

Deliberation of the French Energy Regulatory Commission of 17 July 2013 regarding the execution point of the 2012 and 2013 investment programmes of TIGF

Present: Philippe de LADOUCETTE, president, Olivier CHALLAN BELVAL, H el ene GASSIN, Jean-Pierre SOTURA and Michel THIOILLIERE, commissioners.

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

In this context, by deliberation of 20 December 2012, CRE approved TIGF's investment programme for 2013 and asked TIGF to present an intermediate report on the implemented investments, during the course of June 2013.

TIGF was heard by the board of CRE on 11 July 2013 and presented the final execution results for its investment programme for 2012, together with a mid-year progress report on the investment programme for 2013. The differences between the levels of the approved investments and the investments actually made for 2012, together with its updated forecasts for 2013, were explained by TIGF.

1. Observations on the implementation assessment for the 2012 investment programme

The investment programme for 2012 approved by CRE in its decision of 15 December 2011 amounted to € 163.0 million.

The final execution result of TIGF's investment programme for 2012 amounted to € 121.4 million, i.e. a shortfall of € 41.6 million (-25.5%) compared to the approved programme.

This reduction is due particularly to a reduction in fluidification investments on the main network, value at € 26.5 million, due to:

- a reduction of € 16 for the Girland project (enhancement of capacity on the Guyenne artery: pipeline between Lussagnet and Captieux). TIGF expects a decrease of € 8 million in the overall project cost compared to the original budget;
- a reduction of € 6.3 million on the project to strengthen the B ern artery, following a report on work on the connections to the regional network. This report did not affect the commissioning that took place in December 2012, as planned.

There was also a reduction of € 10 million observed on the security post. This discrepancy is explained by a revised expenditure schedule staggered over several years.

The CRE also notes that, for the rest of the investment programme, including expenditure on the construction of permanent headquarters, the expenses observed overall are in line with forecasts.

2. Observations on the implementation report for the 2013 investment programme

The investment programme for 2013 approved by CRE in its resolution of 20 December 2012 amounted to € 152.1 million.

TIGF presented its mid-year programme implementation status report to CRE. This shows a slight shortfall

of € 22.6 million in the provisional amount of investment expenditure compared to the approved programme for 2012. This provisional investment amount is € 129.5 million.

This reduction is essentially related to two projects:

- the Adour artery, valued at € 12 million, due to favourable market conditions for the purchase of pipes. TIGF believes that this reduction will have no impact on the overall project cost because it expects an increase in expenditures in relation to environmental requirements;
- the Girland project, valued at € 11million. This decrease is explained by the postponement of the completion of the Lussagnet-Captieux pipeline to 2014, due to adverse weather conditions. This postponement has had no impact on the commissioning of the capacity enhancement at the Larrau interconnection on 1 April 2013.

Moreover, in relation to the compression part of the Girland project, the decision to build a third compressor at the Sauveterre station by 2017 (estimated at € 27 million) was confirmed by TIGF in June 2013.

Finally, at the hearing, TIGF reported some uncertainties on the final results of the implementation programme 2013, related in particular to difficulties with some pipe-laying companies or the possible consequences of bad weather during the first half-year.

3. Decision on the investment programme for 2012

The CRE notes that the discrepancies between investment expenditures made and the approved investment programme for 2012 are primarily related to favourable market conditions on work on the Girland project and postponements on projects for development of the transmission network. These postponements shall have no impact on the schedule or costs of these projects.

The CRE notes that the implementation of TIGF's investment programme is in accordance with the approved programme.

4. Decision on the investment programme for 2013

CRE notes that TIGF is meeting the commissioning timelines of the different investment projects, particularly in relation to the development of capacities and interconnections with Spain.

CRE notes that the discrepancy between the revalued investment expenditures and the approved investment programme for 2013 is due, on the one hand, to a downward revision in certain costs and, on the other, to the postponement of work on certain projects, as a result of adverse weather conditions in the first half of 2013.

Accordingly, CRE approves the investment programme revalued by TIGF for 2013.

CRE requests that TIGF submit by the end of September 2013, all the studies that led to the final investment decision for the Sauveterre compression.

Paris, 17 July 2013

For the Energy Regulatory Commission,
The president,

Philippe de LADOUCKETTE