



DELIBERATION N° 2018-150

Deliberation of the Energy Regulatory Commission of 11 July 2018 concerning the report on the implementation of GRTgaz's investment programme for 2017 and approving its updated investment programme for 2018

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

Translated from French : only the French version is authentic

1. CONTEXT

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

With regard to the investment programme for the year 2017:

- in its deliberation of 15 December 2016, CRE approved GRTgaz's investment programme for 2017;
- in its deliberation of 13 July 2017, CRE approved the update to GRTgaz's 2017 investment programme, and asked the operator to submit a definitive report on the implementation of its 2017 investment programme, by the middle of 2018.

With regard to the investment programme for the year 2018:

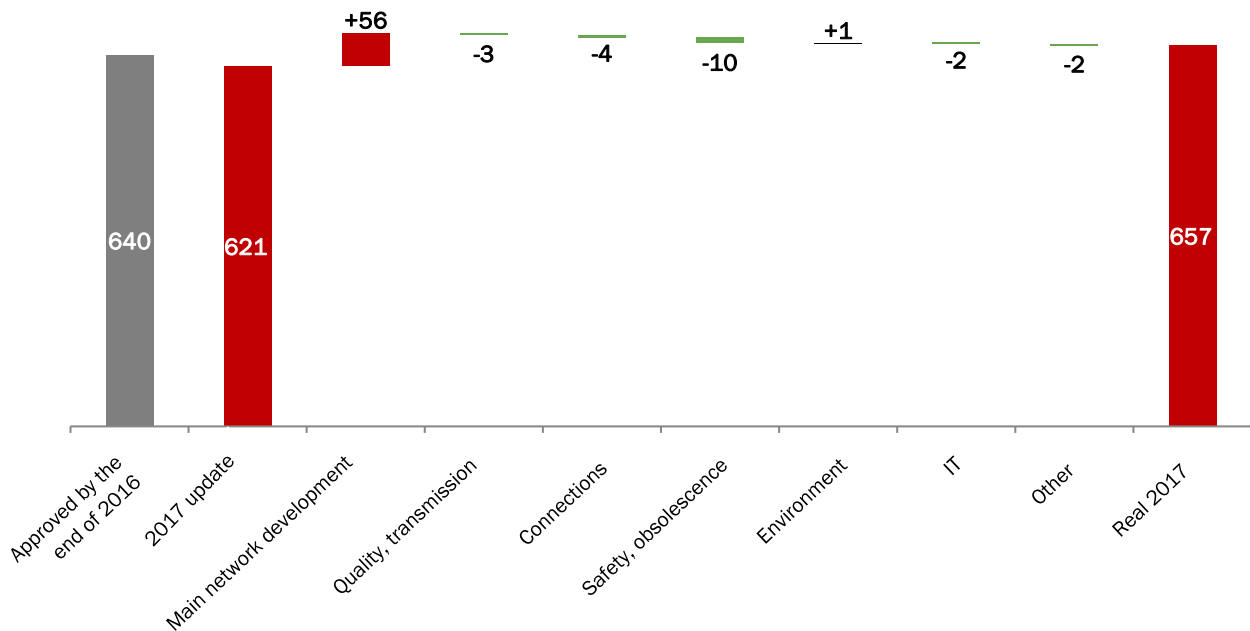
- In its deliberation of 21 December 2017, CRE approved GRTgaz's investment programme for 2018, and asked the operator to submit, by mid-2018, a mid-year report on the implementation of its 2018 investment programme.

On 15 June 2018, GRTgaz submitted to CRE its definitive report on the implementation of its investment programme for 2017 and its updated investment programme for 2018. The operator appeared before CRE's board on 28 June 2018, and presented the differences observed between the investment levels approved and actual investments made for 2017, along with updated forecasts for 2018.

2. CRE'S OBSERVATIONS ON THE REPORT ON IMPLEMENTATION OF THE 2017 INVESTMENT PROGRAMME

The investment expenditure approved for 2017 totalled €640 M. During work to prepare the mid-year report on implementation of its investment programme, GRTgaz submitted to CRE a revised amount of €621 M. Real expenses for 2017 amount to €657 M, i.e. an increase of 6% as compared with the revised budget.

