



ENGIE's comments on Fluxys' Consultation n°59

ENGIE welcomes the opportunity to respond to the consultation on Fluxys Belgium's tariff proposal for transmission tariffs 2024-2027. ENGIE would like to make the following comments. These comments are not confidential.

Compliance with the Network Code & transparency over tariff construction and the regulatory account

We are deeply concerned by potential cross subsidization between the H and L zones. We have reason to believe that Fluxys' tariff proposal generates by construction a risk of cross subsidization between the two zones, to the detriment of the L-zone users, because of the calculation of the forecasted contracted capacity on the L zone, as detailed below. Article 20.1 of the Tariff Network Code states that "The full or partial reconciliation of the regulatory account shall be carried out in accordance with the applied reference price methodology and, in addition, by using the charge referred to in Article 4(3)(b), if applied.". Since Fluxys is splitting the revenues of the H and L zones, we request that the 460 M€ that Fluxys intends to return to the market over the period of 24-27 be returned on both L and H tariffs, in respect of the mentioned article of the NC Tar. In addition, future H and L tariffs shall also be calculated in respect of the same article. We expect Fluxys to be transparent on the absence of any cross subsidization between the L and H zones.

Regulatory account

ENGIE would like to have more elements on the regulatory account current level and forecast at the end of 2023. Fluxys will return 460 M€ to the 24-27 tariffs, and keep 50 M€, without precising the level of the account at the beginning of the regulatory period. Moreover, the methodology introduced the creation of a separate regulatory account for auction premiums, as well as the possibility to utilize part of the regulatory account 'premiums' for investments to remedy to congestions. In this matter, we have the following questions :

- Can we assume that the regulatory account level will be at 510 M€ at the beginning of the regulatory period ? Does Fluxys intend to use part of the regulatory account for investments ? If yes, is it already deducted from the regulatory account amount to be returned to the tariffs over 24-27 ?
- What is the forecasted level of the premiums regulatory account ?
- Is the money to be returned to the market taken from the "premium" regulatory account or the "regular" one ?
- What is the amount of the regulatory account that Fluxys will return to L-gas tariffs ?

Termination of the OCUCs and Wheelings discount

ENGIE
Global Energy Management
1, place Samuel de Champlain - Faubourg de l'Arche
92930 Paris La Défense cedex France
Phone +33 (0)1 44 22 00 00
www.engie.com

ENGIE - A public limited company with a share capital of € 2,412,824,089 - Register of Commerce: RCS Nanterre 542 107 651 - VAT FR 13 542 107 651
Corporate headquarters: 1, place Samuel de Champlain - 92400 Courbevoie - France



Since OCUC's will no longer benefit from a tariff discount, ENGIE requests that all OCUC capacity to be transformed back into the underlying Entry and Exit services to/from ZTP. ENGIE does not support the end of OCUCs discounts unless the OCUC holders are relieved from the constraints that OCUC infers, i.e. the obligation to nominate the same volumes on the relevant Entry and Exit points of the OCUC.

In particular, Engie notes that in Fluxys tariff proposal the Reference price for 2024 for the OCUC "**Dunkirk LNG Terminal/Virtualys - IZT/Zeebrugge**" is equal to the Reference price of **Firm** Entry capacity at Dunkirk LNG Terminal/Virtualys + Firm Exit capacity at IZT/Zeebrugge, while some grid users contracted this OCUC as the combination of **Interruptible** Entry capacity at Dunkirk LNG Terminal/Virtualys + Firm Exit capacity at IZT/Zeebrugge. Engie is of the view that when the OCUC is "broken" back into Entry & Exit capacity, either the underlying Entry capacity that the user gets is made firm, or the tariff that the user will have to pay for its Interruptible capacity should be equal to the Interruptible Entry capacity at Dunkirk LNG Terminal/Virtualys, and therefore benefit from the interruptible capacity discount.

H to L quality conversion tariffs

ENGIE was surprised to see a tariff forecast on the H to L conversion service on the period of 24-27, while the service was deemed to cease to be offered on March 31st 2023.

Forecasted contracted capacity and future tariffs

Fluxys forecast 0 bookings on the Exit IZT/Zeebrugge point for the period of 2023 – 2027, whilst market spreads show a potential of gas exports to the UK during the winter of each year. ENGIE requests that Fluxys takes into account a reasonable forecasted contracted capacity at Exit IZT/Zeebrugge point in the calculation of its transmission tariffs.

