



DELIBERATION NO. 2019-176

Deliberation by the French Energy Regulatory Commission of 17 July 2019 adopting a decision on the mid-term implementation report of Géométhane's investment programme for 2019

Present: Jean-François CARENCO, Chairman, Christine CHAUVET and Catherine EDWIGE, Commissioners.

Translated from the French: only the original is authentic

1. BACKGROUND AND LEGAL FRAMEWORK

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 [...] are provided for in a Multiannual Energy Programme referred to in Article L. 141-1. These facilities are maintained in service by the operators"*.

Decree No. 2018-1248 of 26 December 2018¹ has withdrawn the "Manosque Phase 2" Project from the list of projects in the Multiannual Energy Programme (PPE). The projects in question will continue to be regulated until the agreed two-year notice period expires provided for by the Order², i.e. until 31 December 2020.

According to Articles L. 134-3, 3° and L. 421-7-1 of the French Energy Code, underground natural gas storage facility operators must submit their annual investment programmes to the French Energy Regulatory Commission (CRE) for approval. As such, CRE *"ensures that the necessary investments are made to effectively develop storage facilities and that access to them is transparent and non-discriminatory"*.

In its deliberation of 19 July 2018³, CRE approved Géométhane's investment programme for 2018, amounting to €13.4 million and requested the operator to provide it with a final implementation report on its 2018 investment programme by mid-2019.

In its deliberation of 31 January 2019⁴, CRE approved Géométhane's investment programme for 2019, amounting to €23.8 million, and requested the operator to submit a mid-term progress report by mid-2019 for its 2019 investment programme.

Géométhane submitted a final implementation report to CRE on 27 May 2019 for its 2018 investment programme, together with an interim progress report for its 2019 investment programme. The operator indicated variances recorded between approved levels of investment and actual investment made in 2018. It also presented updated forecasts for 2019.

¹ Decree No. 2018-1248 of 26 December 2018 on gas storage facilities required for security of supply

² Order of 19 February 2019 on the notice period provided for in Article L. 421-3-1 of the French Energy Code

³ Deliberation of the French Energy Regulatory Commission of 19 July 2018 approving Géométhane's investment programme for 2018

⁴ Deliberation of CRE of 31 January 2019 approving Géométhane's investment programme for 2019

2. MAIN FINDINGS FROM THE 2018 INVESTMENT PROGRAMME IMPLEMENTATION REPORT

In its deliberation of 19 July 2018, CRE approved investment expenditure for 2018 amounting to €13.4 million. Actual expenditure for 2018 amounted to €11.8 million, i.e. a shortfall for 12% compared to the approved budget.

The breakdown per investment goal for 2018 is as follows:

Budget lines (€M)	Approved for 2018	Achieved in 2018
Current investments	0.9	0.4
Developing existing facilities	7.9	7.7
- Completion of 2017 projects (automated systems and small-scale projects)	1.0	0.6
- "Southern site" and overall site security	5.3	4.8
- Installation of a transport-storage interface valve	1.6	2.3
Inspection of two cavities	2.0	1.9
Studies budget	2.6	2.5
Sale of the transport-storage interface valve to GRTgaz	-	-0.7
Total	13.4	11.8

The variances recorded are primarily due to:

- deferrals from 2018 to 2019 concerning the exchangers included in current investments and the "Southern site" programme;
- on overspend of €0.7 million for work on the transport-storage interface valve due to unforeseen difficulties (discovery of a disused mine, coupled with blanketing and piping difficulties);
- the added sale of the transport-storage interface valve to GRTgaz for €1.7 million, which had not been provided for in the budget approved on 19 July 2018.

3. KEY COMPONENTS OF THE 2019 INVESTMENT PROGRAMME

The deliberation of 31 January 2019 approved investment expenditure for 2019, amounting to €23.8 million. For its mid-term investment programme implementation report, Géométhane released a revised trajectory of its expenditure, amounting to €20.4 million. This is a 14.3% drop compared to the approved budget.

The breakdown per investment goal for 2019 is as follows:

Budget lines (€M)	Approved for 2019	2019 revised budget
Current investments	0.7	0.8
Developing existing facilities	2.7	3.0
- <i>Completion of 2017 projects (automated systems and small-scale projects)</i>	0.0	0.1
- <i>"Southern site" and overall site security</i>	2.2	2.4
- <i>Installation of a transport-storage interface valve</i>	0.4	0.4
Inspection of two cavities	0.9	0.8
Upgrade programmes	19.6	15.9
- <i>Work preparations</i>	3.1	3.1
- <i>Dorsals</i>	9.6	8.0
- <i>Site optimisation and reliability</i>	3.1	0.9
- <i>New surface facilities</i>	3.9	3.9
Sale of the transport-storage interface valve to GRTgaz	-	-0.1
Total	23.8	20.4

The variances recorded are primarily due to:

- deferrals from 2018 to 2019 concerning exchangers included in current investment and scheduled work on the "Southern site" programme;
- deferral of expenditure on "Dorsals" and "site optimisation and reliability" programme to 2020;
- adding the sale of the transport-storage interface valve to GRTgaz for €0.1 million (mentioned above), which had not be included in the budget approved on 31 January 2019.

4. CRE'S ANALYSIS

CRE recalls that to ensure security of supply, the PPE sets a performance targets for withdrawal rates and usable capacity for the entire perimeter of the storage facilities regulated by the three storage operators. Achieving these targets must be fulfilled at the lowest cost for the community, while storage operator investment programmes must contribute to this objective.