Breakdown of the differences in €M between the mid-year revised trajectory and the actual trajectory of investment expenditure for 2017



Source: GRTgaz, analysis: CRE

The differences between actual expenses and the revised budget mainly concern “main network development”, on which expenditure was €56 M higher than the figure budgeted for in the mid-year update. The difference is essentially due to the early inclusion in the 2017 budget of expenditure on the Val de Saône project. For other development projects, actual expenditure is in line with the forecast budget.

This increase is partially offset by a €10 M fall in spending on safety and obsolescence programmes, mainly justified by the postponement of expenditure from 2017 to 2018.

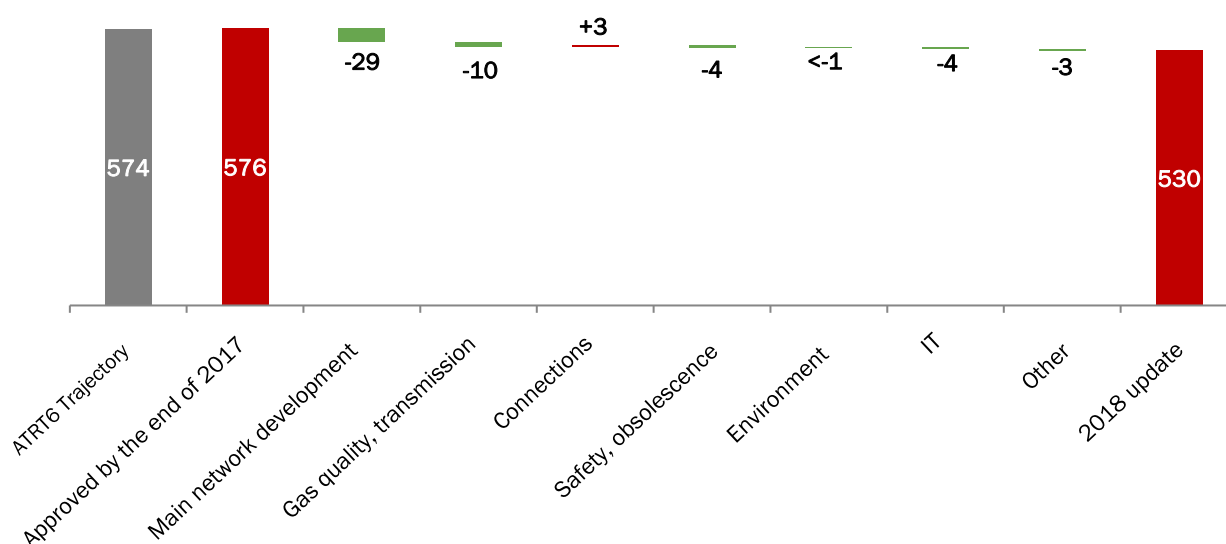
The other differences are due to the following:

- Expenditure on “Connections” was down by €4 M, owing to the delay in the development of connections for biomethane injection sites and compressed natural gas (CNG) fuelling stations;
- Expenditure on “Public service obligations (OSPs) for gas quality and transmission” was down by €3 M, partly due to the decision to delay the L zone conversion pilot project until 2018, and partly due to savings on the project to reinforce the Macon line. This drop is partly offset by an increase in expenditure on the re-estimation of linepack gas;
- Expenditure on the items “Business Line Information Systems” and “Others” fell by €4 M, as a result of delays in the development of IT projects, a re-assessment of the requirement for the mobile compressor project, and the decision not to include part of the spending on the purchase of the CRIGEN centre in investment expenditure. In practice, this latter decision actually entailed the contribution of new shares by GRTgaz to Engie.

3. CRE'S OBSERVATIONS ON THE IMPLEMENTATION OF THE 2018 INVESTMENT PROGRAMME

The investment expenses approved for 2018 in the deliberation of 21 December 2017 totalled €576 M. GRTgaz sent CRE a revised trajectory of its expenditure, which total €530 M (i.e. a reduction of 8% on the amount approved).

Breakdown of the differences in €M between the approved trajectory and the revised trajectory of investment expenditure for 2018



Source: GRTgaz, analysis: CRE

The differences are largely due to a decrease in expenditure on “Main network development”, related to the decision to bring forward spending on the Val de Saône project in 2017. Expenditure on other development projects was slightly higher than forecast in the budget, but this has had no impact on their costs at completion.

