i.e. +11.1 % compared to the actual 2015 value on a like-for-like basis. Excluding energy, there is a +13.5 % increase between the actual 2015 value and the request for 2017. Over the 2017-2020 period, net operating expenses then increase by an average +3.2 % per year.

The significant increase requested for 2017 is shared between the variation in the expense base (+€40 M) and the request associated with the GRTgaz 2020 project (+€42 M).

¹ CRE deliberation of 10 March 2016 deciding on the equalised tariff for the use of GRDF's public natural gas distribution networks ; "3R" expenses incurred by the TSOs to carry out repairs, replacements and renewals of delivery stations and expenses associated with the maintenance of connections at PITDs will no longer be reimbursed by GRDF and the LDCs as from 2017.

- **Evolution of base expenses**

GRTgaz presented its request highlighting base expenses corresponding to the costs associated with like-for-like activity compared to the ATRT5 period :

In current €M	2015 Actual *	2017	2018	2019	2020
Base	738	778	790	822	850

*the actual 2015 value was restated for the refund of "3R" (repair, renewal and replacement) expenses (impact of €15.7 M) in order to keep a like-for-like basis with the 2017-2020 period.¹

To explain the increase in the base expenses between the actual 2015 value and its request for 2017 by €40 M (i.e. roughly +5 %), GRTgaz underlines the main developments below :

- +€10 M for the "industrial system" item, explained mainly by the launch of projects for the treatment of special network points, expenses generated by the commissioning of new structures, the changes in measurement policies, dismantling of the Arleux station and revision of hazard assessments ;
- +€7 M for the "taxes" item, justified by the increase in different taxes ;
- +€3 M for the "operational support" item, justified in particular by an increase in maintenance and work expenses at sites ;
- -€10 M for the operating income item, explained mainly by the drop in technical services performed for third parties (i.e. an upward effect on net operating expenses).

Over the 2017-2020 period, base expenses then increase by 3 % per year.

For the ATRT6 period, GRTgaz also stated that it included productivity efforts in its trajectory concerning items over which it considers that it has some latitude, in the amount of an average €8 M per year.

- **Energy purchases**

GRTgaz's request concerning energy costs (gas, electricity and CO₂) are based on the assumption of supply scenarios similar to those seen in 2015: low flows with Spain enabling the lessening of tightness at the North-South link, high send-out at the Dunkerque PIR and the Taisnières H PIR, while remaining low from the Montoir LNG terminal and stable in the Fos LNG terminals. GRTgaz plans to start send-out from the Dunkerque terminal at the end of 2016. It maintains a high cumulative imbalance forecast, because the flow scenarios observed are being maintained.

Assumptions concerning market price developments adopted by GRTgaz lead to an increase in the weighted average cost of gas by approximately 2.8 % per year. The price of electricity increases significantly in 2017 (+7 %) given the increase in the tax contribution to the public electricity service and the elimination of its annual limit; afterwards, it increases by 0.9 % per year.

Lastly, GRTgaz intends to use its stock of CO₂ allowances until it runs out in 2019, and then acquire the necessary allowances in 2020.

	2015 Actual	2017	2018	2019	2020	ATRT6
Gas (€M)	74	81	85	81	82	330
Volumes (GWh)	2,942	3,178	3,108	3,104	3,106	12,496
Electricity (€M)	29	30	31	31	28	120
Volumes (GWh)	412	396	396	396	396	1,584
CO ₂	-	-	-	-	5.1	5.1
Total energy expenses	108	112	115	112	116	455

- **GRTgaz 2020 project**

GRTgaz's request also includes the GRTgaz 2020 project, which leads to a change in the scope of the upcoming tariff period (the content of this project is described in more detail in section 4.2.4 of the present consultation) :

In current €M	2017	2018	2019	2020
GRTgaz 2020 project	42	61	56	52

4.2.2 Weighted average cost of capital

The request made by both TSOs was established using a WACC identical to that of the current ATRT5 tariff, which stands at 6.5 % (real, pre-tax). This request is based on the conclusions of a study commissioned by both TSOs from an external consultant.

4.2.3 Normative capital expenses

GRTgaz's normative capital expenses request for the ATRT6 period is as follows:

In current €M	2017	2018	2019	2020
GRTgaz's request (WACC at 6.5 %)	1,120	1,140	1,203	1,199

The trajectory of GRTgaz's capital expenses is based on investments already made as well as investments forecast for the ATRT6 period, with a remuneration rate of 6.5 % (real, pre-tax).

In current €M	2017	2018	2019	2020
"Base" investments	672	441	368	347
<i>Among which Val de Saône and Gascogne-Midi</i>	327	141	25	-
"Probabilised major projects" investments	19	52	80	208
GRTgaz 2020	68	92	84	85
Total investments	759	585	532	640

The ATRT6 period is marked by the slowdown in GRTgaz's investment expenses, with average expenses at €629 M per year over this period, while they stood at roughly €660 M per year during the ATRT5 period.

Over the next tariff period, GRTgaz forecasts in particular an investment peak in 2017, in connection with works on the Val de Saône and Gascogne-Midi projects, needed for the creation of the single marketplace. The trajectory of network development investments then decreases until 2019, then re-increases in 2020 under the effect of several projects probabilised by GRTgaz, such as the reinforcement necessary to the MidCat project (Eridan, Est Lyonnais) or the creation of firm capacities towards Germany. However, these major projects, occurring at the end of the tariff period, generate very low capital expenses during the ATRT6 period.

Network maintenance investments are set to increase slightly in 2019, in connection with the launch of renovation projects and projects to bring two compression stations up to standard.

4.2.4 GRTgaz 2020 project

In its tariff request, GRTgaz specified its GRTgaz 2020 corporate plan. This project is divided into the operator's new obligations (regulatory, environmental, etc.) and its new ambitions for the ATRT6 period. It concerns operating expenses, but also investments in IT systems, such as for equipments.

GRTgaz therefore has a breakdown of some 30 cost items, structured around four axes :

- **"A player engaged in an ambitious and sustainable energy transition"** : GRTgaz wishes to "promote the future's green gas production lines and energy transition". This axis includes in particular the development of first-generation, second-generation (gasification) and third-generation (cultivation of micro-algae) biomethane.

Moreover, GRTgaz wishes to encourage the emergence of the Power to gas project, offer support to research and innovation concerning green gas, directly or indirectly, through the creation of an R&D certificate mechanism, but also to back research into CO₂ transport and hydrogen transport and separation.

It also intends to promote high-performance uses for natural gas, by offering support to the mobility sector, as well as to high-performance uses of gas in industry. Lastly, GRTgaz wishes to "reinforce communication in a modernised energy landscape that is continuing its transformation" through an advertising campaign "image of natural gas", to the amount of €6 M per year.

- **"An exemplary industrial player in terms of energy transition"** : GRTgaz wishes to set up an "exhaustive monitoring of green-house gas emissions" linked to management of the network. It wishes to undertake an action programme to reduce fugitive emissions from installations, including the purchase of two mobile gas boosters to enable it to expand gas recovery during decompression operations.

GRTgaz would also like to optimise its system consumption and energy recovery, by implementing local energy-saving solutions. In addition, it would like to produce renewable electricity using its network, by recycling energy that can be recovered through the installation of generators in replacement of the traditional regulators at certain sites, and by using "its construction land [...] to produce electricity from photovoltaic panels".

- **"An independent operator"** : GRTgaz wishes to open a representative office and lobbying bureau in Brussels "in order to influence discussions that are more numerous, more political and more technical than before". It also considers that its legal division must be strengthened to enable it to address all of the matters related to the shipper activity.

In addition, in order to comply with CRE's request made in its deliberation of 25 March 2015¹ to examine alternative solutions to the use of ENGIE's gas and new energy research and innovation centre (CRIGEN), GRTgaz proposes to separate its R&D activities from those of Engie by taking in CRIGEN's R&D teams that essentially work for GRTgaz. Moreover, to adapt to market developments, GRTgaz wishes to develop its economic studies on the one hand, and set up a new flow model on the other, enabling shippers, which currently no longer make long-term commitments due to the lack of a relevant price signal, to have an integrated view of the market.

- **"An operator that adapts to developments in its environment"** : In this axis, GRTgaz includes the consequences of technical regulatory changes (seismic, mapping, inspection and renovation programme, etc.), but also the costs associated with the implementation of the Tulipe project relating to conversion of the B network into H gas.

In addition, GRTgaz wishes to modernise its network drawing on digital technology. The ZEFIR project, conducted in cooperation with TIGF, must enable GRTgaz "to design a simple and competitive offer, built in conjunction with its customers". GRTgaz also proposes a stock optimisation project, in the perspective of the cost reduction associated as from 2020. Lastly, in 2015 GRTgaz was designated an Operator of Vital Importance, and includes in this axis the costs to strengthen the safety of its installations.

Question 15 What do you think about the GRTgaz 2020 project presented by GRTgaz ?

4.2.5 CRCP

Definitive CRCP for 2015 and estimate for 2016

GRTgaz's definitive CRCP balance for the year 2015 is -€23.9 M, representing a difference of €0.2 M compared to the CRCP estimate for 2015 made in the ATRT5 tariff update of 10 December 2015 (-€23.7 M). This amount is to be passed on to customers by GRTgaz.

¹ CRE deliberation of 25 March 2015 deciding on the approval of contracts signed between GRTgaz and the vertically integrated enterprise or the companies under its control within the framework of the independence obligations set out in the Energy code.

The CRCP balance for the year 2016 is estimated by GRTgaz at -€60.4 M in mid-July 2016. This amount is to be passed on to customers by GRTgaz.

End 2015, the updated CRCP amount remaining to be settled for the previous years¹ was -€56.0 M. By adding to that amount the updated difference for the definitive CRCP for 2015 (i.e. -€0.2 M) and the CRCP estimated for 2016 (i.e. -€60.4 M), the global actualised amount to be passed on to customers by GRTgaz is -€116.6 M. The clearing of this amount over four years leads to decreasing GRTgaz's allowed revenue by €32.1 M each year.

Report on GRTgaz's CRCP for the ATRT5 period and request for the ATRT6 period

In current €M	2013	2014	2015	2016 (estimate)	2017 (request)
CRCP amount	-9.2	-62.1	-25.0	-60.4	
Clearing of one quarter of the overall amount	2.2	-4.5	-18.1	-20.2	-32.1

GRTgaz's CRCP was negative for the ATRT5 period, leading to increasingly negative annual installments. Capital expenses were in fact lower than forecasts for the period, due to actual inflation that was lower than forecast and postponement of investment projects. GRTgaz's energy expenses were also lower than forecast, since it benefited favourable price effects at the end of the period. These effects were slightly offset by income from subscriptions and connections that were lower than expected.

In its tariff request for ATRT6, GRTgaz takes into account the annual installment of -€32.1 M resulting from the CRCP balance remaining to be cleared for the ATRT5 period.

4.2.6 Consideration of the tariff time lag

Each year CRE calculates the TSOs' tariff change on a calendar year basis : to obtain the tariff change for year Y, it compares the allowed revenue for year Y with forecast subscriptions for year Y valued at the current tariff. The tariff change thus calculated is applied as from 1 April of year Y, until 1 April Y+1, i.e. with a three-month time lag compared to the calendar year. The difference between the subscriptions of the first quarter of year N and of the first quarter of year Y +1 causes a difference between the TSOs' allowed revenue for year Y and its tariff income.

GRTgaz estimates the cost of the tariff gap at roughly €77.5 M for the ATRT5 period and requests that it be covered retroactively in the ATRT6 tariff, through an increase in the allowed revenue to be received for the years 2017 and 2018.

In addition, it requests a change in method in the future, so as to collect its allowed revenue on a calendar year basis and not on an April-to-April basis.

4.2.7 Forecast capacity subscriptions

GRTgaz has submitted two capacity subscription trajectories :

- a "reference" scenario

% of change in capacity subscription per year	2017	2018	2019	2020	Average change
Main network	+0.4 %	-1.1 %	-2.0 %	-2.2 %	-0.8 %
Regional network	-1.4 %	-1.5 %	-2.5 %	-1.8 %	-1.7 %
Total	-0.5 %	-1.3 %	-2.3 %	-2.0 %	-1.3 %

- an "optimistic" scenario

% of change in capacity subscription	2017	2018	2019	2020	Average change

¹ The CRCP balance is cleared over a period of four years, at the nominal pre-tax risk-free rate of 4%.

per year					
Main network	+1.2 %	-0.6 %	-1.3 %	-0.5 %	+0.0 %
Regional network	-0.9 %	-0.7 %	-1.3 %	+0.1 %	-0.8 %
Total	+0.1 %	-0.6 %	-1.3 %	-0.2 %	-0.4 %

4.2.8 Inclusion of the transfer of 3R expenses

In its initial request, GRTgaz did not include the transfer of the connection expenses as well as the replacement, renewal and repair expenses of the delivery stations, related to gas distribution/transmission network connection structures, from the ATRD tariff to the ATRT tariff. This transfer was introduced by the deliberation of 18 February 2016¹.

GRTgaz presented the amounts in question in its tariff file, but did not use them to calculate the allowed revenue for the ATRT6 period, wishing to present the requested tariff change "excluding scope and tariff structure effects".

In sections 4.2.1 and 4.2.9 of the present public consultation, CRE took into account this transfer of expenses, by adding it to GRTgaz's initial request.

In current €M	2017	2018	2019	2020	Avg.
Amount of 3R income (GRDF and LDC)	16.7	16.9	17.0	17.8	17.1

Changes in the allowed revenue and the average tariff in GRTgaz's initial request and adjusted for the transfer of 3R expenses are presented in the following section.

