



DELIBERATION NO 2018-288

Deliberation by the French Energy Regulatory Commission of 20 December 2018 approving GRTgaz's investment programme for 2019

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

Translated from the French: only the original is authentic

1. BACKGROUND

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

On 22 November 2018, GRTgaz sent its 2019 investment programme to CRE and appeared before CRE's board on 6 December 2018. Following those discussions, GRTgaz revised its investment programme on 10 December 2018.

With regard to the investment programme for the year 2018:

- in its deliberation of 21 December 2017¹, CRE approved GRTgaz's 2018 investment programme for the sum of €576 million, and requested the operator to present, for mid-2018, a report on the execution of its investment programme;
- in its deliberation of 11 July 2018², CRE approved GRTgaz's revised 2018 investment programme, for the sum of €530 million.

The purpose of the present deliberation is to approve GRTgaz's investment programme for the year 2019.

¹ [Deliberation by the French Energy Regulatory Commission of 21 December 2017 approving GRTgaz's investment programme for 2018](#)

² [Deliberation by the French Energy Regulatory Commission of 11 July 2018 relating to the report on the execution of GRTgaz's 2017 investment programme and approving its amended investment programme for 2018](#)

2. MAIN ELEMENTS OF THE 2019 INVESTMENT PROGRAMME

For the year 2019, GRTgaz has presented an investment programme totalling €446 million. This budget is down 12% compared to the trajectory of investment expenses adopted in CRE's deliberation of 15 December 2016 deciding on the ATRT6 tariff³, which forecasts a budget of €507 million. It is down 16% compared to the revised budget for 2018, which totals €530 million, because of the completion of projects related to the merging of balancing zones.

The breakdown by investment objective for 2019 is as follows:

€M	2019 demand	2018 revised
Development of the main network	27	160
Security/Obsolescence	208	186
Public service obligation Transmission & Quality	36	41
Environment	12	15
Connections	71	44
Business-oriented IT	34	33
Other	58	51
Total	446	530

2.1 Main network development investments

Expenses related to main network development projects total €27 million, compared to €160 million in 2018. These expenses are for the completion of work on the Val de Saône project, which enabled the go-live of the single marketplace as at 1 November 2018.

2.2 Expenses related to regulatory obligations

Most of the expenses related to regulatory requirements concern network security and obsolescence. In 2019, they represent €208 million, i.e. up 12% compared to 2018. These sums are mainly linked to the restoration of network installations, in particular pipelines. Expenses related to the restoration of the Vindecy compression station total €24 million.

Expenses related to GRTgaz's public service obligations (continuity of transmission and gas quality) total €36 million, i.e. down 12% compared to 2018. They concern two projects in particular: the project to convert the L gas zone to H gas for the sum of €11 million and the reinforcement of the south of Brittany for €8 million (see sections 3.3 and 3.5 of the present deliberation).

Environmental expenses total €12 million, down 20% compared to 2018, because of the completion of the renovation of the Bégude compression station. These expenses include:

- launch of a programme to renovate compression station exhaust stacks, following several inspections (€4 million);
- the project to recover letdown pressure at the Villiers-le-Bel pressure-reducing station (TENORE pilot project) totalling €4 million.

2.3 Expenses related to connections

Connection expenses total €71 million, up 57% compared to 2018 and are 50% related to the development of biomethane injection projects, of which €6 million are devoted to backhaul development projects, and 50% related to services for third parties, particularly in connection with the "Grand Paris" project developments (mainly infrastructure displacement).

³ [Deliberation by the French Energy Regulatory Commission of 15 December 2016 deciding on the tariffs for the use of GRTgaz's and Teréga's natural gas transmission networks](#)

2.4 Other investment expenses

Forecast investments in GRTgaz's business-oriented IT systems (Offers and Industrial System) and in support functions (IT systems of support functions, real estate, vehicles) are estimated at €92 million, up 9% compared to 2018. They take into account in particular the expenses related to the relocation of the RICE site located in Saint Denis for €8 million, in connection with the Paris 2024 development work.

3. CRE'S ANALYSIS

This section will present CRE's analysis of the main elements of GRTgaz's 2019 investment programme.

3.1 Val de Saône and Gascogne-Midi projects

The Val de Saône project was commissioned in 2018 as scheduled. The cost at completion is currently estimated at €692 million, up 6% compared to the target budget set initially by CRE at €650 million.

