



DELIBERATION NO. 2017-303

Deliberation by the French Energy Regulatory Commission of 21 December 2017 approving TIGF's investment programme for 2018

Present: Jean-François CARENCO, Chairman, Christine CHAUVET, Hélène GASSIN, Jean-Laurent LASTELLE and Jean-Pierre SOTURA, commissioners.

1. BACKGROUND

Pursuant to the provisions of Article L.134-3 and of L.431-6-II of the French Energy Code, gas transmission system operators (TSOs) must submit their annual investment programmes to the Regulatory Commission of Energy (CRE) for approval. Within this framework, the CRE *“ensures that the investments required for the proper development of the networks, and for transparent and non-discriminatory access to them are made”*.

With regard to the investment programme for the year 2017:

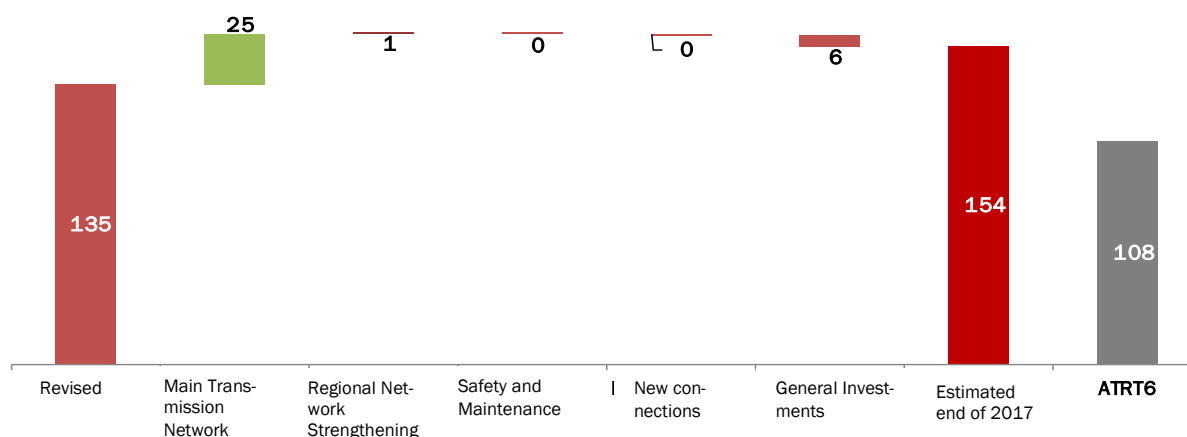
- In the deliberation of 15 December 2016, CRE approved TIGF's investment programme for 2017 and requested the operator to present, for mid-2017, an annual report of its investment programme.
- In the deliberation of 13 July 2017, the CRE approved the update of TIGF's 2017 investment programme.

TIGF submit to CRE its investment programme for 2018 and was heard on 14 December 2017.

2. CRE OBSERVATIONS ON THE 2017 INVESTMENT PROGRAMME

In the deliberation of 15 December 2016, CRE approved TIGF's investment programme for 2017. This amounted to € 108 M. On 13 July 2017, TIGF presented its amended investment programme increased by 25 % (€135 M).

At the end of 2017, TIGF presented an investment programme estimated at €154, 14% compared to the revised programme in mid-2017.



The main difference comes from the expenditures in the main network development. The estimated exit point at the end of 2017 shows an anticipated expenditure of € 10 M for the Gascogne-Midi project and an increase of € 16 M for the Artère de l'Adour project, in connection with the settlement of the TIGF litigation with the prime contractor. This amount is consistent with that anticipated and audited by CRE¹.

The exit point at the end of 2017 also shows a fall in general investment spending, which mainly concerns a slide in IT spending over the 2018/2019 period.

3. MAIN ELEMENTS OF TIGF'S INVESTMENT PROGRAMME FOR THE YEAR 2018

For the year 2018, TIGF presents an investment programme of € 126 M. This budget is down 14% compared to the amount retained in the investment expenditure trajectory of the ATRT6 tariff, which planned a budget of € 147 M.

The breakdown by investment purpose for the year 2018 is as follows:

M€	2018 forecast
Development of the main network	60
Strengthening of the regional network	7
Security and maintenance	36
Connections	2
General investments	22
TOTAL	126

¹ Deliberation of 13 July 2017 relating to the annual report of the 2016 investments programme and approving the 2017 investments programme modified by TIGF

The expenditure in main network development amounts to € 60 M, including € 45 M for the Gascogne-Midi project. Other expenses include additional compression at the Sauveterre station (€ 1 M) and additional compression at the AGU station (€ 8 M). Lastly, TIGF provides € 3 M for studies related to the STEP interconnection project.