4.1 Developing existing facilities

CRE notes that the deferrals to 2020 on development programme investment expenditure for existing facilities have no effect on delays to project commissioning and completion costs:

- the "Southern site" project and overall protection for the facility involves the construction of a new administrative building to the south of the Gaude facility. This is to gather all administrative activities under one roof and address risk assessments validated by the DREAL. This project involves various additions (the building of a new access road, protecting the facility with a fence and safeguarding site property also). The €21.7 million cost of completing this work is identical to that proposed by Géométhane on the approval of its investment programme for 2019. The building was opened in September 2018, while the remaining developments will be completed in 2019;
- the addition of a transport-storage interface valve, undertaken at the request of the DREAL, to isolate stored gas from the natural gas transmission network. The valve was commissioned in August 2018 and the work will be completed in 2019. The €3.8 million cost of completing this work is identical to that proposed by Géométhane on the approval of its investment programme for 2019. This valve was sold to GRTgaz in accordance with the regulation under which the contract was given tacit approval by CRE on 19 June 2018.

4.2 Inspection of two cavities

In its deliberation of 31 January 2019, CRE approved inspection costs for two brine-filled cavities at Manosque. Keeping the cavities filled with brine enables Géométhane to not lose storage capacity achieved up to the present time at the Manosque facility.

4.3 Upgrade programmes

The upgrade programmes mainly focus on work to 2 km-long pipelines that connect the Gaude and Gontard facilities, called "Dorsals". This upgrade includes the fitting on scraper stations and block valves for a budget of €19.8 million over the period 2019-2020. This sum is identical to that proposed by Géométhane when its investment programme for 2019 was approved, with a commissioning date in 2020. The work is intended to fulfil the demands of the Prefectoral order⁵.

The upgrade programme also includes the following projects:

- the continuation of the study programme to replace surface facilities, especially an electric compression unit, for a budget of €3.9 million in 2019. This is identical to that proposed by Géométhane when its 2019 investment programme was approved. Studies undertaken in 2019 will help decide how appropriate this programme is to sustain performance levels defined in the PPE at the lowest cost;
- an "optimisation and reliability" programme for industrial and environmental security, especially in terms of fire protection measures and gas risk-related obligations, amounting to a budget of €5.4 million for the period 2019-2020. Phase 1 is identical to that proposed by Géométhane when its 2019 investment programme was approved.

⁵ Prefectoral order 2015-357-020 of 23 December 2015.

CRE'S DECISION

According to Articles L. 134-3 and L. 421-7-1 of the French Energy Code, storage operators must submit their annual investment programmes to the French Energy Regulatory Commission for approval.

For 2018, CRE notes that there were variances of -12% between actual investment programme expenditure and the revised investment programme for 2018. These are primarily linked to work and expenditure deferrals that have no effect on project commissioning deadlines and completion costs. As a result, CRE notes that Géométhane's delivery of its investment programme complies with the approved programme. This is broken down as follows:

Budget lines (€M)	Approved for 2018	Achieved in 2018
Current investments	0.9	0.4
Developing existing facilities	7.9	7.7
- <i>Completion of 2017 projects (automated systems and small-scale projects)</i>	1.0	0.6
- <i>"Southern site" and overall site security</i>	5.3	4.8
- <i>Installation of a transport-storage interface valve</i>	1.6	2.3
Inspection of two cavities	2.0	1.9
Research budget	2.6	2.5
Sale of the transport-storage interface valve to GRTgaz	-	-0.7
Total	13.4	11.8

For 2019, CRE notes that the mid-year implementation point of Géométhane's investment programme complies with the programme approved in late 2018. CRE notes that variances of -14.3% are mainly due to expenditure deferrals that have no effect on project commissioning deadlines and completion costs. As a result, CRE approves the revised investment budget proposed by Géométhane for 2019. This is broken down as follows:

Budget lines (€M)	Approved for 2019	2019 revised budget
Current investments	0.7	0.8
Developing existing facilities	2.7	3.0
- <i>Completion of 2017 projects (automated systems and small-scale projects)</i>	0.0	0.1
- <i>"Southern site" and overall site security</i>	2.2	2.4
- <i>Installation of a transport-storage interface valve</i>	0.4	0.4
Inspection of two cavities	0.9	0.8
Upgrade programmes	19.6	15.9
- <i>Work preparations</i>	3.1	3.1
- <i>Dorsals</i>	9.6	8.0
- <i>Site optimisation and reliability</i>	3.1	0.9
- <i>New surface facilities</i>	3.9	3.9
Sale of the transport-storage interface valve to GRTgaz	-	-0.1
Total	23.8	20.4

CRE requires storage operators to supplement all project approval requests to maintain or improve performance with an alternative investment-free scenario. This must include the subsequent effects on performance at the relevant facility, together with an analysis of alternative technical solutions, heightened maintenance, an alternative scale to projects or a revised commercial offer.

The approval of the investment programme does not prejudice the tariff treatment of this expenditure.

Any amendment to the investment programme must be submitted to CRE for approval.

CRE requires Géométhane to provide it with a final implementation report for its 2019 investment programme before July 2020. This must include a progress report on the main ongoing projects.

The present deliberation will be published on CRE's website and Géométhane will be notified. It will also be sent to the Minister of Ecological and Inclusive Transition and the Minister of Economy and Finance.

Deliberated in Paris on 17 July 2019
For the Energy Regulatory Commission,
The Chairman

Jean-François CARENCO