The Exit capacity tariffs at VIP-BENE and VIP-THE ZTP are to increase by more than 50% between 2023 and 2024. This instability in tariffs is not appreciated by the market as it increases the risks of booking long term capacity in advance.

L-zone tariffs

As stated earlier, ENGIE requests that the 460 M€ that Fluxys intends to return to the market over the period of 24-27 be returned on both L and H tariffs, in respect of the mentioned article of the NC Tar. In addition, future H and L tariffs shall also be calculated in respect of the same article, in order to guarantee the absence of any cross subsidization between the two zones' users.

Moreover, in the forecasted contracted capacity of the L-zone, Fluxys shall include a forecast of contracted capacity on the Hilvarenbeek Exit point and the L to H quality converter, on the basis of the history of capacity subscriptions on both points respectively.

Tariff at Hilvarenbeek Entry and Exit :

Fluxys introduces a cross delivery service on Hilvarenbeek Entry and Blarégnyes L Exit capacities after the end of the conversion of the L-zone expected in September 2024. However, Hilvarenbeek capacities can/will be utilized to deliver L-gas to Belgian H-customers even after the end of the conversion of the Belgian L-zone, via the L to H quality conversion service. ENGIE requests that Hilvarenbeek to be considered as an IP connecting TTF to ZTP, and both Entry to the ZTP and Backhaul Exit capacities at this IP shall therefore be offered at the same tariff as VIP-BENE.



Tariff at Blarégnyes L Exit:

This tariff only dedicated to the L gas transit to France should be determined to make it possible for Fluxys to be remunerated up to the level the revenue allowed on the natural transmission grid L, which Fluxys estimates at around €17 million per year. Tariff depends on the capacity subscription levels but these cannot be easily anticipated because the L-Gas Market Conversion is de facto not in the hands of the shippers or their customers. It is driven by Transmission System Operators. For example, the sudden and unexpected decision to accelerate the end of conversion in Belgium is good evidence of this.

Our proposal: ENGIE would like Fluxys :

- to manage the regulation account in respect of the mentioned article 4(3)(b) of the NC Tar,
- to adjust the Blarégnyes L Exit tariff as much as necessary to keep the Fluxys L gas revenue as close to the authorized revenue so that L-Gas Market Conversion process driven by national grid operators does not prejudice Shippers and customers in any way.
- to be fully transparent about the 17 M€. This amount is not well substantiated.

FCC at L points

In the process of tariff construction in the L-Zone, Fluxys uses forecasts of contracted capacity. These forecasts do not seem accurate nor based on median scenarios, rather on unrealistic, minimalist subscriptions. We would like Fluxys to consider the following comments:

- **Blarégnyes L Exit capacity** : A flat Yearly booking which seems to be an hourly capacity calculated by dividing less than the Yearly consumption of the French L-zone in an average scenario (as published by GRTgaz in the « Winter Report 2022 Task Force Monitoring L-Gas Market Conversion »), by the number of hours in the year.
 - o Comments : The French L-zone consumption is shaped differently between winter and summer, and flattening the Yearly consumption over the hours of the year results into an extremely underestimated forecast of contracted capacity.
- **Hilvarenbeek L Entry capacity** : A flat Yearly booking equal to the Blarégnyes L Exit FCC.
 - o Comments : in addition of our comment on the Blarégnyes L Exit FCC, which applies also on the FCC capacity at Hilvarenbeek Entry, additional Entry capacity is to be expected to take into account the forecasted bookings from Belgium to the Netherlands at Hilvarenbeek. This is detailed in the next bullet point.
- 0 forecasted contracted capacity on the **Exit Backhaul Hilvarenbeek** point (ZTP>TTF)
 - o Comments : in the past years, there have been significant bookings of Hilvarenbeek backhaul Exit capacity, that are likely to be carried on in the period of 24-27. Fluxys should take into account a forecasted contracted capacity on Exit Hilvarenbeek based on the historical bookings in its calculation of L-zone capacity tariffs.
- 0 forecasted contracted capacity on the **L to H quality converter**
 - o Comments : ENGIE would like to stress again that in the past years, there have been significant bookings at the L to H quality converter, and that Fluxys should take into account a forecasted contracted capacity at this points in the calculation of the L-zone and the H-zone capacity tariffs.

Our proposal: ENGIE vividly urges Fluxys to take into account realistic booking shapes on all L-points.