4.2.9 Tariff development

GRTgaz's requests lead to an increase in allowed revenue by an average +3.7 % per year over the ATRT6 period.

Change in allowed revenue:

¹ CRE's draft decision of 18 February 2016 on the equalised tariff for the use of GRDF's public natural gas distribution networks.

In current €M	2016 tariff	2017	2018	2019	2020	Avg- ATRT6
Net OPEX – GRTgaz's initial request	720	803	835	861	885	846
Net OPEX adjusted for 3R transfer		819	851	878	902	863
Normative capital expenses	1,142	1,120	1,140	1,203	1,199	1,165
CRCP clearance	-20.2	-28.4 ¹	-32.1	-32.1	-32.1	-31.2
Collection of the ATRT5 tariff lag	-	19.4	58.1	-	-	38.7
Allowed revenue – GRTgaz initial request	1,842	1,913	2,000	2,032	2,051	1,999
Allowed revenue – adjusted for 3R transfer		1,930	2,017	2,049	2,068	2,016
Change in allowed revenue – GRTgaz initial request	-	+3.7 %	+4.5 %	+1.6 %	+1.0 %	+3.3 %
Change in allowed revenue – adjusted for 3R transfer	-	+4.6 %	+4.5 %	+1.6 %	+1.0 %	+3.7 %

This change in allowed revenue, combined with the subscription trajectories forecast by GRTgaz lead to an increase in the average tariff ranging from **+4.5 % to +5.3 %** per year on average over the period, taking into account the capacity subscription trajectories presented (“reference” or “optimistic”), excluding scope and structure effects².

%	2017	2018	2019	2020	ATRT6 tariff
Average tariff change – GRTgaz initial request*	+6.0 %	+5.0 %	+2.3 %	+0.8 %	+4.5 %
Average tariff change – adjusted for 3R transfer*	+7.3 %	+4.6 %	+2.4 %	+0.7 %	+4.9 %

*The average tariff change is the result of the annual change in the allowed revenue, the annual change in capacity subscriptions and the effects of the time lag related to the change in tariffs as at 1 April of each year and not 1 January.

¹ To the annual CRCP installment of -€32.1 M is added €3.7 M related to the coverage of the shortfall for GRTgaz, due to not receiving, as long as the Dunkerque terminal is not in service, the fee due by Fluxys for a shipping service carried out by the French TSO. The coverage of this shortfall is planned in the deliberation of 12 July 2011 deciding on the conditions for connection of the Dunkerque LNG terminal and the development of a new interconnection with Belgium at Veurne.

² This request does not take into account the structure effects (creation of the single marketplace, reform of regional pricing, etc.).

4.3 TIGF's request

4.3.1 Forecast operating expenses

The forecast net operating expenses, presented by TIGF for the 2017-2020 ATRT6 period, are as follows :

In current €M	2015 Actual	2017	2018	2019	2020
Net operating expenses	71	76*	77*	85*	88*

*TIGF did not take into account in its request the transfer of "3R" expenses (see 4.3.7).

For net operating expenses, TIGF's request would lead to an increase of +€5.7 M in 2017, i.e. +8.0 % compared to the actual 2015 value. Excluding energy, there is a +9.9 % increase between the actual 2015 value and the request for 2017. Over the 2017-2020 period, net operating expenses then increase by an average +4.9 % per year.

TIGF forecasts a major increase in operating expenses in 2019 to deal with the consequences of the single marketplace.

The item "staff and common resources" accounts for most of the increase requested by TIGF.

- **Energy purchases**

TIGF's request concerning energy expenses (gas, electricity and CO₂) is based on the assumption that fuel consumption needs will increase once the single marketplace is created, in connection with the emergence of new transit routes in the TIGF to GRTgaz direction. The cumulative imbalance remains stable.

Assumptions concerning market price developments adopted by TIGF lead to an increase in the weighted average cost of gas by approximately +1.8 % per year. The price of electricity increases significantly in 2017 (+9 %) given the increase in the tax contribution to the public electricity service and the elimination of its annual limit; afterwards, TIGF forecasts a drop in purchase prices (-2.2 % per year).

At the tariff mid-term, TIGF forecasts the commissioning of two electric compressors, which generates a shift of some gas consumption to electricity consumption as from 2019.

Lastly, TIGF intends to use its stock of CO₂ allowances until it runs out in 2019, and then acquire the necessary allowances.

In current €M	2015 Actual	2017	2018	2019	2020	ATRT6
Gas (€M)	8	7	7	7	7	27
Volumes (GWh)	311	337	336	298	298	1,269
Electricity (€M)	1	2	2	5	5	13
Volumes (GWh)	11	12	13	40	43	108
CO ₂	-	-	-	0.1	0.4	0.5
Total energy expenses	9	9	9	11	12	41

4.3.2 Weighted average cost of capital

The request made by both TSOs was established using a WACC identical to that of the current ATRT5 tariff, which stands at 6.5 % (real, pre-tax). This request is based on the conclusions of a study commissioned by both TSOs from an external consultant.

4.3.3 Normative capital expenses

TIGF's normative capital expenses request for the ATRT6 period is as follows:

In current €M	2017	2018	2019	2020
TIGF's request (WACC at 6.5%)	177	184	195	202

In current €M	2017	2018	2019	2020
"Base" investments	106	144	97	64
<i>among which Gascogne-Midi</i>	40	61	20	-
"Midcat" project	2	6	14	70
Total investments	108	150	111	134

TIGF's investment expenses at the start of the ATRT6 period are mainly related to the Gascogne-Midi project, necessary for the creation of the single marketplace. TIGF also forecasts, from 2018 to 2020, investment expenses related to the reinforcement of the AGU compression station. Lastly, it forecasts at the end of the ATRT6 period, some initial material purchases for developing the MidCat interconnection between France and Spain.

4.3.4 Research and innovation (R&I)

TIGF proposes, within the framework of ATRT6, the setting up of a research and innovation strategy, steered by a manager, which is a new creation.

The trajectory is composed of, on the one hand, the operating expenses necessary for research, and on the other hand, the capital expenses, for the rollout of new tools. TIGF forecast a budget of €4.2 M per year on average on period ATRT6 for R&I.

The research and innovation axes essentially cover network integrity, as it pertains to either network surveillance or maintenance.

In addition, within the framework on the law on energy transition for green growth, TIGF intends to implement a programme to optimise energy consumption, through the use of compression stations, reduced gas venting, and stand-alone power generation at certain points in the network. It plans to conduct studies into biomethane and the conditions for injection in its network. In a longer-term perspective, TIGF intends to look into hydrogen injection in its network. It is participating, in particular, in the Jupiter 1000 project coordinated by GRTgaz (Power to gas project leading to the injection of hydrogen and methane into the natural gas transmission network).

Question 16 What do you think about the R&I programme presented by TIGF ?

4.3.5 CRCP and consideration of the tariff time lag

Definitive CRCP for 2015 and estimate for 2016

TIGF's definitive CRCP balance for the year 2015 is -€2.9 M, down €0.4 M compared to the CRCP estimate for 2015 made in the ATRT5 tariff update of 10 December 2015 (-€2.5 M). This amount is to be passed on to customers by TIGF.

The CRCP balance for the year 2016 is estimated by TIGF at -€1.5 M in mid-July 2016, to be passed on to customers.

Similar to GRTgaz (see 4.2.6 Consideration of the tariff time lag), TIGF has requested retroactive coverage of the difference linked to the tariff time lag for the ATRT5 period, assessed at €12.9 M. It proposes inclusion of this amount in the CRCP for 2016. Therefore, €12.9 M for the time lag difference is added to the -€1.5 M in the CRCP for 2016 estimated by TIGF, i.e. a sum of €11.4 M to be received by TIGF.

In addition, TIGF requests a change in method in the future, so as to collect its allowed revenue on a calendar year basis and not on an April-to-April basis.

End 2015, the updated CRCP amount remaining to be settled for the previous years¹ was -€5.4 M. By adding to that amount the updated difference for the definitive CRCP for 2015 (i.e. -€0.4 M) and the CRCP estimated for 2016 (i.e. €11.4 M including the request for coverage of the amount relating to the time lag difference), the global actualised amount to be received by TIGF is €5.7 M. Clearing of this amount over four years results in giving TIGF €1.6 M each year, by increasing its allowed revenue.

Review of TIGF's CRCP over the ATRT5 tariff and its ATRT6 request

In current €M	2013	2014	2015	2016 (estimate)	2017 (request)
CRCP amount	-11.5	-2.5	-4.7	-7.1	
Clearing of one quarter of the overall amount	-3.2	-0.7	-1.3	-1.9	1.6

TIGF's CRCP was negative over the ATRT5 period. Capital expenses were lower than forecasts, due to actual inflation that was lower than forecast and the postponement of investment projects. This effect was partially offset by energy expenses higher than forecast, due in particular to the lack of cumulative imbalance trajectory at the start of the period. Subscription income was also lower than forecast in general over the period.

In its tariff request for ATRT6, TIGF takes into account the annual installment of €1.6 M resulting from the CRCP balance remaining to be cleared for the ATRT5 period and requests coverage of the time lag difference for the ATRT5 period.

4.3.6 Projected capacity subscriptions

TIGF forecasts a drop in capacity subscriptions by 1.5% in 2017, which should nearly stabilise afterwards during the ATRT6 period.

% of change in capacity subscriptions per year	2017	2018	2019	2020	Average change
Main network	-0.1 %	-0.1 %	0.0 %	0.0 %	-0.1 %
Regional network	-2.9 %	0.0 %	0.0 %	0.0 %	-1.2 %
Total	-1.3 %	-0.1 %	0.0 %	0.0 %	-0.5 %

4.3.7 Inclusion of the transfer of 3R expenses

In its initial request, TIGF did not include the transfer of the connection expenses as well as the replacement, renewal and repair expenses of the delivery stations, related to gas distribution/transmission network connection structures, from the ATRD tariff to the ATRT tariff. This transfer was introduced by the deliberation of 18 February 2016².

In section 4.3.8 of the present public consultation, CRE took into account this transfer of expenses, by adding it to TIGF's initial request. This adjustment was also recommended by the external consultant in its operating expenses audit.

In current €M	2017	2018	2019	2020	Avg.
Amount of 3R income (GRDF)	3,6	3,7	3,7	3,7	3,7

¹ The CRCP balance is cleared over a period of four years, at the nominal risk-free rate of 4% before tax.

² CRE's draft decision of 18 February 2016 on the equalised tariff for the use of GRDF's public natural gas distribution networks.

Changes in the allowed revenue and the average tariff in TIGF's request and adjusted for the transfer of 3R expenses are presented in the following section.

4.3.8 Tariff development

TIGF's requests lead to an increase in allowed revenue by an average +4.1 % per year over the ATRT6 period.

Change in allowed revenue:

In current €M	2016 tariff	2017	2018	2019	2020	Avg. ATRT6
Net OPEX – TIGF's initial request	72	76	77	85	88	82
Net OPEX adjusted for 3R transfer		80	81	89	92	85
Normative capital expenses	177	177	184	195	202	189
CRCP clearance	-1.9	1.6	1.6	1.6	1.6	1.6
Allowed revenue – TIGF's initial request	246	255	262	281	292	272
Allowed revenue – adjusted for 3R transfer		259	266	285	296	276
Change in allowed revenue – TIGF initial request		+3.4 %	+2.8 %	+7.3 %	+3.8 %	+4.1 %
Change in allowed revenue – adjusted for 3R transfer		+4.9 %	+2.8 %	+7.3 %	+3.8 %	+4.6 %

This change in allowed revenue, combined with the subscription trajectories forecast by TIGF, leads to an average +5.1 % increase per year in the average tariff over the period.

%	2017	2018	2019	2020	Avg. ATRT6
Average tariff change – TIGF initial request*	+6.4 %	+1.8 %	+9.1 %	+2.2 %	+5.1 %
Average tariff change – adjusted for 3R transfer*	+8.3 %	+1.2 %	+9.2 %	+2.1 %	+5.7 %

*The average tariff change is the result of the annual change in the allowed revenue, the annual change in capacity subscriptions and the effects of the time lag related to the change in tariffs as at 1 April of each year and not 1 January.

4.4 CRE's preliminary analysis

4.4.1 Weighted average cost of capital: results of the external audit and CRE's preliminary analysis

- Methodology

The deliberation of 13 December 2012 deciding on the tariff for the use of the natural gas transmission networks specifies the methodology for calculating capital expenses. They have two components: a depreciation component and a financial return on fixed capital. The calculation of these two components is established based on the valuation and evolution of assets operated by GRTgaz and TIGF – the regulated asset base (RAB) – and assets under construction (i.e. investments made which have not yet given rise to the commissioning of assets).

The RAB is composed of all of the assets used by GRTgaz and TIGF, adjusted, in particular, for public investment subsidies. Once included in the RAB, the value of assets is re-valued as at 1 January of each year to take into account actual inflation. Assets are depreciated using the straight-line method on the basis of their standard lifetime.

The lifetimes retained for the main categories of industrial assets are:

- 50 years for pipelines and connections;
- 30 years for delivery and metering stations as well as pressure-reduction stations;
- 30 years for compression;
- 10 years for ancillary installations;
- 30 years for real estate and constructions.

Some categories of assets are treated specifically:

- vehicles, amenities, micro-computing material, small equipment etc., are taken into account at their net book value (no re-valuation);
- land is included based on its non-depreciated adjusted historic value.

Assets scrapped before the end of their standard lifetime are removed from the RAB and produce neither depreciation nor financial return. However, the residual book value of these assets (minus any transfer income), as well as expenses related to technical studies and upstream procedures which cannot be capitalised if the projects concerned are not developed, can be included in the expenses to be covered by the tariff. These costs are taken into account on a case-by-case basis, based on well-argued files submitted by the operators to CRE.