The deliberation of 30 October 2014⁴ defining the parameters of the incentive regulation applicable to the project provided for the indexing of the budget devoted to the purchase of tubes for the sum of €75 million to the steel index (HRC), the level of which was initially set at 200 during the deliberation. At the time the tubes were ordered, the HRC index stood at 137, which led to an adjustment of the target budget by €24 million. The final level of the target budget adopted for the application of the incentive regulation is therefore €626 million. As a result, the 300-basis point bonus would apply to a budget of €689 million (i.e. the target budget + 10%) for ten years.

The Gascogne-Midi project was commissioned in 2017, and its cost at completion (€23 million) is in line with the target budget set at €21 million. The 300-basis point bonus shall apply to the project's cost at completion for ten years.

3.2 Oltingue project

In its deliberation of 17 December 2014⁵, CRE approved the project to create 100 GWh/d of quasi-firm capacity and 100 GWh/d of interruptible capacity at the Oltingue interconnection point for the sum of €12 million. The investments were commissioned in April 2018, with the selling of capacity as at 1 June. The project's cost at completion totals €18 million. This increase is due in particular to the difficulties encountered by GRTgaz (complexity related to carrying out work at sites in operation) to upgrade installations (meters and Morelmaison station).

3.3 Project to convert the L-gas zone to H gas

Part of the north of France, known as the "L zone" (in reference to low calorific gas), is supplied by gas coming from the Groningen gas field in the Netherlands. Against the drop in L gas production, the zone's supply contracts expire in 2029.

Within this framework, and in compliance with decree No 2016-348 of 23 March 2016, on 23 September 2016, GRTgaz and adjacent infrastructure operators (Storengy, GRDF and two local Distribution system operators) proposed to the ministers of energy, industrial security and the economy a conversion plan with the goal of completing conversion upon the expiry of the import contracts, i.e. 2029.

In particular, it provides for a pilot phase over the 2016-2020 period. The budget of the pilot project, for the portion to be performed by GRTgaz, is estimated at €42 million in investments. GRTgaz, in coordination with GRDF, were set to begin investments in its network in 2018. Because of the postponement of the conversion of the town of Doullens, GRTgaz's investments have been delayed, without any consequence on the final project schedule.

The cost at completion remains in line with the target budget set in the deliberation concerning the ATRT6 tariffs for accessing GRTgaz's and Teréga's transmission networks⁶, at €43 million.

3.4 Vindecy compression station renovation project

The project, whose initial budget submitted by GRTgaz to CRE totalled €66 million is subject to incentive regulation. CRE's deliberation of 15 February 2018⁷ set the target budget at €63.1 million. At this stage, the cost at completion is in line with the target budget and commissioning is scheduled for mid-2020, in compliance with GRTgaz's initial schedule.

⁴ [Deliberation by the French Energy Regulatory Commission of 30 October 2014 deciding on the incentive regulation mechanism for the Val de Saône and Gascogne-Midi projects](#)

⁵ [Deliberation by the French Energy Regulatory Commission of 17 December 2014 examining GRTgaz's ten-year development plan and approving its investment programme for 2015](#)

⁶ [Deliberation by the French Energy Regulatory Commission of 15 December 2016 deciding on the tariff for the use of GRTgaz's and Teréga's natural gas transmission networks](#)

⁷ [Deliberation by the French Energy Regulatory Commission of 15 February 2018 deciding on the definition of the target budget for the project to reconstruct GRTgaz's Vindecy compression station](#)

3.5 Project to reinforce the south of Brittany

Within the framework of Brittany's electricity pact, building of the Landivisiau combined-cycle gas turbine (CCGT) requires the adaptation of Brittany's gas network, with, on the one hand, connection of the Landivisiau CCGT, and on the other hand, the reinforcement of the regional network in the south of Brittany.

At the end of 2011, CRE validated the launch of assessments for €8 million for the reinforcement of the regional network. In its deliberation of 11 July 2018, it approved an additional €1.5 million for assessments.

The connection will have a target budget corresponding to the amount agreed on between GRTgaz and Direct Energie, operator in charge of the plant, which bears the costs in question.

The project to reinforce the regional network in the south of Brittany, whose initial budget submitted by GRTgaz totalled €148.3 million, is subject to incentive regulation. CRE's deliberation of 28 November 2018⁸ set the project's target budget at €137.8 million.

Expenses for work shall be made in 2019 and 2020 to enable commissioning of the new pipeline for the testing of the CCGT as from 1 November 2021.

CRE approved the south Brittany reinforcement project, provided that the connection offer for the construction of a CCGT is signed.

