

Deliberation of the French Energy Regulation Commission of 12 July 2012 regarding the execution point of the 2011 and 2012 investment programmes of GRTgaz

Present: Philippe de LADOUCKETTE, Chairman, Olivier CHALLAN BELVAL, Frédéric GONAND, Jean-Christophe LE DUIGOU and Michel THIOLLIERE, commissioners.

In application of articles L.134-3 and L.431-6-II of the French Energy Code, the transmission system operators (TSOs) must submit their annual investment programmes to the French Energy Regulation Commission (CRE) for approval. Furthermore, in application of the aforementioned articles, CRE "*ensures that the investment required for the proper development of the networks and their transparent and non-discriminatory access are guaranteed.*"

To this respect, by deliberation of 15 December 2011, CRE approved the GRTgaz investment programme for 2012 and asked GRTgaz to present an intermediate report on the implemented investments, during the course of June 2012.

GRTgaz was heard by the board of CRE on 3 July 2012 and presented, on this occasion, the final implementation assessment of its investment program for 2011, as well as the mid-year investment programme implementation report for 2012. The differences reported between the levels of investment approved, the forecasts updated for 2012 and the investments actually made for 2011 were presented and explained by GRTgaz.

1. Observations on the implementation assessment for the 2011 investment programme

The investment program approved for 2011 by CRE in its deliberation of 16 December 2010 amounted to €562.7m.

The final spending for the implementation of its investment programme for 2011 amounts to €523.6m, down by €39.1m (7 %) compared to the approved program.

This decrease is mainly due to variations on the main network investments. These variations led to a shortfall in expenditure of €60m, mainly related to the postponement of the final investment decision regarding the Dunkirk LNG terminal. This reduced expenditure is in part offset by a €22m increase in the cost of certain projects:

- OSCAR II Project (+ €12m), which consists in replacing three gas compressors with electro-compressors, in order to comply with environmental standards relating to polluting emissions. These additional costs are linked to the failure to adhere to the schedule for implementing the Saint-Avit and Fontenay-Mauvoisin stations, due to the difficulties with the contracting party chosen for the EPC agreement;
- development of commercial information systems (IS) (in particular the development of *Trans@ctions* for €7.5m). Given the additional costs and the long upgrading periods observed on the GRTgaz IS

projects, the CRE has launched an audit focusing on the upgradability and the IS costs of the operator.

2. Observations on the implementation report for the 2012 investment programme

The investment program approved for 2012 by CRE in its deliberation of 15 December 2011 amounted to €763.8m

GRTgaz presented the mid-year implementation report of this programme showing a drop of €21.2 m (i.e. 3 %) in the provisional amount of investment spending in comparison with the program approved for 2012. This amount now comes to €742.6m.

As for 2011, this deviation can be mainly explained by a combination of two effects:

- a drop of around €40m in investments linked to the falling behind of some projects:
 - consequences of the postponement of the decision concerning the launch of the Dunkirk LNG terminal (€21m);
 - consequences of the postponement of the project to renew the Beynes interconnection and compression station to bring it into compliance with regulations (€19m).
- an increase of €19m in the costs of some projects, mainly related to the OSCAR II Project.

3. Decision regarding the 2011 investment programme

CRE notes that the deviations between the investment expenditure made and the investment project approved for 2011 are mainly linked to third party decisions.

It also notes that, in spite of late decisions concerning development projects, no delay in their progress has been recorded in 2012.

CRE notes that the final implementation of the GRTgaz investment program complies with the approved program.

4. Decision regarding the 2012 investment programme

The CRE notes that the GRTgaz investment program is in line with the approved program.

As a result, CRE approves the investment programme as reassessed by GRTgaz for 2012.

GRTgaz is requested to submit to CRE, by the end of September 2012, a financial and technical review of the OSCAR II program.

Paris, 12 July 2012

For the French Energy Regulation Commission,
The Chairman

Philippe de LADOUCKETTE