The financial return corresponds to the re-valued worth of the RAB multiplied by the rate of return, as well as to the value of assets under construction multiplied by the cost of debt.

CRE plans to take into account the reevaluation of vehicles, amenities, micro-computing material, small equipment requested by GRTgaz as well as GRTgaz's demand for accelerated depreciation over 3 years for assets of the Power to Gas project, which will be commissioned by 2018.

As at 1 January 2016, the value of GRTgaz's RAB was €7,905 M and that of TIGF was €1,327 M. These amounts are different compared to the tariff trajectory which was €8,873 M and €1,366 M respectively, due mainly to actual inflation being lower than initial forecasts, and investment expenses lower than forecast for GRTgaz.

- Analysis of the weighted average cost of capital

Within the framework of ATRT6 preparation, CRE re-examined the assumptions and parameters used to calculate the cost of capital. In particular, it commissioned a study from an external consultant in order to carry out an audit and critical analysis of the TSOs' remuneration requests.

Work conducted by the consultant took place between April and July 2016. The consultant's report is published at the same time as the present public consultation. The consultant estimated the WACC (real, pre-tax) within a range of 3.6 % to 5.8 %, for both TSOs.

In addition, CRE regularly conducts internal assessment work on the parameters of the rate of return.

CRE will use the conclusions of the audit of GRTgaz's and TIGF's requests and all other elements to set the cost of capital for the next tariff period. At this stage, it envisages a value between 4.75 % and 5.5 % (real, pre-tax) as the WACC to calculate the return on the regulated asset base of both operators.

To obtain this range of values, CRE has taken into account, for the most part, an adjustment of the Beta and the significant and sustained drop in interest rates compared to the levels set for previous tariff.

Question 17 Do you agree with CRE's analysis of WACC for GRTgaz's and TIGF's assets?

4.4.2 Capital expenses trajectory

By way of example, by adopting the TSOs' investment trajectories but with a WACC (real, pre-tax) of 5.25 %, a value falling within the range envisaged by CRE at this stage, the potential effect on the forecast trajectories would be as follows :

GRTgaz forecast normative capital expenses (in €M)	2017	2018	2019	2020
GRTgaz's request (WACC at 6.5 %)	1,120	1,140	1,203	1,199
WACC scenario at 5.25 %	1,007	1,024	1,088	1,084

TIGF forecast normative capital expenses (in €M)	2017	2018	2019	2020
GRTgaz's request (WACC at 6.5 %)	177	184	195	202
WACC scenario at 5.25 %	159	165	175	182

Every 25 basis point variation in the WACC (real, pre-taxes) has an average effect of roughly +/-€23 M per year for GRTgaz and +/-€4 M per year for TIGF.

At this stage, CRE envisages to not take into account in the forecast investment trajectory used to set the ATRT6 tariff neither GRTgaz's major probabilised projects, nor TIGF's MidCat project. Capital expenses being taken into account in the CRCP, the corresponding projects therefore could very well be taken into account during the ATRT6 tariff, once they have been approved by CRE. If decided so, an adjusted capital expenses trajectory will be taken into account.

Question 18 What do you think about Capital expenses trajectory presented by the TSOs and about the analysis done by CRE

4.4.3 Operating expenses trajectory : results of the audit and CRE's preliminary analysis

4.4.3.1 Audit of gas TSOs' net operating expenses

In April 2016, CRE commissioned an external auditor to audit the net operating expenses presented by the TSOs. Work was conducted between April and July 2016. The auditor's report, based on the initial version of the operators' requests, is published for each of the operators at the same time as the present public consultation.

The objectives of the audit were as follows :

- to provide expertise on the relevance and justification of the operators' operating expenses trajectory for the next tariff period ;
- assess the actual expenses (2013 to 2015) and forecast expenses (2016 to 2020) ;

- provide recommendations about the efficient level of operating expenses to be taken into account for the ATRT6 tariff.

The auditor particularly based its work on a detailed analysis of the operators' actual operating expenses over the ATRT5 period.

At the end of its work, the auditor recommended the following adjustments to the net operating expenses for ATRT6 presented by the operators :

GRTgaz, in current €M	2017	2018	2019	2020
Adjustments recommended by the external audit	-60	-80	-80	-92
Impact on GRTgaz's request	-7 %	-9 %	-9 %	-10 %

The main adjustments recommended by the consultant break down as follows :

- an average increase in operating income of €10 M per year, mainly linked to the use of the average recorded during ATRT5 to establish the forecast for certain items (downward effect on the net level of expenses to be covered) ;
- a drop by an average €21 M per year in energy expenses, due to a variation in the forecast volumes of gas and electricity and the inclusion of the drop in the market prices of gas during the ATRT5 period ;
- a drop by an average €24 M per year for the GRTgaz 2020 project.

TIGF, in current €M	2017	2018	2019	2020
Adjustments recommended by the external audit (including transfer of 3R expenses)	-1	-6	-8	-10
Impact on TIGF's request	-1 %	-8 %	-9 %	-11 %

The main adjustments recommended by the consultant break down as follows :

- TIGF requests an increase in its common resources within the framework of the setting up of the new Groupe TIGF governance structure, the development of IT systems and a communication plan (brand identity, website, communication tools, etc.). The consultant considers that these new requests by the TSO could be fulfilled on a like-for-like basis and recommends a downward revision of TIGF's request by an average €4.2 M per year ;
- the consultant recommends a downward adjustment of storage expenses (supply protocol between TIGF transmission and TIGF storage) to take into account the impact of the storage access reform on the service price. Considering that the effective renegotiation of the contract will take place only in 2018, the adjustment retained by the consultant is an average €3.7 M per year between 2018 and 2020.

Besides, the consultant recommends a drop by an average €1.4 M per year in staff expenses in the light of the analysis of the TSO's investment programme.

4.4.3.2 Energy expenses

With regard to energy expenses (gas, electricity and CO₂), the external audit recommended downward adjustments to the prices of gas and a change in the TSOs' strategy for the purchase of CO₂ allowances, in order to take advantage of current market conditions which are more favourable. The adjustments recommended represent a total of about -€83.9 M over the ATRT6 period for GRTgaz and -€4.3 M for TIGF.

CRE itself analysed GRTgaz's and TIGF's requests concerning energy expenses. It envisages the following adjustments, which lead to higher adjustments than those proposed by the consultant, totalling -€112.6 M over the ATRT6 period for GRTgaz, and -€7.9 M for TIGF:

- the energy volumes used by compressors have been adjusted to the actual 2015 level ; for TIGF, CRE took into account the creation of the single marketplace which brings new transit routes in the TIGF to GRTgaz direction, resulting in additional consumption of 12 GWh per year ;

- the cumulative imbalance is kept at the same level as in 2015 ;
- the prices of energy were corrected, based on a TTF price projection at €16 per MWh over the ATRT6 period (with an extra €1 at the TRS until the date of creation of the single marketplace) for gas and on the latest electricity purchase campaigns¹. To set tariff ATRT6, CRE will use updated values for electricity and gas prices.

GRTgaz adjusted trajectory	2015	2017	2018	2019	2020	ATRT6
Gas (€M)	74	64	59	59	59	241
Volumes (GWh)	2,942	3,071	3,036	3,034	3,035	12,177
Electricity (€M)	29	25	25	25	25	99
Volumes (GWh)	412	359	371	372	374	1,473
CO ₂ (€M)	-	2.4	-	-	-	2.4
Total adjusted energy expenses (€M)	108	92	84	84	84	342
Adjustment made compared to GRTgaz's request (€M)	-	-20	-32	-29	-32	-113
(%)		-18 %	-27 %	-26 %	-28 %	-25 %

TIGF adjusted trajectory	2015	2017	2018	2019	2020	ATRT6
Gas (€M)	8	6	6	4	4	19
Volumes (GWh)	310	297	294	229	218	1,038
Electricity	1	2	2	5	5	13
Volumes (GWh)	11	12	13	40	43	108
CO ₂ (€M)	-	0.2	-	-	-	0.2
Total adjusted energy expenses (€M)	9	8	7	9	9	33
Adjustment made compared to TIGF's request (€M)	-	-1	-2	-3	-3	-8
(%)		-8 %	-18 %	-22 %	-27 %	-19 %

Question 19 Do you agree with CRE's envisaged adjustment on energy expenses?

4.4.3.3 Summary of CRE's preliminary analysis

The TSOs' request, adjusted for the transfer of 3R expenses, would lead to a major increase in operating expenses excluding energy to be covered by the ATRT6 tariff compared to the level of expenses recorded in 2015 :

- GRTgaz: +13.5 % in 2017, followed by an average +3.2 % increase per year over the 2017-2020 period ;
- TIGF: +9.9 % in 2017, followed by an average +4.9 % increase per year over the 2017-2020 period.

¹ GRTgaz sent to CRE, after its tariff request, new price projections taking into account energy purchase campaigns conducted in the first half of 2016.

At this stage, CRE considers that TSOs' requests are overestimated.

The conclusions of the audit report gave rise to contradictory exchanges with the TSOs during the month of June 2016. The TSOs communicated their views on the results of the consultant's work, and challenged a part of the adjustments recommended by the consultant during the contradictory exchanges.

The level finally adopted by CRE will depend on the results of current analyses of the adjustments recommended by the auditor and of other adjustments envisaged by CRE, as required.

At this stage, CRE considers that the level of operators' net operating expenses could range between "a higher end" corresponding to the operators' request, and a "lower end", established based on :

- all of the conclusions of the external audit of the TSOs' net operating expenses ;
- an additional adjustment by CRE to the "energy" item, for a cumulated amount over the 2017-2020 period of -€28.7 M for GRTgaz and -€3.6 M for TIGF.

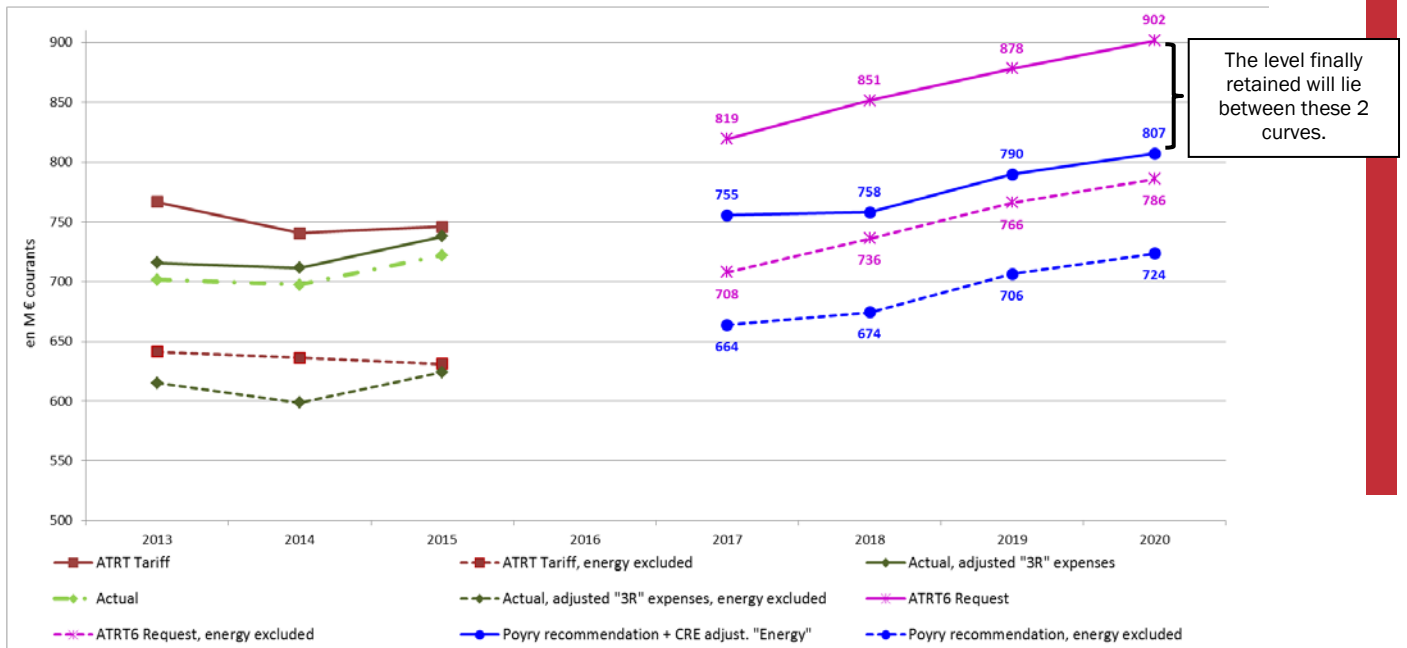
For GRTgaz, the lower end is an average €778 M and the higher end €863 M per year over the 2017-2020 period.

For TIGF, the lower end is an average €74 M and the higher end €82 M per year over the 2017-2020 period.

