



## DELIBERATION NO. 2018-166

# Deliberation of the French Energy Regulatory Commission of 19 July 2018 approving Géométhane's investment programme for 2018

Present: Jean-François CARENCO, Chairman, Christine CHAUVET, Catherine EDWIGE, Hélène GASSIN and Jean-Laurent LASTELLE, Commissioners.

Translated from French: only the French version is authentic

### 1. BACKGROUND

Law No. 2017-1839 of 30 December 2017 ceasing the exploration and exploitation of hydrocarbon deposits and attributing various energy and environmental measures, has reformed the access system to natural gas infrastructure, which is now regulated.

Article L. 421-3-1 of the French Energy Code states that " *underground natural gas storage infrastructure facilities that ensure the country's security of supply in the medium and long-term, together with compliance with bilateral agreements on security of supply of natural gas concluded by France with a European Union Member State or a European Free Trade Association member, are provided for in a Multiannual Energy Programme (PPE) referred to in Article L. 141-1. These facilities are maintained in service by the operators.*

*Multiannual Energy Programme can cover storage facilities which have been subject to reduced operating licences with capacities that have ceased to be marketed, as well as sites under development."*

Article 9 of Decree No. 2016-442 of 27 October 2016 on the PPE<sup>1</sup> states that storage facilities falling within the scope of the regulation currently applies to all facilities in operation, three mothballed facilities and three development projects. In applying the provisions of Article L. 141-3 of the Energy Code, the initial period of the PPE expires in late 2018, when a new PPE will cover two consecutive five-year periods (2019-2023 and 2024-2028).

According to Article L. 421-7-1 of the Energy Code, each natural gas storage operator "establishes an annual investment programme that they submit for approval to the French Energy Regulatory Commission. CRE ensures that the necessary investments are made to effectively develop storage facilities and that access to them is transparent and non-discriminatory."

Géométhane is one of three natural gas storage operators in France and owns the facility in Manosque, operated by Storengy.

Given the addition of storage facilities to the regulation of 1 January 2018 and work to introduce third party access reforms to underground natural gas storage facilities undertaken by the French Energy Regulatory Commission (CRE) during the first quarter of 2018, the approval of investments by storage operators for 2018 is to be exceptionally made halfway through the year. Géométhane was referred to CRE on 30 April 2018 with respect to its 2018 investment programme. The operator was interviewed by the CRE collegial board on Thursday 21 June 2018.

<sup>1</sup> Article 9 of Decree No. 2016-442 of 27 October 2016 on the PPE

## **2. THE MAIN COMPONENTS OF THE 2018 GÉOMÉTHANE INVESTMENT PROGRAMME**

As part of work on underground natural gas storage facility user tariffs<sup>2</sup>, Géométhane presented an investment budget for 2018 worth €32 m. By contrast, the operator's investment programme for the current year, submitted for approval, amounts to €13.4 m, a drop of 58%. This difference mainly stems from the suspension of a project to develop storage cavities at the facility (Manosque Project Phase II).

Budget lines (€m)	Géométhane 2018 proposal
Current investments	0.9
Developing existing installations	7.9
Inspection of two cavities	2.0
Research budget	2.6
<b>Total</b>	<b>13.4</b>

In its tariff report, Géométhane made provision for expenditure on the project to develop the Manosque facility, which features in the 2016-2018 Multiannual Energy Programme. The operator is suspending the development project for 2018 and has subsequently made significant cuts to its investment expenditure.

Géométhane nevertheless intends to keep the cavities it has already developed filled with brine. This accounts for €2 m per year, corresponding to the balance of commitments made and cavity inspection costs.

Furthermore, the operator anticipates €7.9 m expenditure in 2018 to upgrade installations at the facility. The operator states that the facility was commissioned in 1993 and has not undergone any significant renovations since then.

## **3. THE CRE'S POSITION**

Keeping cavities filled with brine enables Géométhane to not lose developments achieved up to the present time at the Manosque facility.

CRE approves expenditure to upgrade surface installations as they appear to be justified given the age of the facility.

CRE approves this expenditure for 2018.

CRE nevertheless highlights that to ensure security of supply, the PPE has set a target for discharge and usable capacity rates for the entire area of storage facilities regulated by the three storage operators. This situation raises the question of maintaining this level of performance at the least cost for the community. To complete these analyses, from 2019, CRE requires Géométhane, to supplement all project approval requests to maintain or improve performance with an alternative investment-free scenario featuring the subsequent effects on performance at the relevant facility.

<sup>2</sup> Deliberation of 22 March 2018 on the decision concerning user tariffs for Storengy, TIGF and Géométhane underground natural gas storage facilities, as of 2018.

**DECISION**

- 1- According to Article L. 421-7-1 of the Energy Code, natural gas storage operators must submit their annual investment programmes for approval to the Energy Regulatory Commission (CRE).
- 2- CRE approves Géométhane's investment budget for 2018, amounting to €13.4 m.
- 3- This is broken down as follows:

Budget lines (€m)	Approved for 2018
Current investments	0.9
Developing existing installations	7.9
Inspection of two cavities	2.0
Research budget	2.6
<b>Total</b>	<b>13.4</b>

- 4- From 2019, CRE requires Géométhane to supplement all project approval requests to maintain or improve performance with an alternative investment-free scenario featuring the subsequent effects on performance at the relevant facility.
- 5- The approval of the investment programme does not call into question the tariff treatment of this expenditure.
- 6- Any amendment to the investment programme must be submitted to CRE for approval.
- 7- CRE requires Géométhane to provide it with a final implementation report by June 2019 for its 2018 investment programme. This must also include a progress report on the main projects.
- 8- The present deliberation will be published on CRE's website and Géométhane will be notified. It will also be sent to the appointed government Minister, the Minister for Ecological and Inclusive Transition and the Minister of Economy and Finance.

**Deliberated in Paris on 19 July 2018.  
For the Energy Regulatory Commission,**

**The Chairman,  
Jean-François CARENCO**