



## DELIBERATION NO 2018-289

# Deliberation by the French Energy Regulatory Commission of 20 December 2018 approving Teréga'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, Teréga sent its 2019 investment programme to CRE and appeared before CRE's board on 6 December 2018.

With regard to the investment programme for the year 2018:

- in its deliberation of 21 December 2017<sup>1</sup>, CRE approved Teréga's 2018 investment programme for the sum of €125.8 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 2018<sup>2</sup>, CRE approved Teréga's revised 2018 investment programme, for the sum of €125.3 million.

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

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

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

**2. MAIN ELEMENTS OF TEREGA'S 2019 INVESTMENT PROGRAMME**

For the year 2019, Teréga has presented an investment programme totalling €103.1 million. This budget is up 4.2% compared to the trajectory of investment expenses forecast in CRE's deliberation of 15 December 2016 deciding on the ATRT6 tariff<sup>3</sup> which provided for a budget of €98.9 million. It is down 17.7% compared to the revised budget for 2018, which totalled €125.3 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	26.5	62.1
Reinforcement of the regional network	9.2	6.6
Safety and maintenance	44.3	38.3
Connections	0.8	1.4
General investments	22.3	16.9
<b>TOTAL</b>	<b>103.1</b>	<b>125.3</b>

Main network development expenses total €26.5 million, including €11.8 million for the Gascogne-Midi project, commissioned in October 2018. These expenses concern in particular the restoration of the work site and land and the rest of the payment to subcontractors. In addition, €5.7 million of the budget devoted to main network development concern the project to reinforce the AGU compression station and €3.7 million concern projects in the research and innovation field (R&I) corresponding, for the most part, to advancing projects under construction. Main network expenses are down by €35.6 million compared to 2018 (€62.1 million), i.e. a 57.3% drop, related in particular to the completion of major investment projects, in particular Gascogne-Midi.

Teréga projects a budget of €9.2 million for the reinforcement of the regional network, up €2.6 million compared to 2018, i.e. a 39.4% increase. This increase is due mainly to the deferral to 2019 of expenses from the Rion des Landes project from past years (€2.7 million). In addition, Teréga projects a budget of €0.8 million for connections, including three biomethane injection units and an industrial site.

Network security and maintenance expenses total €44.3 million in 2019. This sum concerns mainly pipelines and switching stations, including €5.9 million for the Capens-Pamiers project. Teréga also forecasts €7.8 million in expenses for delivery stations, in particular for upgrading to meet standards. Security and maintenance expenses are up by €6 million compared to 2018, due in particular to the increase in expenses for delivery stations (+€4.7 million) and related equipment (+€1.5 million).

In addition, Teréga has presented eight security and maintenance projects, in particular for restorations, deviations, infrastructure shutdowns and modernisation of switching stations. These projects are necessary for solving dilapidation problems and making regulatory upgrades based on the infrastructure's operating functionalities and safety.

<sup>3</sup> [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](#)



Project	Forecast budget	Date of commissioning
Albias-Caussade	€3.7 million	2020
Galgan Aurillac	€7.9 million	2020
Laurabuc-Verniolle	€6.4 million	2021
Montech	€7.6 million	2021
Mont-Est	€3.3 million	2020
Mont-Ogenne	€16.3 million	2022
Urgosse	€5.0 million	2021
Serre-Soumoulou	€3.4 million	2021

Lastly, general investment expenses total €22.3 million for 2019 and mainly concern IT systems with €14.7 million and €6.8 million related to real estate expenses following Teréga's territorial reorganisation. These expenses are up by €5.3 million compared to 2018, i.e. a 31.6% increase, particularly in connection with the increase in IT expenses (+€3.1 million) and real estate and land expenses (+€2.5 million).

### 3. CRE'S ANALYSIS

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

#### 3.1 Gascogne-Midi project

The project was commissioned in October 2018 as scheduled for the launch of the single marketplace as at 1 November 2018. The project's cost at completion is currently estimated at €160.7 million, up 5.7% compared to the cost at completion announced during the update of the 2018 investment programme which totalled €152 million approved by CRE.