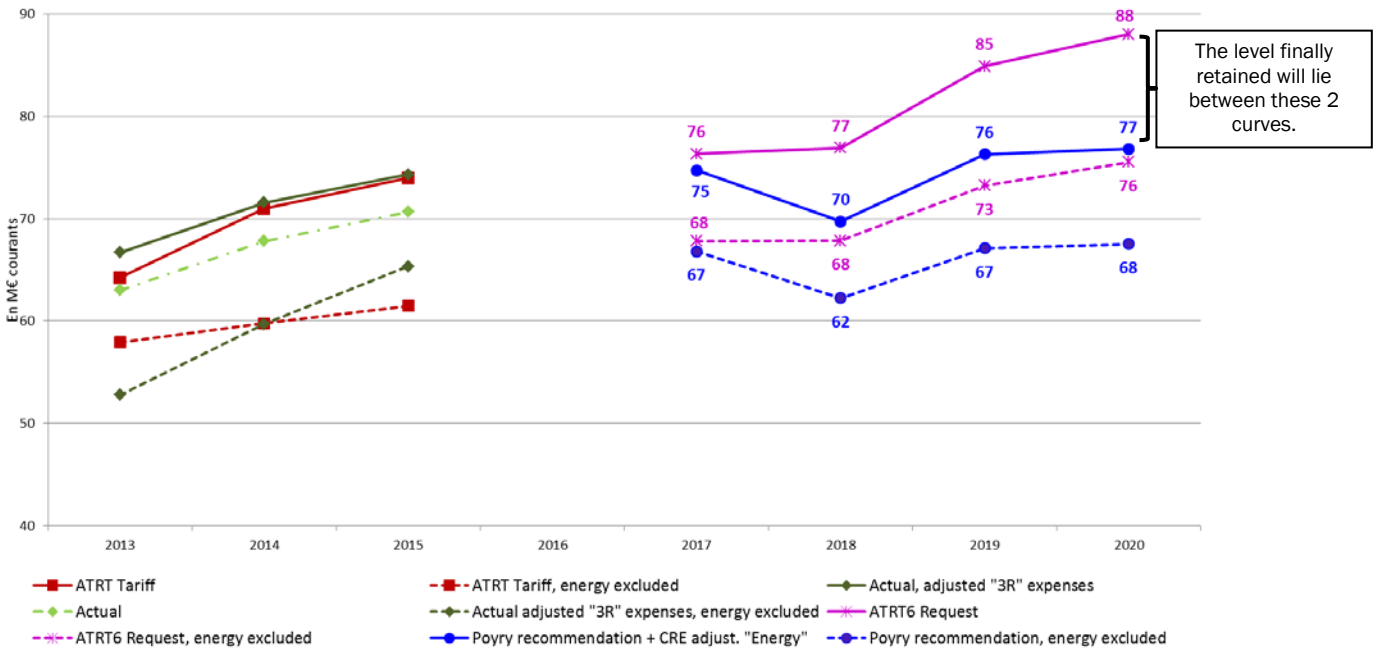
These levels remain significantly higher than those recorded in 2015 which stood at €738 M and €71 M for GRTgaz and TIGF.

The trajectories related to these levels of net operating expenses are as follows :

GRTgaz



TIGF



In addition, CRE requested the transmission system operators to update their tariff requests by 15 June 2016, in order to take into account any new information, public or known by the TSOs at that date, that might have an impact on the tariff trajectories previously forwarded, be it upward or downward.

Taking into account GRTgaz's new requests, sent to CRE early July 2016, would lead to a decrease in the level of net operating expenses to be covered by the tariff by an average €14.6 M per year for GRTgaz, mainly due to a drop in energy expenses paNTRY compensated by an upward correction of capital expenses, operating expenses excluding energy and a decrease in subscriptions.

The new elements sent will be analysed by the auditor and the conclusions will be sent to CRE at the end of July.

Question 20 What do you think about the operators' net operating expenses range envisaged by CRE ?

4.4.4 Bridging the tariff time lag

CRE is not in favour of the retroactive coverage, during the ATRT6 period, of the tariff time lag for the ATRT5 tariff. However, at this stage, it is favourable to a change in method enabling the TSOs to collect their allowed revenue over a calendar year.

4.4.5 Projected subscriptions: little medium-term changes

4.4.5.1 Analysis of GRTgaz's subscription trajectories

- Main network

Multiannual capacity subscriptions made in particular during open seasons will expire progressively, as from 2020. Over the ATRT6 period, long-term subscriptions in the main network drop by roughly 1.2%. The near stability of the first half of the period is in particular supported by the commissioning of the Dunkerque LNG terminal.

GRTgaz envisages two scenarios:

- a "reference" scenario;
- an "optimistic" scenario, in which additional capacity bookings are forecast at the Dunkerque PIR, to continue the estimated level of subscriptions for 2016.

CRE envisages the adoption of at least the "optimistic" subscription trajectory scenario developed by GRTgaz. It is currently carrying out an in-depth analysis of the TSO's assumptions.

- Regional network

The capacity subscription assumptions adopted for the regional network take into account capacity subscriptions at transport-distribution interface points (PITDs) on the one hand, and capacity subscriptions for customers directly connected to the transmission network and for regional network interconnection points (PIRR) on the other hand. To develop its capacity subscription assumptions, GRTgaz used several scenarios concerning the change in gas consumption by 2030:

- the AMS2 scenario established by the energy and climate directorate (DGEC) within the framework of energy transition;
- the scenarios developed by GRTgaz in its ten-year development plan (TYDP) (the reference scenario and two alternative scenarios with a low and high trajectory).

All of these scenarios forecast a drop in gas demand over the ATRT6 period.

In its "reference" scenario, subscriptions for the regional network are dropping by 7.2%, between 2016 and 2020.

GRTgaz used the gas consumption forecasts in the AMS2 scenario, which forecasts a consumption trajectory lower than the other scenarios, due in particular to greater efforts in terms of energy efficiency. Moreover, this scenario is taking into account a drop in the subscriptions of two combined-cycle gas turbines (CCGTs) in 2017 and the mothballing of two CCGTs in 2019.

Alternatively, GRTgaz proposes an "optimistic" subscription scenario, in which it uses the different consumption scenarios in its TYDP:

- for capacity subscriptions at PITDs, it uses the TYDP's reference scenario;
- for industrial customer subscriptions, it uses the lower-end scenario of the TYDP.

GRTgaz has also adopted a drop in subscriptions of two combined-cycle gas turbines (CCGTs) and the mothballing of two CCGTs in 2019.

The assumptions adopted in this scenario lead to a more moderate 3.6% drop in subscriptions between 2016 and 2020.

CRE envisions adopting only the subscription scenarios in GRTgaz's optimistic scenario without taking into account new CCGT mothballing. This proposal leads to a 3.4% drop in subscriptions between 2016 and 2020. CRE is currently carrying out an in-depth analysis of the TSOs' assumptions and will ultimately make the adjustments it deems necessary.

- Summary

Change	2017	2018	2019	2020	ATRT6 per year
Main network	+1.1 %	-0.7 %	-1.5 %	-0.6 %	-0.1 %
Regional network	-0.9 %	-0.8 %	-1.4 %	-0.3 %	-0.9 %
Total	+0.1 %	-0.8 %	-1.4 %	-0.4 %	-0.5 %

4.4.5.2 Analysis of TIGF's subscription trajectory

- Main network

TIGF proposes a trajectory based on stable subscriptions at the Pirineos PIR and does not anticipate any additional long-term booking at Pirineos compared to 2016. The subscription rate is high in the France to Spain direction (88.5%) as in the Spain to France direction (78%). CRE considers that TIGF scenario is relevant.

- Regional network

To develop its subscription assumptions for the regional network, for 2017 TIGF has kept the level of subscription recorded for the months February 2015 to January 2016, which is inferior of around 2.9% compared to 2016 forecast used for the tariff update of the 1 April 2016. This level remains stable between 2017 and 2020 as TIGF forecast a stability of the peak consumption during ATRT6.

At this stage, CRE proposes to adopt TIGF's subscription assumptions for the regional network, which lead to near stable subscriptions between 2016 and 2020.

- Summary

At this stage, CRE envisages:

Change	2017	2018	2019	2020	AARG
Main network	-0.1 %	-0.1 %	0.0 %	0.0 %	-0.1 %
Regional network	-2.9 %	0.0 %	0.0 %	0.0 %	-1.2 %
Total	-1.3 %	-0.1 %	0.0 %	0.0 %	-0.5 %

CRE is currently carrying out an in-depth analysis of the TSOs' assumptions and will ultimately make the adjustments it deems necessary.

4.4.6 Summary: range of tariff changes envisaged

At this stage, CRE has some elements of analysis provided in the audit reports on the TSOs' operating expenses and on the rate of return on their capital.

In the following tables, CRE presents a range of possible tariff changes for each of the TSOs, by adopting:

- for capital expenses: by way of example, a WAAC of 5.25%;
- for operating expenses: a higher-end range corresponding to the operators' request, and a lower-end range corresponding to the adjustments made by the auditor, to which is added an additional energy cost revision, envisaged by CRE;
- for bridging the tariff time lag: GRTgaz's and TIGF's request to cover the tariff time lag for the ATRT5 period is not adopted by CRE;
- for subscriptions: GRTgaz's "optimistic" trajectory (request corresponding to the central scenario of the 2015 development plan) and the trajectory requested by TIGF.

The tariff changes which will be contained in the ATRT6 tariff decision will be determined based on CRE's analyses of the TSOs' requests and the recommendations made by external auditors concerning operating expenses and the rate of return on GRTgaz's and TIGF's assets.

GRTgaz -In current €M	Tarif 2016	2017	2018	2019	2020	Avg. ATRT6
Net OPEX lower end	720	755	758	790	807	778
Net OPEX higher end		819	851	878	902	863
Normative capital expenses	1,142	1,007	1,024	1,088	1,084	1,051
CRCP clearance and Fluxys fee	-20.2	-28.4 ¹	-32.1	-32.1	-32.1	-31.2
Allowed revenue lower end	1,842	1,734	1,750	1,846	1,859	1,797
Allowed revenue higher end		1,798	1,843	1,935	1,953	1,882
Change in allowed revenue – lower end	-	-6.0 %	+0.9 %	+5.5 %	+0.7 %	-1.0 %
Change in allowed revenue – higher end	-	-2.5 %	+2.5 %	+4.9 %	+1.0 %	+0.9 %
Average tariff change – lower end	-	-7.1 %	+4.5 %	+7.6 %	-1.1 %	-0.3 %
Average tariff change – higher end	-	-2.4 %	+5.0 %	+6.8 %	-0.5 %	+1.7 %

¹ To the annual CRCP instalment of €-32.1 M is added €3.7 M related to the coverage of the loss for GRTgaz, due to not receiving, as long as the Dunkerque terminal is not in service, the fee due by Fluxys for a shipping service carried out by the French TSO. The coverage of this loss is provided for in the deliberation of 12 July 2011 deciding on the conditions for connection of the Dunkerque LNG terminal and the development of a new interconnection with Belgium at Veurne.

TIGF - In current €M	2016	2017	2018	2019	2020	Avg. ATRT6
Net OPEX higher end	72	75	69.7	76.3	76.8	74.4
Net OPEX lower end		76.3	76.9	84.9	88.0	81.5
Normative capital expenses	177	158.8	164.7	175.0	181.7	170.1
CRCP clearance	-1.9	-2.0	-2.0	-2.0	-2.0	-2.0
Allowed revenue lower end	246	232	232	249	257	242
Allowed revenue higher end		233	240	258	268	250
Change in allowed revenue – lower end	-	-6.0%	+0.4%	+7.3%	+2.9%	-0.7 %
Change in allowed revenue – higher end		-5.4%	+2.8%	+7.6%	+3.8%	+0.5 %
Average tariff change – lower end	-	-6.4%	+2.9%	+8.7%	+1.2%	-0.1 %
Average tariff change – higher end	-	-5.5%	+5.8%	+8.2%	+2.5%	+1.2 %

5. TARIFF STRUCTURE

5.1 Relative levels of tariff charges

5.1.1 Equalisation of GRTgaz's and TIGF's tariffs

The different stages in the construction of the French network led to the harmonisation of a large portion of tariffs (PIR entry, PITM exit, exit to the regional network, PITS). The context of the creation of the single marketplace raises the question about the complete equalisation of transmission tariffs in the GRTgaz and TIGF networks, a matter about which CRE questioned market participants in its first public consultation.

In their answers, shippers were in favour of the principle of the equalisation of GRTgaz's and TIGF's tariffs. However, several of them expressed reservations about the possible shirking of responsibility that that might cause for the TSOs, in particular in the case of interconnection development leading to significant investments.

CRE considers it desirable for the TSOs to be accountable for any future investments.

In addition, it notes that the current charges for the GRTgaz and TIGF regional networks are relatively close: for example, as at 1 April 2016, GRTgaz's regional capacity charge was €72.07/MWh/d/year, while that of TIGF was €68.94/MWh/d/year, i.e. a difference of roughly 4%.

Moreover, in its preliminary analysis during the first public consultation, CRE had discarded the possibility of an equalisation of exit charges to neighbouring countries, so as to not deviate from the reality of the costs generated by these flows for the TSOs, given the very different distances covered by gas in GRTgaz's and TIGF's network depending on the exit point in question.

Therefore, CRE considers that it is too early to introduce equalisation of GRTgaz and TIGF tariffs for the ATRT6 period.

Question 21 Are you in favour of maintaining non-equalised tariffs for the GRTgaz and TIGF networks?

5.1.2 Rebalancing of costs and income between the TSOs' main and regional networks

The gas transmission tariffs are defined so that the income received for the main network reflects the costs specific to the main network and the income received for the regional network reflect the costs specific to the regional network.

The tariffs in effect at the end of the ATRT5 period have led, after several successive tariff developments, to a slight imbalance in the France zone between the costs attributable to each network category and the income it generates. The breakdown of the costs and income between the main and regional network in 2016 is as follows:

%	Main network	Regional network
Portion of TSOs' costs ¹	46%	54%
Portion of TSOs' income	50%	50%

On several occasions in the previous tariffs², CRE rebalanced the costs attributable and the income generated by the TSOs' main and regional networks.