The security and maintenance costs of the network amount to € 36 M in 2018. They are stable compared to previous years (€ 38 M in 2017). This amount relates mainly to pipelines and block valve stations and includes two projects (estimated between € 12 and 15 M) on the pipeline between Lacq and Lussagnet and between Lussagnet and Moullets. TIGF also plans for the renewal of the Capens-Pamiers pipeline (€ 1 M).

In addition, TIGF plans a budget of € 8 M for strengthening the regional network and connections. A reinforcement project is underway on the regional network and concerns the development of the Rion des Landes antenna.

Lastly, expenditures in general investments mainly concern information systems (€ 16 M) and, to a lesser extent, security improvements on real estate and car parks (€ 4 M).

4. CRE ANALYSIS

4.1 2018 Investment Programme

CRE notes that TIGF's planned expenditure for 2018 covers all identified needs. The projects progress according to the schedules indicated, with cost at completion fully in line with the levels expected.

Project	Date of approval deliberation	Date of the deliberation setting the target budget	Initial budget	Target budget	Termination cost	Date of commissioning
Strengthening the compression of Sauveterre	17 July 2013	Not concerned	€27 M	Not concerned	€24 M	2017
AGU compression reinforcement	15 December 2016	15 December 2016	€25.5 M	€25.5 M	€25.4 M	2019
Gascogne-Midi	07 May 2017	30 October 2014	€152 M	€152 M	€152 M	2018
Reconstruction of Capens-Pamiers	13 July 2017	Being audited	€30.4 M	Being audited	€30.4 M	2021

Regarding the studies for the STEP project, the European Commission has granted a subsidy of 50% of the studies to TIGF and Enagas. Expenses to date for TIGF amount to € 3 M for a projected budget of € 8 M.

4.2 Approval of four R&I projects

TIGF requests the approval of three projects whose unit budgets are less than € 500 k:

- Hydrogen production and instant transformation to methane from CO2 from other processes;
- Construction of a biological methanation demonstrator for the enrichment of biogas from anaerobic digestion;
- Expansion of a pilot experimental methanisation platform.

CRE approves these three projects.

TIGF is also planning the development of a distribution/transportation backhaul pilot project to allow the injection of biomethane into the network, either in Arcachon or Mont de Marsan, for a total budget of € 3 M over three years.

CRE is in favour of the development of a pilot project for the purposes of testing the different configurations of the network as part of the development of biogas injection sites. This project, coordinated with GRDF, will provide feedback on this mechanism. CRE approves this project.

CRE considers that the launching of the other identified projects cannot take place before the definition of a framework setting the triggering and financing rules for this project. In addition, a more global reflection should be launched in parallel by the TSOs and DSOs to evaluate the economic relevance of the backhaul compared to the possible alternatives and thus to determine a methodology for evaluating and optimising the needs of reverse installations.

5. DECISION OF THE CRE

1. Pursuant to the provisions of Article L.134-3 and L.431-6-II of the French Energy Code, the CRE approves the investment programme for the year 2018 submitted to it by TIGF. It is divided as follows:

M€	2018 forecast
Development of the main network	60
Strengthening of the regional network	7
Security and maintenance	36
Connections	2
General investments	22
TOTAL	126

2. In addition, CRE approves:
 - a. the project for the production of hydrogen and instantaneous transformation into methane from CO2 from other processes (€ <500 k);
 - b. the project for the construction of a biological methanation demonstrator for biogas enrichment from anaerobic digestion (€ <500 k);
 - c. the project to expand pilot experimental methanisation platform built in 2013 (€ <500 k);
 - d. the installation of a biomethane reverse pilot project from the distribution network to the transport network for a budget of € 3M;
 - e. CRE considers that the launching of the other backhaul projects cannot take place before the definition of a framework setting the triggering and financing rules for these projects. In addition, a more global reflection should be launched in parallel by the TSOs and DSOs to evaluate the economic relevance of the backhaul compared to the possible alternatives and thus to determine a methodology for evaluating and optimising the needs of reverse installations.
3. The approval of the investment programme does not prejudge the tariff treatment of these expenses.
4. Any modification of the investment programme must be submitted to CRE for approval.
5. CRE requests TIGF to submit an interim implementation report on this decision before July 2018, including a progress report on the main projects undertaken. TIGF will also present a progress report on its R&I projects.
6. This deliberation will be published on the website of the CRE and notified to TIGF. It will also be sent to the Minister of State, Minister for the ecological and inclusive transition and the Minister for the Economy and Finance.

Deliberated in Paris on 21 December 2017.

For the French Energy Regulatory Commission

The Chairman,

Jean-François CARENCO