Teréga had to deal with the severe weather conditions of June 2018, which led it to incur additional expenses on work and staff in summer 2018 to meet the commissioning deadline in October 2018.

The deliberation of 30 October 2014<sup>4</sup> defining the parameters of the incentive regulation applicable to the project provided for the indexing of the budget for tubes (i.e. €13 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 by Teréga, the HRC index was at 209, which increased the target budget to €152.6 million. As a result, the 300-basis point bonus would apply to the cost at completion of €160.7 million (i.e. within the range of the target budget +/-10%) for ten years.

#### 3.2 Project to reconstruct the Capens-Pamiers pipeline

The project, whose initial budget submitted by Teréga totalled €31.1 million, is subject to incentive regulation. CRE's deliberation of 15 February 2018<sup>5</sup> set the target budget at €29.7 million. At this stage, the cost at completion is in line with the target budget and commissioning is scheduled for mid-2021, in compliance with Teréga's initial schedule.

#### 3.3 Approval of the security and maintenance project

Teréga is facing major corrosion problems in some of its infrastructure.

The Mont station is at one end of the Lacal segment, a major pipeline that connects France to Spain. This infrastructure, built by Gaz de France in 1993, has been regularly (every ten years in accordance with regulations) inspected since 2006.

Teréga considers that each repair intervention will require a shutdown of flow for a week. Given the significant flows through this pipeline, it is not desirable to have such shutdowns.

<sup>4</sup> [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](#)

<sup>5</sup> [Deliberation by the French Energy Regulatory Commission of 15 February 2018 deciding on the definition of the target budget for Teréga's project to reconstruct the Capens-Pamiers pipeline](#)

Therefore, Teréga plans to rebuild 9.2 kilometres of the Lacal segment from the Mont compression station and to abandon the existing infrastructure. Teréga plans for the new infrastructure to be commissioned in October 2022 and projects the cost at completion at €16.3 million.

CRE shares Teréga's analysis and therefore approves the Mont-Ogenne project.

### **3.4 Approval of a project in the Research and Innovation field (R&I)**

Within the framework of its programme to limit greenhouse gas emissions and achieve energy efficiency, Teréga conducts studies to reduce its compression station emissions. Teréga noted that a portion of the emissions was related to gas leaks from compressor rod packing and estimated that the level of losses corresponded to 7,000 tonnes of CO<sub>2</sub> equivalent per year, i.e. 5% of Teréga's greenhouse gas emissions.

Teréga wishes to develop a recovery system for packing gases in order to recover the gas leaked from compressor rod packing, and to recompress them for injection into its network. Teréga plans to assess the feasibility of dimensioning, constructing and operating that solution at the Mont compression station, which would reduce greenhouse gas emissions by about 3,600 tonnes of CO<sub>2</sub> equivalent.

Teréga projects a budget of €1 million for the project and commissioning in 2021.

CRE approves Teréga's packing gas recovery system.

**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 the investment programme which was submitted to it by Teréga. This breaks down as follows:

€M	2019 authorisation
Development of the main network	26.5
Reinforcement of the regional network	9.2
Safety and maintenance	44.3
Connections	0.8
General investments	22.3
<b>TOTAL</b>	<b>103.1</b>

In particular, CRE approves:

- a. the Mont-Ogenne project for a budget of €16.3 million;
- b. a packing gas recovery system for a budget of €1 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 Teréga 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. Teréga shall also present a progress report on its R&I projects.

The present deliberation shall be published on CRE's website and notified to Teréga. 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	Target budget	Cost at completion	Date of commissioning
Enhancement of the Sauveterre compression station	17 July 2013	N/A	€27 million	N/A	€24.3 million	2017
Enhancement of the AGU compression station	15 December 2016	15 December 2016	€25.5 million	€25.5 million	€23.2 million	2019
Gascogne-Midi	7 May 2017	30 October 2014	€152 million	€152 million	€160.7 million	2018
Reconstruction of Capens-Pamiers	13 July 2017	15 February 2018	€29.7 million	€29.7 million	€29.7 million	2021
Rion des Landes	15 December 2016	N/A	€17.5 million	N/A	€17.7 million	2019