It questioned market participants, in its public consultation of 25 February 2016, on the suitability of carrying out such re-balancing for the ATRT6 tariff. Most contributors were in favour of a re-balancing, considering that it would make the cost breakdown more transparent.

¹ The allocation of operating expenses to each network category requires, for certain cost items, the application of a distribution key. CRE adopts a key per kilometre of network to obtain an objective estimate of the operating expenses incurred by the main network and the regional network.

² [Tariff proposal made by the Energy Regulatory Commission of 10 November 2006 for the use of the natural gas transmission networks](#) and [CRE's tariff proposal of 10 July 2008 for the use of natural gas transmission networks](#)

For the ATRT6 tariff, CRE intends to re-establish the balance between costs and income for the France zone, by considering the average of the expenses attributable to each network category over the 2017-2021 period, i.e. 46% for the main network and 54% for the regional network.

CRE forecasts a progressive re-establishment of the balance over the ATRT6 period, with it being achieved by 2020. This method serves to even out the impact of the re-balance across successive tariff developments.

Question 22 Are you in favour of the progressive rebalancing between costs and income in the main and regional networks, so as to reach a balance at the end of the ATRT6 period?

5.1.3 Consequences of the elimination of the tariff charge at the North-South link on the pricing of transit to Spain

In its first tariff consultation, CRE had envisaged that the tariffs borne by users of the transit system (Dunkerque-Pirineos and Dunkerque-Oltingue roads) would remain constant over the ATRT6 period.

Most of the contributors to the public consultation were in favour of this principle. Some players however requested an increase in the tariff for transit to Spain, given the benefits that it would bring to it through the creation of the single marketplace. TIGF and Enagas however, wish for a drop in this tariff, in order to avoid creating an "insurmountable" tariff barrier between France and Spain.

Maintaining the cost of transit constant, all else being equal, involves, at the date of creation of the single marketplace, that the portion of income actually received at this link due to the use of this point for transit to Spain, be deferred to the exit point at Pirineos, since users of the transit system to Spain will no longer have to pay the tariff charge at this link (€208.04/MWh/d/year) and since currently, all gas supplies from France to Spain are sourced in the north of France.

This principle builds on the tariff developments implemented during previous reductions in the number of zones, on the occasion of which the link charges eliminated were deferred to exit charges.

Therefore, CRE intends to defer a portion of the income related to the North-South link through an increase in the exit charge at the Pirineos PIR when the single marketplace is created in order to keep the cost of transit constant.

Question 23 Are you in favour of an increase in the Pirineos PIR exit charge upon creation of the single marketplace and the elimination of the charge at the North-South link?

5.1.4 Relative levels of tariff charges based on distance

The correlation between the level of the tariff charges and the distance covered by gas is one of the key principles of the European draft network code on tariffs, which aims to harmonise the methodologies for calculating natural gas transmission tariffs in Europe. It is expected to enter into effect in 2018.

The text reaffirms the principle according to which the tariffs must be set so as to reflect the costs actually incurred by the TSOs, as well as the ban on cross-subsidies between the different categories of gas transmission network users. The draft code therefore specifies that the average unit costs incurred by each category of user must be identical, which is verified by the cost allocation test.

In conjunction with GRTgaz and TIGF, CRE carried out analyses to ensure compliance of the ATRT tariffs with the principles stated in the draft network code on tariffs, in anticipation of its entry into effect and any changes to be made during the construction of the ATRT6 tariff.

CRE calculated the unit tariffs (per kilometre), in the ATRT5 tariffs, based on the distances covered according to the type of flow:

Flow	Entry	Exit	Distance (km)	Unit tariff (€/MWh/d/year/km)
Transit to Spain	Dunkerque PIR	Pirineos PIR	1,045	0.78
Transit to Italy	Dunkerque PIR	Oltingue PIR	731	0.70
Domestic consumption	Entry PIR/PITTM/PITS	Exit to regional network	Between 200 and 350	[0.6 – 1.1] ¹

This data highlights two directions for the construction of the ATRT6 tariff structure:

- on the one hand, the transit unit tariffs are included in the range of unit tariffs calculated for domestic customers; therefore, CRE does not intend to re-balance transit and domestic consumption;
- on the other hand, if the charge at the North-South link is fully deferred to the charge at the PIR Pirineos, there will be an imbalance between the unit tariff borne for transit to Spain (€0.78/MWh/d/year/km) and that of transit to Italy (€0.7/MWh/d/year/km). At this stage, CRE intends to re-balance at €0.7/MWh/d/year/km, for the purpose of consistency between the unit costs of the two main transit routes.

CRE will re-align the unit cost of transit to Spain with that of Italy when the charge at the North-South link is eliminated. CRE therefore forecasts an increase in the charge to Spain by roughly €120/MWh/d/year, to be compared to the €208.04/MWh/d/year currently received at the North-South link. The rest of the loss due to the elimination of the charge at the North-South link will be covered by GRTgaz's other tariff charges.

Question 24 Do you agree with the proposal to maintain the current balance between the unit tariffs for transit and domestic transport?

Question 25 Are you in favour of a re-balancing of the unit costs of the two main transit routes (France-Spain and France-Italy) upon elimination of the charge at the North-South link as envisaged by CRE?

5.1.5 Introduction of a payback system between operators

The change in the tariff structure resulting from the elimination of the tariff charge at the North-South link leads to a distortion between the income received by each TSO and the costs incurred to execute their mission.

The transit of gas from France to Spain in fact crosses GRTgaz's and TIGF's zones. In that regard, until the tariff merger, network users must pay, on the one hand, GRTgaz for the entry charge and the charge at the North-South link, and on the other hand, TIGF for the exit charge at Pirineos. These amounts correspond respectively to the service provided to network users in the GRTgaz zone (Dunkerque PIR section – North-South link) and in the TIGF zone.

After the creation of the single marketplace, GRTgaz and TIGF will continue to provide the same service to users of transit to Spain. The deferral of the charge at the North-South link onto the Pirineos exit charge (see section 5.1.3) therefore generates additional income for TIGF, without this being justified by an increase in the costs incurred by TIGF or a change in the service it provides.

Therefore, to enable the coverage of each operator's costs while avoiding tariff impacts in the regional networks, CRE intends, at this stage, to introduce a system of repayment between operators. This payback would not have any consequences on network users, who would continue to settle their bills as part of Pirineos exit charges to be paid to TIGF.

¹ The average distance covered for domestic consumption varies, according to modelling, by approximately 200 km to roughly 350 km.

Question 26 Are you in favour of the introduction of an inter-operator payback system as envisaged by CRE?

5.1.6 Change in main network pricing

CRE had also questioned the market, in its first public consultation, on a possible increase in entry charges at the PIRs. This increase, which would occur during the tariff period, with the creation of the single marketplace, aimed in particular to take into account the investments needed for the creation of the single marketplace in 2018 and to illustrate the fact that shippers will have access to a greater delivery zone after the merger.

Most contributors were against an increase in entry charges, so as to not jeopardise the attractiveness of French PEGs and market liquidity. Some shippers requested a significant drop in PIR entry charges.

The changes envisaged by CRE in the section "Tariff level" of the present consultation would result in a drop in the operators' allowed revenue in 2017, linked mainly to the downward revision of the rate of return on the operators' regulated asset base. This drop, combined with the re-balancing of tariffs between the main and regional networks, enables CRE to envisage a drop in the main network charges in 2017, which would apply to all entry and exit points. For example, in its scenario example, CRE is considering a drop by roughly 4% (see section 5.1.9 "Illustration") as at 1 April 2017.

Main network entry and exit points (PIR and PITTM entries, PIR exits, PITS entries and exits, exits to the regional network) would drop to the same extent, to the benefit of all categories of network users, without changing the distribution of income between transit and domestic consumption.

For the rest of the period, in order to enable a progressive re-balancing between income received by the main network compared to the regional network, CRE plans, at this stage, to index the main network charges on inflation.

Question 27 Are you in favour of a drop in the main network charges the first year of the ATRT6 tariff, followed by an indexation on inflation?

5.1.7 PITTM pricing

In their answers to the public consultation of 25 February 2016, some participants expressed their wish for a drop in or cancellation of the tariff charges at the PITTMs, to make French terminals more attractive. They highlighted that an increase in LNG imports would have a positive impact for the entire market, through an increase in liquidity at the PEGs.

CRE paNTRy agrees with the arguments put forward. It plans to pass on the tariff drop of 2017 onto all of the TSOs' main network charges, including the entry charges at the PITTMs.

In addition, CRE highlights that the entry charges at the PITTMs are historically lower than the entry charges at the PIRs. CRE intends to maintain this difference, which is roughly 6 %, which enables integration in PITTM pricing of a distance component. The entry points at PITTM in fact supply, in proportion, more domestic customers than the entry points at PIRs which also supply uses for transit over a longer distance in the network.

For the rest of the period, CRE intends, as for the other main network charges, to index the entry charges at the PITTMs on inflation.

Question 28 Are you in favour of maintaining the current tariff treatment for PITTMs?

5.1.8 Change in PITS pricing

In its deliberation of 29 January 2014 deciding on the change in the tariffs for use of the natural gas transmission networks as at 1 April 2014, CRE used a multiplier coefficient of 1.33 between the GRTgaz Sud tariffs at PITS (transport/storage interface points) and TIGF's PITS. This coefficient, established based on the conclusions of a study commissioned by CRE from the Pöyry consultancy firm in 2013, aims to reflect the difference in the service offered by each TSO, since the capacity sold at GRTgaz's PITS is firm and climate-dependent, whereas the capacity sold at TIGF's PITS is firm.

Within the framework of the current reform of third-party access to storage, TIGF wishes for alignment of the tariff charges at PITS in France. It bases its request on a study conducted in March 2016 by the Pöyry consultancy firm. Based on the results of this study, it concludes that the conditions for availability of capacity at the PITS no longer justify the application of a higher tariff at TIGF's PITS, which was interrupted in 2015 and 2016 mainly due to work at the GRTgaz/TIGF interface¹.

CRE examined the rate of interruption at the GRTgaz and TIGF PITS between April 2014 and May 2016. It notes that the average rate of interruption of subscribed capacity has been, since 2014, significantly higher for injection at the North-Atlantic PITS, and for withdrawals at the South-Atlantic PITS than for the other PITS. These interruptions are mainly related to rules for capacity distribution between the North-South link and the North-Atlantic and South-Atlantic PITS, which themselves are based on climate criteria². GRTgaz's other PITS were interrupted at comparable levels to those at TIGF's PITS in 2015 and 2016, mainly due to maintenance.

The creation as at 1 November 2018 of a single marketplace in France will lead to direct competition between storage operators across the territory. In order to promote the proper functioning of the market and within the context of the future auctioning of storage capacities, CRE agrees with TIGF's proposal to harmonise the tariff charges at the PITS when the services provided are comparable.

Given the rates of interruption recorded since 2014 and the reasons for these interruptions, CRE is in favour of harmonising the tariff charges at TIGF's PITS and the tariff charges at GRTgaz's PITS, with the exception of the North-Atlantic and South-Atlantic PITS. Concerning the tariff charges at the North-Atlantic and South-Atlantic PITS, CRE is in favour of maintaining a coefficient equal to 1.33 with other charges at the PITS.

By way of illustration, based on the tariffs in effect since 1 April 2016 and assuming a constant level, for the France zone, of 2016 forecast income at the PITS, equalisation would lead to the following tariff charges, using a coefficient equal to 1.33 between the charges at the North-Atlantic and South-Atlantic PITS and the other charges at the PITS:

PITS	€/MWh/d/year	
	Entry	Exit
North-Atlantic and South-Atlantic	7.5	16.9
Other PITS France	10.0	22.5

Question 29 Are you in favour of the equalisation of the tariff charges at the TIGF PITS and the GRTgaz PITS, with the exception of the North-Atlantic and South-Atlantic PITS?

5.1.9 Illustration

By way of illustration, CRE presents an example of a change in the main tariff charges of the GRTgaz and TIGF networks over the ATRT6 period.

In this example, the allowed revenue to be covered for each of the TSOs includes capital expenses determined based on a WACC of 5.25% and operating expenses corresponding to the average of the higher-end and lower-end ranges presented in the section "Tariff level" of the present consultation.

The subscription levels adopted for this example correspond to GRTgaz's "optimistic" scenario and TIGF's request.

¹ The results of the study conducted by the Pöyry consultancy firm for TIGF are contained in the annex to the operator's response to the CRE's public consultation of 25 February 2016. Non-confidential answers to this public consultation are available on [CRE's website](#).

² This distribution rule is described in Part B3.1 of [GRTgaz's operational network code](#).

The table below presents the changes, at each tariff movement, in the main gas transmission network charges, but also the absolute level of the Pirineos exit charge and the portion of income received for the main and regional networks.

%	1 April 2017	1 April 2018	1 Nov. 2018	1 April 2019	1 April 2020
Entry PIR/PITTM/PITS	-4.0 %	Inflation	0.0 %	Inflation	inflation
Entry/exit PITS	-4.0 %	inflation	0.0 %	inflation	inflation
Oltingue exit	-4.0 %	inflation	0.0 %	inflation	inflation
Pirineos exit	-4.0 %	inflation	24.6 %	inflation	inflation
North-South link	0.0 %	0,0 %	-100.0 %	0.0 %	0.0 %
Exit to regional network	-4.0 %	inflation	0.0 %	inflation	inflation
GRTgaz regional network	0.0 % ¹	4,6 %	0.0 %	4.6 %	4.6 %
TIGF regional network	0.0 % ²	1,5 %	0.0 %	1.5 %	1.5 %

Exit charge at Pirineos PIR	477.0	483.0	601.9	610.3	619.6
Cost of transit from France to Spain (€/MWh/d/year)	794.8	802.2	713.0	723.0	733.9

% of income received by the main network	50 %	49 %	49 %	47 %	46 %
% of income received by the regional network	50 %	51 %	51 %	53 %	54 %

In this example, the drop in the tariff income at the start of the period enables the main network charges to be lowered by 4%, which then changes according to inflation.

