

Transmission issues :

Point of view of RTE

Toulouse, 20 June 2008

NEW CHALLENGES FOR RTE

- Integration of the European market



Exchange capacities between countries must be increased

- Security of supply



New production capacities (CCG, EPR, etc.) established at sites that are favourable for fuel sourcing

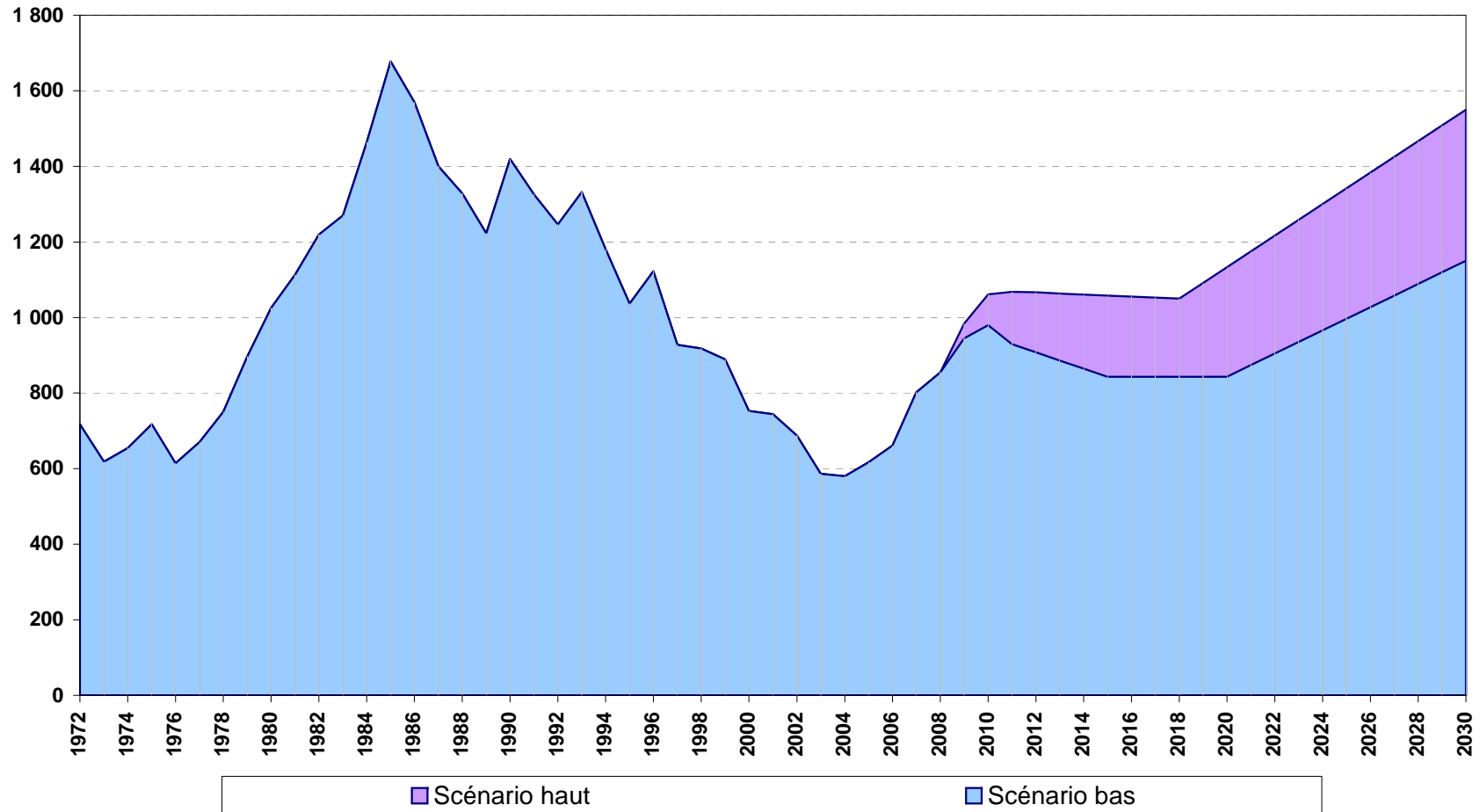
- Fighting greenhouse gas emissions



Development of wind generation in zones where the transmission network density is weak or near saturation

The network must be adapted to the new configuration of the generating fleet

Investment in transmission has to be increased significantly



Investment regulation (1)

- Investment plans (long term and short term) are elaborated by RTE on an independent basis (criteria approved by ministry and regulator) :
 - EHV and HV grids : cost-benefit minimisation for the society,
 - Connection of new generators / customers : upon request,
 - Renewal of ageing equipment : depending on technical expertise,
 - Interconnections : complex process involving EC, governments, regulators, TSOs.

- Investment plans are approved by the regulator :
 - Based on arguments presented by RTE,
 - Consequence : capital cost (remuneration + amortisation) of investment, during their useful life, to be covered by the authorised revenues for RTE.

- Investment has no impact on enterprise value of RTE :
 - Provided that the WACC is fixed adequately by the regulator (presently 7,25% nominal pre-tax).

- Investment plans are not submitted for approval by the shareholders.

Investment regulation (2)

- Financing :
 - Since 2000, due to the relatively low level of investment, RTE's debt has been reduced
 - ❑ Debt has been decreased from €8bn in 2000 to €6bn in 2008 (and gearing as well).
 - With the increase of investment, we expect an increase in debt, but gearing and solvability ratio should remain approximately stable.
 - Revenues from capacity auctions at borders can also be used for investment
 - ❑ European regulation 1228/2003
 - ❑ Proposal from RTE to the regulator for the next regulation period.