3.6 Distribution/transmission backhaul project for biomethane injection

In its deliberation of 21 December 2017⁹, CRE approved two pilot installations, within the framework of the West Grid Synergy project, which will be built in Pontivy (Finistère) and in Pouzauges (Vendée), for an estimated budget of €6 million. Expenses forecast for 2019 total €4.9 million.

The deliberation specified in particular that the *"launch of other projects identified cannot take place before the definition of a framework laying out the rules for launching and funding these projects"*.

Article L.453-9 of the French energy code, as amended by Article 94 of law No 2018-938 of 30 October 2018, known as the "EGalim" law, specifies that: *"when a biogas production installation is located close to a natural gas installation, the natural gas system operators must perform the necessary reinforcement to enable injection of the biogas produced into the networks, according to the conditions and limits defined by a decree adopted after CRE is consulted."* System operators (TSOs and DSOs) have started work with the goal of defining a robust methodology for assessing and optimising backhaul installation needs. This work is still in progress.

In its 2019 investment programme, GRTgaz requests approval for three new distribution/transmission backhaul projects, in the Chessy, Soissons and Bourges areas, for a budget of approximately €3 million by backhaul project. For the year 2019, expenses total:

- €1 million for Chessy, including €0.2 million for assessments and €0.8 million for the purchase of equipment;
- €0.2 million in assessments for Soissons;
- €0.2 million in assessments for Bourges.

GRTgaz justified its request by the need to anticipate the prospect of the saturation of maximum injection capacity in GRDF's network, based on the projects included in the capacity register, but also emerging projects, and by the time required for the implementation of backhaul.

Therefore, GRTgaz states that the implementation of backhaul will be necessary:

- in summer 2020 for the Chessy zone: maximum injection capacity would be reached with the existing projects, and surpassed with the commissioning at the end of 2019 of a project under construction;
- in summer 2021 for the Soissons zone: maximum injection capacity would be surpassed in 2021 if the project included in the capacity register and whose ICPE (equipment listed under environment protection regulations) file was submitted, is commissioned as scheduled;
- in summer 2021 for the Bourges zone: maximum injection capacity would be surpassed in 2021 if both projects under construction and the six projects in the capacity register (two of which have submitted their ICPE file) are commissioned as scheduled.

GRTgaz estimated the average timeframes necessary for the implementation of a backhaul project:

⁸ [Deliberation by the French Energy Regulatory Commission of 28 November 2018 deciding on the definition of the target budget for the project to adapt GRTgaz's Brittany network in view of the connection of the Landivisiau combined-cycle gas turbine](#)

⁹ [Deliberation by the French Energy Regulatory Commission of 21 December 2017 approving GRTgaz's investment programme for 2018](#)

- 6 to 12 months to define the project, in particular concerning feasibility studies, search for the required land and basic engineering;
- 15 to 21 months to complete the project, including 9 to 12 months for administrative procedures (transport authorisation, building permit) and 6 to 9 months for the construction.

3.6.1 Chessy backhaul

With regard to Chessy backhaul, CRE notes that existing injection sites will saturate maximum injection capacity. Therefore, commissioning of the injection site currently under construction makes it necessary for backhaul to be developed. CRE is therefore in favour of the necessary assessments being performed by GRTgaz.

However, CRE notes that the minimum duration of the assessment phase is six months, and that GRTgaz has not planned any equipment purchases before the second half of 2019.

Considering, on the one hand, the context reiterated in the introduction of section 3.6, and on the other hand, the need to make only the investments most relevant for integrating the inflow of biomethane into the networks, and therefore limiting the risks of stranded costs, CRE is in favour of a step-by-step approach.

Consequently, CRE approves only the budget corresponding to the assessment phase, i.e. €0.2 million. It requests GRTgaz to submit to it for approval any expenses associated with the work phase (€0.8 million for 2019) when the investment programme is revised mid-2019.

This timeframe should also allow this project to be included in the overall reflection that will take place to prepare the decree specified by Article L. 453-9 of the energy code on the criteria and conditions for launching and funding these investments.

3.6.2 Soissons backhaul

With regard to Soissons backhaul, CRE notes that the maximum injection capacity could be surpassed by summer 2021 given the level of progress of the project (pending ICPE authorisations). For the same reasons as for the Chessy backhaul, CRE considers that this probability can justify the launch of assessments, so as to not delay the project if the need for backhaul is confirmed in the upcoming months.

Consequently, CRE approves the €0.2 million in assessment expenses for 2019 for the Soissons backhaul project.