The regional network tariff would remain constant the first year; for the 2018-2020 period, CRE proposes to spread the tariff increases, by covering the global allowed revenue of each TSO (and not on a year-by-year basis). These increases would therefore be +4.6% per year for GRTgaz's regional network and +1.5% per year for TIGF's regional network.

As at 1 November 2018, date of the creation of the single marketplace, the charge for the North-South link (€208.04/MWh/d/year) will be eliminated, and deferred to the Pirineos exit charge. The increase in the Pirineos exit charge would then be mitigated by the re-alignment of the France-Spain transit unit tariff with that of the France-Italy transit. Therefore, the Pirineos exit charge would increase by €119/MWh/d/year.

These developments enable the start in 2017 of the re-balancing of income received for the main and regional networks, to reach the target distribution of 46%/54% by 2020. Without this re-balancing, the distribution of income in 2017 would be 51% for the main network and 49% for the regional network.

¹ This percentage does not take into account the possible increase in the delivery capacity charge at the PITD following the transfer of "3R" expenses or the possible increase following a reform of the regional tariff levels (RTLs).

² This percentage does not take into account the possible increase in the delivery capacity charge at the PITD following the transfer of "3R" expenses or the possible increase following a reform of the regional tariff levels (RTLs).

Question 30 Do you have any other comments to make concerning the development of the tariff charges for the GRTgaz and TIGF gas transmission networks?

5.2 Modification of the regional tariff levels (NTRs)

5.2.1 Background on the formation of the NTRs

Contrary to electricity, the choice was made historically to develop gas where it was economically relevant compared to other energies. Customers therefore pay the network costs they generate in the regional network, particularly based on their capacity subscription and their distance from the main network.

In particular, the regional tariff level (NTR) of each Delivery Point is established based on the cost of the transmission of gas from the main network to the delivery point in question. This NTR reflects the disparity in the cost of main network access across the territory. At the time they were introduced, the goal was to avoid uneconomic network developments.

The current NTRs have never been revised. For GRTgaz, the NTRs were set particularly according to, on the one hand, the investments necessary for developing the regional network (pipelines) enabling transmission from the main network to the delivery point, and on the other hand, the flows and quantities expected at the delivery points concerned. Since 2000, the method for calculating the NTRs that apply to new connections builds on the historical method and is described on GRTgaz's website¹.

For TIGF, a formula, determined in 2004, continues to be applied for all new connections. It takes into account the distance to the main network and the diameter through the application of a coefficient α (investment cost/capacity). The lower the diameter, the higher the coefficient².

Therefore, although the distance to the main network is one of the parameters for calculating the NTRs, it is not the only cost driver taken into account the NTR calculation method.

5.2.2 The need to revise the current NTR system

The current NTR system leads to very high differences in transmission tariff, from 0 to 29 for GRTgaz's network. These differences can lead locally to competition between the gas transmission network and road-transported LNG and other energies, likely to cause disconnections from the main network.

However, the loss of capacity subscription related to disconnection of sites causes an increase in the gas transmission tariff. In addition, while the end-user regulated tariffs (RTs) had led to a partial equalisation for end customers by using 6 price levels instead of 29 in the GRTgaz network, the shift to market offers created significant increases in the transmission bills of certain sites which had a high NTR.

Lastly, transmission network developments led, over the years, to a change in how it functioned: the main network was expanded at certain places; at others, former portions of the main network were requalified as part of the regional network.

CRE therefore proposed, in its first public consultation on the ATRT6 tariff, a revision of the NTRs, which would be based on three principles:

- the introduction of a certain level of equalisation, since the current system based solely on a multiplier coefficient introduces major tariff differences and does not accurately reflect cost progressivity;
- the use of the distance of sites from the main network as the main parameter to define the NTRs, since this is the main cost driver;
- the need for continuity with the current system, to preserve the financial balance of sites, respect the principle of continuity and predictability of tariff regulation and ensure acceptability of the reform.

Any tariff impact of the reform would be exclusively passed on to the regional capacity charge (TCR).

5.2.3 Summary of responses to the public consultation

5.2.3.1 Concerning NTR reform

¹ The formula for determining the NTR is available on [GRTgaz's website](#).

² The formula for determining the NTR is available on [TIGF's website](#).

All contributors, with the exception of one industrial shipper, are in favour of a reform of the NTRs, which should reduce the disparity between sites, improve the situation of certain sites with a NTR higher than 8 or 12, and contribute to facilitating connection to the gas network.

Most participants agree with the principles proposed by CRE; several of them highlighted the importance of introducing a greater level of equalisation. Only one supplier was opposed to the principle of continuity since it considers that the NTRs must strictly reflect costs, regardless of the site's initial situation.

In addition, several suppliers wish to have more information before giving their definitive view of the reform. Some suppliers underlined the difficulty in predicting the impact of such reform on the economic balance of current contracts, and request CRE to make its implementation gradual, or to stagger the effects.

5.2.3.2 Concerning the definition of a maximum NTR lower than the current NTR

In order to introduce a greater level of equalisation between sites, CRE intended to modify the maximum NTR. This is 29 for the GRTgaz network and 15 for TIGF's network. In its first public consultation on the ATRT6 tariff, CRE proposed to reduce the maximum NTR and set it at 8 or 12. The maximum NTR would be the same for both transmission networks.

A great majority of participants are in favour of the introduction of a greater level of equalisation, by limiting the NTRs to 8 or 12. Only one supplier was opposed. Shippers were divided concerning the value to adopt (8 or 12), and wish for CRE to limit the increase in the regional capacity charge that would result.

5.2.3.3 Concerning the method for calculating the NTR

CRE proposed three methods, two of which involve a deviation from the current system, by implementing direct correlation between the distance to the main network and the NTR (methods 1 and 3).

- **Method 1: new calculation of all NTRs based on the distance to the main network**

This method consists in allocating a new NTR to each site, defined based on the current distance of the site to the main network for GRTgaz. For TIGF, the current formula would be maintained, since it enables network developments to be taken into account. The impact on the TCR depends on the choice of distance intervals for each NTR adopted.

- **Method 2: simple limitation of NTRs to 8 or 12**

This method consists in determining a maximum NTR, 8 or 12. All sites with a NTR higher than 8 or 12 would have that NTR set at 8 or 12 respectively. The NTR of the other sites would remain unchanged. The impact on the TCR is moderate.

- **Method 3: new calculation of all NTRs based on the distance to the main network, excluding NTR increases**

This last method is based on the calculation of a new NTR for each site, based on the distance to the main network for GRTgaz, and the distance and diameter for TIGF. This new value is adopted only if it is lower than the historical value: therefore, a site's tariff level, can only drop or remain unchanged. As for the first method, the impact on the TCR depends on the configuration adopted. For the same configuration, the increase in the TCR will be higher than that produced by applying method 1, since method 3 excludes any increase in NTR. This TCR increase will also be higher than that produced by applying method 2 which does not plan for any additional NTR decreases outside of the effect of NTR limitation.

Most participants are in favour of method 3, for which CRE had expressed its preference in its preliminary analysis. However, numerous participants alert CRE to the TCR increase that it might cause. Only three participants wish for NTR increases to be applied, as is the case in method 1. Several participants, while supporting method 3, highlight that it cannot be an end in itself, but rather part of a move towards strict reflection of costs, based on distance or some other element.

5.2.4 CRE's initial position

5.2.4.1 Introduction of a certain degree of equalisation

Introducing a maximum NTR of 8 for all of France would enable all sites currently subject to a higher NTR to enjoy a drop in their regional pricing. In return, the sites with a NTR between 1 and 8 would see an increase in their regional pricing, because of the increase in the TCR. CRE deems this measure necessary, in particular within the context of the elimination of regulated tariffs.

A maximum NTR set at 8 rather than 12 would strengthen competitiveness of gas distribution and transmission networks, particularly compared to road-transported LNG, and would serve to prevent disconnections as concerns infrastructure representing major investments. In addition, the TCR increase, assuming a maximum NTR of 8, remains limited, given the proportion of sites that would benefit from the cap on the NTR.

CRE is therefore in favour of limiting the maximum NTR to 8 for the GRTgaz and TIGF networks.

Question 31 Are you in favour of the introduction of a maximum NTR for the GRTgaz and TIGF networks?
Are you in favour of limiting the NTR to 8 for the GRTgaz and TIGF regional transmission networks?

5.2.4.2 Method 1: new calculation of all NTRs based on the distance to the main network

Method 1, which adopts the distance to the main network as the only criterion to set the NTR, enables, in theory, a rather precise reflection of the costs generated, since distance is one of the main cost drivers. However, distance is not the only parameter currently taken into account in the attribution of NTRs and this method leads to considerable increases in transmission costs for certain sites. Significantly increasing the NTR of certain sites could also cause disconnections.

Therefore, CRE reiterates its initial position, unfavourable to method 1 to revise NTRs.

5.2.4.3 Method 3: new calculation of all NTRs based on the distance to the main network, excluding NTR increases

In its first public consultation, CRE had stated that it was favourable to this last method, because it did not penalise any site by increasing its NTR and it enabled implementation of a NTR system better correlated with the main network than the current one.

However, several participants, while supporting method 3, highlight that it cannot be an end in itself, but rather part of a move towards strict reflection of costs. CRE also considers that method 3 can only be temporary, before progressively moving towards a NTR system correlated with costs and whose calculation is identical for all sites.

CRE therefore analysed the possibility of implementing a method 3 that would be part of a process of convergence towards method 1, i.e. with a NTR calculation correlated with distance. Such a method would bring significant TCR increases the first years, of roughly 30%, due to the NTR increases not being applied. The TCR would then drop once NTR increases are progressively applied. Therefore, this method cannot be used to simultaneously (i) correlate pricing with distance to the main network and (ii) contain the initial increase in the TCR.

As such, this method does not meet the objectives set by CRE. Therefore, CRE discards the possibility of implementing method 3.

5.2.4.4 Method 2: simple limitation of NTRs to 8 or 12

CRE analysed the possibility of implementing method 2. The simple limitation guarantees continuity with the current system, by maintaining most of the historical NTRs, with the exception of those higher than the maximum NTR. This method corrects certain anomalies observed in the current NTR system for sites with a NTR higher than the maximum NTR, and introduces a greater degree of equalisation.

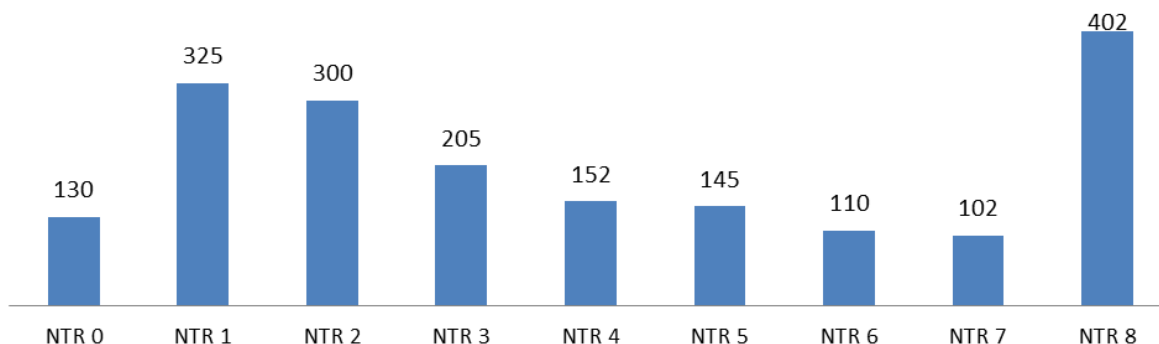
In the event that the maximum NTR is set at 8, the NTR of 18% of GRTgaz's network customers would drop, as well as 11% of TIGF network customers.

Method 2 results in a tariff loss of roughly €43 M for GRTgaz, with a maximum NTR at 8, and of €12 M with a maximum NTR at 12. For TIGF, the tariff loss is approximately €6 M with a maximum NTR of 8 and of €0.9 M with a maximum NTR at 12.

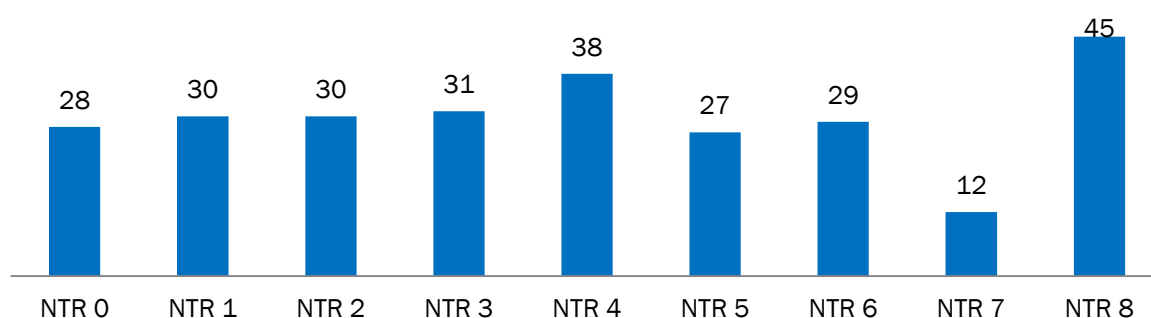
This tariff loss shall have to be compensated by a 5.7% increase in the TCR (maximum TCR at 8), 1.5% (maximum NTR at 12) for GRTgaz and 7.6% (NTR at 8) and 1.1% (NTR at 12) for TIGF respectively.