As regards investment in “gas quality and transmission OSP”, expenditure was down by €10 M, partly because the schedule for the L zone conversion project has been put back, and partly owing to a delay in the start of work to reinforce the regional network in southern Brittany. For this latter project, GRTgaz’s investment programme includes €1.5 M to cover the cost of studies and research to be carried out by the end of 2018.

There was also a rise of €3 M in expenditure on “Connections”, mainly due to the increased spending on the Jupiter 1000 Power to Gas project. This increase will not entail a further rise in the project’s completion cost over and above the figure of €1 M budgeted for at the end of 2017.

“Safety and obsolescence” expenditure was down by €4 M, due to rescheduling of several programmes to refurbish installations, including the refurbishment of the Vindecy compression station.

Expenditure on “Business Line Information Systems” dropped by €4 M, due to the postponement of the real-time telemetry project (ESTER programme).

Finally, investment expenditure on support functions fell by €3 M owing to various reasons: a significant rise in spending on the HR IT system, offset by reductions in spending on real estate projects and delays to several others, including the mobile compressor project.

CRE'S DECISION

1. Pursuant to the provisions of Articles L.134-3 and L.431-6-II of the French Energy code, gas transmission system operators (TSOs) must submit their annual investment programmes to the French Energy Regulatory Commission (CRE) for approval.
2. For 2017, CRE notes that the differences between the actual investment expenses and the investment programme approved for 2017 are mainly related to the postponement of work, which has no impact on the projects' commissioning dates and cost at completion. Consequently, CRE notes that the implementation of GRTgaz's investment programme is in line with the programme approved.

€M	Approved 2017	Revised 2017	Realised 2017
OSPs Quality and Transmission	36	36	33
Environment	6	7	8
Safety/Obsolescence	171	174	164
Connections	37	35	31
Principal network development	312	290	346
Business line IS	30	34	32
Others	48	45	42
Total	640	621	657

3. For 2018, CRE notes that the implementation of GRTgaz's investment programme at the mid-year point is in line with the programme approved at the end of 2017. It notes that there have been relatively small variations in the cost of these investments, mainly due to decisions to bring forward or postpone expenditure, and that the programme has been revised as a result. Consequently, CRE approves the revised investment budget for 2018, as submitted by GRTgaz. This budget breaks down as follows:

€M	Approved 2018	Revised 2018
OSPs Quality and Transmission	51	41
Environment	15	15
Safety/Obsolescence	190	186
Connections	41	44
Principal network development	188	160
Business line IS	37	33
Others	54	51
Total	576	530

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4. CRE requests GRTgaz to submit a definitive report on the implementation of its 2018 investment programme for 2018, by 30 June 2019. This report should notably include an update on the progress of the various projects begun.
5. Approval of the investment programme has no bearing on the way in which the expenditure concerned is taken into account in tariff levels.
6. Any change to the investment programme must be submitted to CRE for approval.
7. This deliberation will be published on CRE's website and notified to GRTgaz. It will also be sent to the Minister of State, the Minister for Ecological and Inclusive Transition, and the Minister for Economy and Finance.

Deliberated in Paris, 11 July 2018.

For CRE, the Energy Regulatory Commission

Commissioner

Christine CHAUVET

5. ANNEXES

5.1 Main network development projects commissioned as from 2017

Project	Date of deliberation	Initial budget	Cost at completion	Commissioning date
Val de Saône	30 October 2014	€727 M* (target budget: €650 M)	€696 M	1 November 2018
Gascogne-Midi	07 May 2014	€22 M (target budget: €21 M)	€22 M	1 November 2018
Creation of 100 GWh/d and potentially up to 200 GWh/d of entry point capacity at Oltingue	17 December 2014	€12 M (not concerned by target budget)	€18 M	1 June 2018
Project to convert L-zone to H gas – Pilot	15 December 2016	€42 M (target budget: €42 M)	€42 M	2018-2020

* GRTgaz's investment committee decided to go ahead with the project on 12 June 2015, with a projected budget of €727 M.

5.2 Other projects approved by CRE

Project	Date of deliberation	Initial budget	Spending to date	Cost at completion	Commissioning date
Jupiter 1000	17 December 2014	€10 M	€5 M	€11 M	End of 2018
Reverse biométhane gas D/T flows	21 December 2017	€6 M	€0.5 M	€6 M	2019
TENORE project	21 December 2017	€8 M	€1.3 M	€8 M	2020