3.6.3 Bourges backhaul

With regard to Bourges backhaul, CRE notes that, unlike the other two backhaul projects presented in GRTgaz's file, the assumption of surpassing maximum injection capacity within GRDF's distribution perimeter is more uncertain, given the level of progress of the projects: the six projects in the register, four of which have not yet submitted their ICPE file, must be commissioned if saturation of the zone is to be reached. CRE therefore considers the 2021 timeframe uncertain.

As a result, CRE does not approve any expenses related to the Bourges backhaul project.

3.7 FenHYx project

As new gas develops, GRTgaz plans to facilitate the start of hydrogen production on an industrial scale. The project consists in the construction of a platform devoted to R&D and innovation and operated by RICE (GRTgaz's R&D centre). The project's objectives are to enable innovation, support the adaptation of jobs and gas infrastructure to hydrogen and to create an ecosystem of sector partners.

For the year 2019, GRTgaz projects €0.8 million in expenses for the launch of feasibility studies, which will enable in particular, the construction of the project's funding plan and the search for partners and subsidies.

CRE is not opposed to GRTgaz's participation in this type of project, which can present an interest for the operator's business in terms of research and development and its ability to integrate new gas into its networks in the future.

CRE however reiterates that the transmission tariff aims to cover the regulated operator's costs within the framework of the execution of its missions. In the case of the FenHYx project, the objectives of the platform envisaged go beyond this scope: consequently, the costs associated with this project should not be exclusively covered by the tariff.

CRE is in favour of GRTgaz pursuing its work to find partners and construct a funding plan. However, since GRTgaz has not finalised the project's funding arrangements, CRE is unable to approve the project.

It nevertheless highlights that the tariff does not aim to cover all of the costs and risks associated with such a project.

CRE'S DECISION

In accordance with Articles L.134-3 and L.431-6-II of the French energy code, gas transmission system operators must transmit their annual investment programmes to the French Energy Regulatory Commission for approval.

As concerns the year 2019, CRE approves GRTgaz's investment programme, whose budget totals €444 million, with the exception of the expenses for the purchase of equipment associated with the Chessy backhaul project and the expenses for assessments associated with the Bourges project, as well as assessment expenses for the FenHYx project.

The budget approved breaks down as follows:

€M	GRTgaz's 2019 request	2019 authorisation
Development of the main network	27	27
Security/Obsolescence	208	208
Public service obligation Transmission Quality	36	36
Environment	12	12
Connections	71	69
Business-oriented IT	34	34
Other	58	58
Total	446	444

In particular, CRE approves:

- the south Brittany project, whose target budget was set in the deliberation of 28 November 2018 totalling €137.8 million, provided that that connection offer for the construction of a combined-cycle gas turbine is signed;
- the assessments relating to two distribution/transmission backhaul projects to enable biomethane injection in the Chessy and Soissons perimeter for a budget of €0.4 million.

The approval of the investment programme has no bearing on the tariff treatment of these expenses.

Any modification of the investment programme shall be submitted to CRE for approval.

CRE requests GRTgaz to submit to it before the month of July 2019, an interim report on the implementation of the present decision, which shall include, in particular, a progress report on the main projects undertaken.

The present deliberation shall be published on CRE's website and notified to GRTgaz. In addition, it shall be transmitted to the minister of state, the minister for the ecological and inclusive transition and the minister for the economy and finance.

Paris, 20 December 2018
For the Energy Regulatory Commission,
The Chairman,

Jean-François CARENCO

ANNEX – FOLLOW-UP OF MAIN PROJECTS

Project	Date of the approval deliberation	Date of the deliberation defining the target budget	Initial budget	Ttarget budget	Cost at completion	Date of commissioning
Val de Saône	7 May 2014	30 October 2014	€727 million	€650 million	€692 million	Completed
Gascogne-Midi	7 May 2014	30 October 2014	€22 million	€21 million	€23 million	Completed
Creation of entry capacity at Oltingue	17 December 2014	N/A	€12 million	N/A	€18 million	Completed
Project for conversion of zone B to H gas – Pilot part	15 December 2016	15 December 2016	€42 million	€42 million	€43 million	2018-2020
Vindecy compression station	21 December 2017	15 February 2018	€66 million	€63.1 million	€66 million	2020
Reinforcement south Brittany	20 December 2018	28 November 2018	€148 million	€137.8 million	€148 million	2021
Jupiter 1000	17 December 2014	N/A	€10 million	N/A	€13 million	End 2019
Biomethane backhaul - pilots	21 December 2017	N/A	€6 million	N/A	€6 million	2019
TENORE - pilot	21 December 2017	N/A	€8 million	N/A	€9 million	2020