	Maximum NTR at 8		Maximum NTR at 12	
	GRTgaz	TIGF	GRTgaz	TIGF
Proportion of clients concerned	18%	11%	7%	3%
Tariff loss	€43 M	€6 M	€12 M	€0.9 M
TCR increase	5.7%	7.6%	1.5%	1.1%

Number of sites per NTR for the GRTgaz network, method 2, maximum NTR at 8



Number of sites per NTR for the TIGF network, method 2, maximum NTR at 8



5.2.5 Conclusion

CRE intends to implement method 2 with a cap at 8 as from 1 April 2017. This NTR cap of the maximum NTR at 8 will benefit approximately 20% of sites on the GRTgaz network and 10% of sites on the TIGF network. Simultaneously, this tariff decrease will be offset by an increase in the TCR of 5.7% for GRTgaz, and 7.6% for TIGF.

CRE will however continue its reflection on a complete overhaul of the NTR system, in order to better reflect network developments. This reform will not be applied before the ATRT7 tariff.

5.3 Changes in gas transmission tariffs in relation to the law on energy transition

Law No. 2015-992 of 17 August 2015 on energy transition for green growth specifies a certain number of provisions that may have an impact on the gas transmission tariff.

5.3.1 Compensation of underground storage operator income

Point 10 of Article 167 on the law on energy transition specifies the possibility for the government to legislate by order so as to "modify the obligations concerning the holding of natural gas stocks by suppliers, the conditions for access to natural gas storage infrastructure and the missions of natural gas transmission system operators in terms of natural gas storage as well as those of the Energy Regulatory Commission, set out in Articles L.121-32, L.134-1, L.421-4 to L.421-12 and L.431-3 of the Energy Code, in order to strengthen the security of gas supply, and if necessary to reach that objective, to regulate the tariffs for natural gas underground storage capacity."

The minister of ecology, sustainable development and energy and the minister of the economy, industry and the digital sector submitted to CRE for its opinion, on 8 February 2016, a draft order amending the conditions for third-party access to underground gas storage. CRE rendered its opinion on 10 March 2016. The draft order specifies regulation of storage operators' income and the auctioning of capacity.

Article 5 of the draft order specifies that storage operators receive compensation for the difference between their allowed revenue and their revenue coming from auctions. This compensation is calculated by CRE. Compensation is collected or repaid through the tariffs for the use of the gas transmission network, with TSOs serving as intermediaries between their customers and storage operators. Specific treatment may be envisaged for interruptible capacity.

To date, neither the order nor the decrees it specifies have been published. This situation does not enable CRE to take this subject into account in the present public consultation.

5.3.2 Interruptibility contracts between transmission and distribution system operators and natural gas end customers

5.3.2.1 Interruptible offers specified by the ATRT5 tariff

Interruptibility capacity (as set out by ATRT5)

The ATRT5 tariff planned for the possibility of subscribing, under certain conditions, downstream transmission interruptible capacities (main network exit, regional transmission and delivery points) with the TSOs, the availability of which depended mainly on consumption and network configuration. At this stage, CRE does not intend to make any modifications to this offer in the ATRT6 tariff.

Short-notice interruptible transmission (SNIT) offer

The short-notice interruptible transmission (SNIT) offer enables sites with major consumption variations with capacity exceeding 10 GWh/d located close to an entry point in the GRTgaz network (< de 50 km as the crow flies) to have a 50% reduction in their transmission charges. In return, beneficiaries can be interrupted if the entry point is not available. This offer, taken out when the connection contract is signed, serves to avoid network reinforcement investments.

Transitional short-notice interruptible transmission offer in the GRTgaz Sud zone (Transitional Sud SNIT)

The transitional short-notice interruptible transmission offer in the GRTgaz Sud zone (Transitional Sud SNIT) was introduced by the tariff update applicable as at 1 April 2015 to facilitate the shipping of gas in the south zone in the event of congestion. The two offers cannot be cumulated. The Transitional Sud SNIT offer is proposed on a temporary basis until the creation of a single marketplace in France (2018). This offer specifies a reduction or interruption of supply of the sites concerned at the request of GRTgaz, with a minimum notice of two hours, when the rate of interruption of interruptible capacity at the North-South link in the North to South direction is equal to 100%.

Within the framework of the public consultation of February 2016, two shippers expressed their wish for CRE to modify the offers devoted to sites with major consumption variations, in order to (i.) introduce flexible pricing of capacity booked, adapted to power plants' large consumption variation, and (ii.) extend the Transitional Sud SNIT after the zone merger in November 2018.

5.3.2.2 Interruptibility contracts as provided for by Article L.431-6-2 of the law on energy transition

Article L.431-6-2 introduces through Article 158 of the law on energy transition that "When the normal functioning of the natural gas transmission networks is seriously threatened and in order to secure supply to protected customers, the transmission system operator concerned shall, at its initiative, interrupt consumption of registered end customers connected to the transmission network. The public service constraints thus imposed on registered end customers that may be interrupted are compensated for by the transmission system operator as part of the cost of the failure to be avoided, within the limit of €30 per kilowatt."

In Concertation Gaz, the energy and climate directorate presented drafts of three new mechanisms:

- an interruptibility contract with a two-hour notice, signed with the TSO. The capacity withheld and the associated remuneration are the result of a call for tender. Volunteer sites are remunerated by the TSO and have an interruption reserve. The precise conditions will be covered in an order which will be submitted for CRE's opinion. The portion of interruptible capacity necessary for the TSOs and the amount of the remuneration will also be specified in that order;
- an interruptibility contract with a 24-hour notice, signed with the TSO, which will not be remunerated;
- an interruptibility contract with a 24-hour notice, signed with the DSO, which will not be remunerated;

Capacity formalised by means of a contract based on these mechanisms would be exempt from payment of the compensation owed to storage operators.

Since the decrees specified by this article have not been finalised and published, CRE did not take into account the costs of the mechanism in the present consultation document.

In the absence of the legal provisions for the implementation of the law on energy transition, CRE is unable to consult about a reform of the TSOs' interruptibility offers. CRE plans to maintain the interruptibility mechanisms that were in the ATRT5 tariff.

Question 32 Do you have any comments about the interruptibility mechanisms envisaged by the ATRT6 tariff?

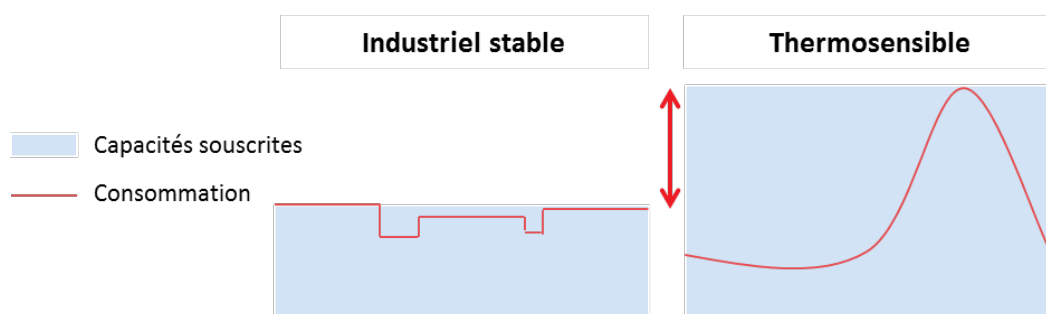
5.3.3 The "gas-intensive" status and pricing based fully on capacity

Since 16 July 2013, gas-intensive customers can enjoy specific measures, provided for by Article L.461-1 of the Energy code¹. The list of gas-intensive companies, established in 2013 by the energy and climate directorate, included 141 companies. After the last update (June 3rd, 2016), the list includes 148 companies, with 266 sites. A new list, the criteria of which will be defined by decree, is specified by Article 159 of the law on energy transition. The decree has not yet been published.

Article 159 of the law on energy transition sets out that "the tariffs for the use of the natural gas transmission and distribution networks shall take into account the specific situation of gas-intensive companies whose sites have a predictable and stable or anticyclical consumption profile. They take into account in particular the positive effects of these customers on the stability and optimisation of the gas system".

The gas transmission tariff is based fully on capacity booked (and not the use made of the capacity²). This method of pricing takes into account the positive effect that predictable and stable sites have on the gas system, particularly in terms of investment reduction.

Therefore, for the same level of consumption, a thermosensitive customer's shipper must book more capacity, since it must cover peak consumption, which is far above average consumption.



This pricing system thus responds to the objectives of Article 159 of the energy transition law. Therefore, at this stage CRE does not intend to modify it.

5.3.4 Control of the winter peak

In article 161, the energy transition law introduces the possibility of a different pricing for consumption peaks. It specifies that "the structure and level of tariffs for the use of the transmission and distribution networks can, provided that all of the costs are covered in compliance with Article L.452-1, and in proportion to the goal to control gas peaks, deviate for a customer from the strict coverage of the network costs it generates." An implementing decree shall be submitted for CRE's opinion.

Pricing of downstream charges specified by the ATRT5 tariff complies with this goal. Therefore, the charges applicable to firm monthly subscriptions of capacity from the main network are equal to the charges applicable to the corresponding firm annual subscriptions, multiplied by the following coefficients:

Month	Monthly charge as a proportion of the annual charge
January - February	8/12 th
December	4/12 th
March - November	2/12 th
April – May – June – September – October	1/12 th
July - August	0.5/12 th

¹ "Companies that use natural gas as a raw material or source of energy and whose main activity is exposed to international competition can enjoy, for some of their sites, specific supply and access conditions to the natural gas transmission and distribution networks. [...] These specific conditions are proportionate to the conditions for the use of natural gas and transmission and distribution networks by beneficiary sites".

² Excluding the delivery charge which depends on the number of delivery stations (to reflect actual costs)

The present pricing system has a dual advantage: on the one hand, it enables sites with anticyclical consumption to book only summer months, and on the other hand, it encourages annual booking, and therefore spreading of consumption by reducing winter peak consumption. As such, this pricing responds to the goals of Articles 159 and 160 of the energy transition law. Therefore, at this stage CRE does not intend to modify it.

Question 33 Are you in favour of CRE's proposals concerning the continuation of pricing based fully on capacity booked?

Question 34 Are you in favour of CRE's proposals to maintain the monthly variation of monthly capacity tariffs for main network exits, delivery points and the regional network?

5.4 Other developments in the TSOs' offer

5.4.1 Modification of the connection cost distribution through the introduction of a "development rebate"

In order to facilitate the connection of new customers or the increase in subscriptions by adapting existing stations, the TSOs propose to reduce the price of connection structures paid for by the customer, by passing on a portion of the connection costs to all customers through the transmission tariff.

GRTgaz proposes that "this connection rebate" be calculated based on the cost of the operation and the shipping income expected over ten years.

TIGF proposes to bear up to 60% of connection cost, based on the expected profitability of the connection or station adaptation.

In its public consultation of February 2016, CRE had expressed its interest in such a mechanism, while wishing for it to be harmonised between the two TSOs, capped at 50% coverage by the tariff. This cap aims in particular to reduce the risk for the community, in the event of a disconnection of the customer enjoying the rebate before the end of the ten years taken as the calculation reference.

After this first public consultation, GRTgaz proposed to CRE to cap the rebate at a 90% coverage by the tariff, with a maximum of 2M€ per operation. GRTgaz considers that such parameters would significantly increase the impact of the measure, while securing it.

GRTgaz also proposed to adapt the calculation method for the connection of compressed natural gas stations to the transmission network, in order to meet the challenges and specificities of the sector (gradual increase of the stations' subscriptions in the context of the emergence of the market). According to GRTgaz, these specificities would justify to take into account 15 years of subscription instead of 10.

In their answers, participants were mostly in favour of the introduction of such a "development rebate", and agreed with CRE's analysis concerning its capping at 50% of the connection cost.

The TSOs continued, in Concertation Gaz, their study of the guarantees that beneficiaries shall have to provide in order to enjoy such a rebate. Therefore, the industrial customers connected to the gas transmission network shall have to sign an early booking contract for capacity. As for public distributions, since their subscriptions are standardised, they shall have to transmit to the TSOs the consumption forecasts on which the specifications of their concessions are based.

CRE considers that this new distribution of expenses related to new connections and adaptations to existing stations contributes to the promotion of gas connection. CRE maintains its favourable opinion for its implementation within the framework of ATRT6, as from 1 April 2017, capped at 50% coverage by the tariff. CRE will analyse the relevance of a differentiated treatment of the connection of compressed natural gas stations.

Question 35 Do you agree with CRE's analysis concerning the conditions for implementing a "development rebate", capped at 50%?

5.4.2 Changes under study concerning TSOs' upstream offer

The TSOs work continuously to improve their conditions for access to the network; progress in their considerations is regularly presented in Concertation Gaz.

Possible avenues for the development of offers currently being studied are as follows:

5.4.2.1 Developing the offering at interconnections

In its first public consultation on ATRT6, CRE had submitted two proposals to develop the TSOs' upstream offer: the creation of firm capacity in the France to Germany direction and the creation of a France/Belgium virtual interconnection point. Most participants are in favour of these two proposals, provided that the tariff elements are specified.

GRTgaz has not sent any new elements to CRE since the public consultation of 25 February 2016. As such, CRE is unable to envisage this development for April 1st, 2016.

5.4.2.2 Solving subscription asymmetry

Two developments are being studied within the framework of Concertation Gaz and aims to enable shippers that have entry capacity on only one side of an interconnection, without having symmetrical exit capacity for the neighbouring country, to resolve this asymmetry:

- selling unbundled capacity, for maturities equal or shorter than yearly (quarterly and monthly), at non-congested interconnections, in compliance with the CAM network code;
- creating a substitution offer, enabling shippers with long-term subscriptions at only side of an interconnection to acquire bundled capacity and to only pay one time the tariff for the resulting redundant capacity.

Given the status of the current information at its disposal, CRE is unable to envisage this development for April 1st, 2017.

5.4.2.3 Increasing flexibility of the offer

GRTgaz wishes to make its long-term capacity offer more flexible. In particular, it is analysing the possibility of creating a "Twin Capa" offer, enabling shippers with multiannual subscriptions at an entry point to book another entry point, at a preferential tariff. At this stage, CRE considers that further analyses are necessary before envisaging the implementation of such a mechanism. It believes that the progress made in work conducted by the TSOs does not enable the implementation of these developments as at 1 April 2017.

Question 36 Do you have any comments about the reflections carried out by the TSOs to improve the flexibility of their upstream offer?

5.4.3 Fluxys fee at Alveringem

The open season conducted by GRTgaz between 2010 and 2011 in coordination with Fluxys enabled the launch of the investments necessary for creating the Alveringem interconnection point. Belgium entry capacity from the Dunkerque LNG terminal is sold by Fluxys; transmission in the GRTgaz network is a service provided by GRTgaz to Fluxys.

In its deliberation of 12 July 2011¹, CRE stated, given the forecast costs for development of these capacities, that the tariff billed by GRTgaz to Fluxys for transmission from the terminal to Belgium would be €45/MWh/d/year. CRE planned for the possibility of re-evaluating this amount based on the actual level of investments.

In compliance with the abovementioned deliberation, CRE re-calculated the price of the service taking into account costs at completion. Therefore, the price of the service will be €43.60/MWh/d/year as at 1 April 2017.

5.4.4 Specific requests by certain shippers

5.4.4.1 Requests formulated by EDF and Dunkerque LNG

EDF and Dunkerque LNG submitted to CRE two proposals for the adaptation of GRTgaz's offer, aimed at promoting capacity at the Dunkerque LNG terminal.

EDF and Dunkerque LNG wish for GRTgaz to create backhaul capacity between the North PEG and the Dunkerque PITTM so that holders of capacity at the Dunkerque PITTM to Belgium may use it as North PEG capacity to Belgium at an extra cost. EDF's and Dunkerque LNG's proposal is similar to point-to-point capacity, i.e. capacity depending

¹ Deliberation of 12 July 2011 deciding on the conditions for connection of the Dunkerque LNG terminal to the GRTgaz network and on the development of a new interconnection with Belgium at Veurne

on the destination of the gas, which is the opposite of the entry-exit model. Shippers wishing to ship gas from the North Peg to Belgium already have that possibility with the existing offer. Therefore, at this stage, CRE is not in favour of promoting such use.

In addition, EDF wishes for GRTgaz to set up a short-distance transmission service between the PIR and the Dunkerque PITTM. Instead of paying the entry-exit tariff, EDF wishes to take advantage of the proximity of the two points to introduce more flexibility in the use of its capacity at the PITTM. In the current system, booking capacity at an interconnection gives no proprietary right over the pipes crossing it. For all interconnections, the entry tariff is independent of the place where the gas will be delivered. At this stage, CRE envisage therefore not to answer favourably to EDF's and Dunkerque LNG's proposals.

Question 37 Do you share CRE's analysis concerning the specific requests by EDF and Dunkerque LNG?

5.4.4.2 Request made by ENGIE concerning returnable capacity at the Dunkerque PIR

ENGIE requests that returnable capacity at the Dunkerque PIR be converted into firm capacity.

As at 1 January 2008, the ATRT3 tariff introduced a returnable capacity mechanism, through which shippers with more than 20% of annual firm capacity at a PIR have an obligation to return to GRTgaz up to 20% of capacity detained beyond that threshold when demands expressed by shippers cannot be served. In return, this returnable capacity is billed at 90% of the tariff for firm capacity. Capacity can only be returned to the benefit of third-party subscribers: it is therefore not a matter of leaving capacity not booked. This mechanism therefore has no tariff impact, with the exception of the portion of capacity booked at 90%. This measure is consistent with the principles of Annex I of Regulation (EC) No 715/2009 of the European Parliament and of the Council on congestion management procedures (CMP).

Although in the years to come, a growing portion of capacity will become available, capacities at the Dunkerque PIR remain the most used in the network, and capacity returns have occurred recently (the last was in 2015). CRE considers it important for third-party shippers to be able to access this capacity, even if that requires that a portion of capacity be taken back from those that hold more than 20% of capacity. At this stage, it does not intend to answer favourably to ENGIE's proposal.

Question 38 Do you share CRE's analysis concerning ENGIE's specific request?

5.4.5 Evolution of the offering at PITTMs

5.4.5.1 Current functioning

Entry capacity in the GRTgaz network from the regulated LNG terminals is allocated to shippers based on their regasification subscriptions in the terminals. Each shipper with an annual subscription at a terminal is therefore allocated a uniform annual capacity band at the PITTM, based on their subscription.

On the other hand, punctual users of regulated terminals are allocated a firm capacity band, corresponding to the duration of the regasification capacity booked with LNG terminal operators, in consecutive ten-day slots.

The same principle applies to the Dunkerque terminal, but takes into account the fact that this terminal has two possible outlets: the GRTgaz network in France and the Fluxys network in Belgium. Customers of this terminal must book entry capacity in at least one of the two networks, and the operator of the terminal shall check that the sum of capacity booked as exit capacity to the GRTgaz network and to the Fluxys network is higher than or equal to regasification capacity booked at the terminal.

For all PITTMs, send-out that exceeds capacity gives rise to daily price increases, equal to 1/240th of the annual price.

5.4.5.2 Proposals for change

- Products of a duration of less than one year

GRTgaz proposes to enable the booking of products of N consecutive days with a ten-day minimum. The level of subscription would be constant for all of the N days. This product would be billed at $N/365^{\text{th}}$ of the price of annual firm subscription.

- Capacity transfer

GRTgaz proposes that capacity secondary sellings at PITTMs henceforth be authorised at all French LNG terminals.

- Allocation flexibility

GRTgaz proposes for shippers at the Fos and Montoir PITTMs to have the possibility of varying their annual capacity bands. These variations would require a seven-day notice and would apply for a minimum duration of ten days. In addition, total capacity booked over a year would remain unchanged: any upward change would be offset downward.

5.4.5.3 CRE's preliminary analysis

- Products of a duration of less than one year

In its deliberation of 19 March 2015, CRE had requested GRTgaz "to work, for the next tariff update, on implementing a more flexible booking based on N consecutive days with a ten-day minimum. The level of subscriptions would be constant for the entire duration of the product. This service would be billed at $N/365^{\text{th}}$ of the price of annual firm subscription."

CRE considers that this proposal meets its request. It enables the subscription of firm capacity bands corresponding to the duration of the regasification capacity subscribed with LNG terminal operators. At this stage, CRE is therefore favourable.

- Capacity transfer

CRE considers that capacity transfers at PITTMs would enable the increase in flexibility offered to shippers that are terminal customers. It is therefore favourable to the proposal.

- Allocation flexibility

The development proposed by GRTgaz appears to be contrary to the principle according to which all capacity booked is due. At this stage, CRE is therefore not favourable.

CRE wishes for further flexibility to shippers that have subscribed capacity at the PITTMs:

- it proposes that all shippers have the possibility to book capacity at the PITTMs voluntarily, at all PITTMs;
- it proposes that shippers that have subscribed to regasification capacity lower than a certain annual volume to be defined as a continuous service with regulated LNG terminals are not allocated an annual band. CRE requests GRTgaz to submit a new proposal by September 30, 2016.
- it proposes that exceeded capacity be billed at $1/365^{\text{th}}$ of the price of annual firm subscription for all PITTMs. Contrary to the functioning for PIRs, customers subscribed to the PITTMs do not have the possibility of adjusting the level of their subscription for day D at D-1 or on the day itself. CRE therefore considers that it is not necessary to penalise shippers for the exceeded capacity through the application of an add-on coefficient.

Question 39 Are you in favour of the creation of products of N consecutive days, with a ten-day minimum, at the PITTMs?

Question 40 Are you in favour of capacity secondary sellings at PITTMs being authorised at all French LNG terminals?

Question 41 Are you favourable to participants with low subscriptions in the regulated terminals not being allocated an annual capacity band?

Question 42 Are you in favour of exceeded capacity being billed at $1/365^{\text{th}}$ of the price of annual subscription?

6. SUMMARY OF QUESTIONS

- Question 1** Are you in favour of the tariff development timetable once the single marketplace is created, as envisaged by CRE?
- Question 2** Are you in favour of maintaining the current tariff timetable (from April to April) and defining, as from the ATRT6 tariff deliberation, the terms and conditions for the change in the tariff charges at PIRs for the entire tariff duration?
- Question 3** Are you in favour of the new incentive-based mechanism for the creation of interconnection capacity envisaged by CRE? In particular, are you in favour of the method for determining the bonus *ex ante* based on a cost/benefit analysis? And also more specifically, are you in favour of an *ex post* revision of the bonus based on the effective subscription level?
- Question 4** Are you in favour of the reinforcement of the incentive-based mechanism to control the costs of major projects as envisaged by CRE? Are you in favour of the thresholds and levels proposed by CRE?
- Question 5** Do you think it is relevant to extend the application of this mechanism to the already decided projects?
- Question 6** Do you have any comments about the implementation of an incentive-based mechanism to control "non-network" capital expenses?
- Question 7** Are you in favour of the elimination of the nine indicators proposed by CRE?
- Question 8** Are you in favour, for TIGF, of changing the calculation of the indicator covering the quality of intraday quantities telemetered at delivery points of customers connected to the transmission network and transmitted during the day to bring it in line with that of GRTgaz?
- Question 9** Are you in favour of the financial incentive of the availability of the five pieces of information most useful for shippers' balancing on the TSOs' public portals?
- Question 10** Are you in favour of detailed monitoring by point, for PIRs and PITs, of the indicator for availability of firm capacity, without any financial incentive?
- Question 11** Are you in favour of CRE's proposals concerning the items fully covered through the CRCP?
- Question 12** Are you in favour of CRE's proposals concerning items covered 80% through the CRCP?
- Question 13** Are you in favour of CRE's proposals concerning items not covered through the CRCP?
- Question 14** Are you in favour to continue applying the incentive-based regulation mechanism for TSOs' operating expenses, under which operators are left with 100% of gains and losses when differences occur with the planned trajectory?
- Question 15** What do you think about the GRTgaz 2020 project presented by GRTgaz ?
- Question 16** What do you think about the R&I programme presented by TIGF ?
- Question 17** Do you agree with CRE's analysis of WACC for GRTgaz's and TIGF's assets?
- Question 18** What do you think about Capital expenses trajectory presented by the TSOs and about the analysis done by CRE ?
- Question 19** Do you agree with CRE's envisaged adjustment on energy expenses?
- Question 20** What do you think about the operators' net operating expenses range envisaged by CRE ?
- Question 21** Are you in favour of maintaining non-equalised tariffs for the GRTgaz and TIGF networks?
- Question 22** Are you in favour of the progressive rebalancing between costs and income in the main and regional networks, so as to reach a balance at the end of the ATRT6 period?
- Question 23** Are you in favour of an increase in the Pirineos PIR exit charge upon creation of the single

marketplace and the elimination of the charge at the North-South link?

Question 24 Do you agree with the proposal to maintain the current balance between the unit tariffs for transit and domestic transport?

Question 25 Are you in favour of a re-balancing of the unit costs of the two main transit routes (France-Spain and France-Italy) upon elimination of the charge at the North-South link as envisaged by CRE?

Question 26 Are you in favour of the introduction of an inter-operator payback system as envisaged by CRE?

Question 27 Are you in favour of a drop in the main network charges the first year of the ATRT6 tariff, followed by changes to include inflation?

Question 28 Are you in favour of maintaining the current tariff treatment for PITTMs?

Question 29 Are you in favour of the equalisation of the tariff charges at the TIGF PITS and the GRTgaz PITS, with the exception of the North-Atlantic and South-Atlantic PITS?

Question 30 Do you have any other comments to make concerning the development of the tariff charges for the GRTgaz and TIGF gas transmission networks?

Question 31 Are you in favour of the introduction of a maximum NTR for the GRTgaz and TIGF networks? Are you in favour of limiting the NTR to 8 for the GRTgaz and TIGF regional transmission networks?

Question 32 Do you have any comments about the interruptibility mechanisms envisaged by the ATRT6 tariff?

Question 33 Are you in favour of CRE's proposals concerning the continuation of pricing based fully on capacity booked?

Question 34 Are you in favour of CRE's proposals to maintain the monthly variation of monthly capacity tariffs for main network exits, delivery points and the regional network?

Question 35 Do you agree with CRE's analysis concerning the conditions for implementing a "development rebate", capped at 50%?

Question 36 Do you have any comments about the reflections carried out by the TSOs to improve the flexibility of their upstream offer?

Question 37 Do you share CRE's analysis concerning the specific requests by EDF and Dunkerque LNG?

Question 38 Do you share CRE's analysis concerning ENGIE's specific request?

Question 39 Are you in favour of the creation of products of N consecutive days, with a ten-day minimum, at the PITTMs?

Question 40 Are you in favour of capacity transfers at PITTMs being authorised at all French LNG terminals?

Question 41 Are you favourable to participants with low subscriptions in the regulated terminals being allocated capacity bands when monthly programmes are established?

Question 42 Are you in favour of exceeded capacity being billed at 1/365th of the price of annual subscription?