



Consultation 62 report



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1 Introduction

From the 23rd of March 2023 until the 14th of April 2023 included, Fluxys Belgium consulted the market on its proposed changes in the regulatory documents.

The proposed modifications in the Standard Transmission Agreement, Access Code for Transmission and Transmission Program aim at the following changes:

1. The merge of the existing ZTP Physical and ZTP Notional Trading Services into a single ZTP Trading Service as from October 1st, 2023
2. Stop of the Imbalance Transfer Service and Imbalance Pooling Service

2 Consultation process

Fluxys Belgium launched this market consultation by publishing the proposed documents on its website - at the usual location for such consultations, supported by an announcement on the homepage - and via direct e-mailing to all registered market participants and associations. During the period from 23rd of March 2023 until the 14th of April 2023 (included), stakeholders were invited to submit their written feedback and if needed, seek additional information through bilateral contacts with Fluxys Belgium.

Taking into account the different comments received, Fluxys Belgium submits for approval to the CREG, the so amended version of the Standard Transmission Agreement, the Access Code for Transmission and the Transmission Program that will become applicable as from October 1st, 2023.

A material error was corrected in attachment B section 3.7.5 after the consultation, it concerns the calculation of the implicit allocated services at Zeebrugge IP Fluxys which now includes Zeebrugge allocations that were formerly included in the Net Confirmed Title Transfer.

3 Outcome of consultation process

Feedback was received from 1 individual Network User and 2 representing organizations, EFET and Febeg, both supporting the merge and the proposed timing. There is a demand for a transitional price setting and some concerns about the Zeebrugge IP and the contracted capacities on it. Price publication is not within the responsibility from Fluxys and Zeebrugge IP and all contracted capacities remain in place and can be used to bring gas to/from the Belux market and is connecting ZTP with NBP.

All comments received are included in the report and individually treated in the "Q&A's" that is included in the consultation report submitted to the CREG – see appendices.

4 Appendices

4.1 *Appendix I: Market consultation – public material*



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1. Market consultation - public material

- a. E-mail: invitation to submit comments
- b. List of documents in consultation
- c. Questions & Answers
- d. Printed copy of written comments

E-mail: invitation to submit comments



Fluxys Belgium: Market Consultation 62: Merge of the ZTP Physical and ZTP Notional Trading Services

Dear customer,

As from **March 23rd**, Fluxys Belgium launches a market consultation on the regulated documents for transmission, with a focus on changes to the Standard Transmission Agreement, Access Code for Transmission and Transmission Program:

1) **The merge of the existing ZTP Physical and ZTP Notional Trading Services** into a single ZTP Trading Service **as from October 1st, 2023**

2) **Stop of the Imbalance Transfer Service and Imbalance Pooling Service**

The following document summarizes the proposed changes: [Summary Note](#)

Documents in consultation (with track changes):

- [Standard Transmission Agreement](#)
- [Transmission Program](#)
- [Access Code for Transmission Attachment A](#)
- [Access Code for Transmission Attachment B](#)
- [Access Code for Transmission Attachment C1](#)
- [Access Code for Transmission Attachment E](#)

You are kindly invited to send your written comments to marketing@fluxys.com by **Friday, April 14th 2023 close of business**.

Please specify in your response, whether the content is to be treated as confidential or not. Unless otherwise mentioned, all comments will be treated as non-confidential.

Yours sincerely

The Commercial Team

List of documents in consultation

The documents are available on our website: [Market Consultations in Belgium - Transmission \(fluxys.com\)](https://fluxys.com)

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Questions & Answers

Questions and Answers				
#	From	Topic	Questions / Comments by Stakeholders	Answers / Comments by Fluxys Belgium
1.1	EDF	Transitional price	<p>Ensuring equal treatment of all market participants, including shippers with legacy contracts that require re-indexation</p> <p>Fluxys is proposing to merge ZeeHub and ZTP. In its consultation document, Fluxys states that these changes “reduces complexity and concentrates trading activity, aiming at simplifying trading in the Belux market area and contributing to improved liquidity.” Although this change may indeed bring benefits to pipeline shippers, it creates an issue with hub indexing for LNG shippers who hold legacy contracts linked to ZTP Physical (ZeeHub).</p> <p>The removal of ZeeHub means that all market participants who were using it in contract indexation must replace it with another price point. The closest one would be ZTP. However, pricing between ZeeHub and ZTP, is not equivalent. In fact, when comparing yearly averages, we can see that ZTP trades at a systematic premium in comparison to ZeeHub. This is related to capacity costs for bringing gas to ZTP.</p> <p>Market participants who have term indexed contracts to ZeeHub should not be discriminated against by being forcefully exposed to a price difference between ZeeHub and ZTP as a result of the market design changes proposed by Fluxys. The absence of at least a transitional arrangement allowing market participants to adapt, would not only be disruptive: it would also be discriminatory and would distort the level playing field. It would ignore the point that market participants with indexed contracts to ZeeHub are, for these purposes, in a materially different situation compared to those with contracts indexed to ZTP. Equal treatment of materially different situations, at least without a suitable transitional mechanism, would be discriminatory. Term contracts are also an essential part of the market. Regulatory changes which cut across (the pricing in) term contracts without suitable transitional arrangements, distort the market and risk undermining confidence.</p> <p>EDF and EDFT would therefore urge Fluxys to support recourse to a transitional price that takes into account capacity costs to ZTP and ensures shippers have more time to find an appropriate alternative for the price of their legacy contracts. We believe that the transitional price could be easily formulated as follows.</p> <p>ZHub = ZTP – CAPA with CAPA = the arithmetic average of the sum of the daily value of capacity, based on Entry Services Firm on Interconnection Point (Zeebrugge LNG Terminal)</p> <p>A pre-determined future period for publishing the transitional price may be arranged with the relevant price reporting agencies. In this way, it can be ensured that market participants who are forced to move away from ZeeHub indexation are treated fairly when compared to those already using the ZTP index. In our view, not taking account of the historic price differential between ZeeHub and ZTP would not be an acceptable outcome for Fluxys’ proposed market redesign. It would also not be conducive to market confidence in Zeebrugge as a gas hub characterised by a level playing field and foreseeable regulation.</p>	<p>Fluxys will pass this demand to the relevant platform and agency. However, Fluxys is not responsible for determining or publishing prices. It is also advisable that you address this concern to the platform and agencies as well.</p>
1.2	EDF	Existing Services	<p>Ensuring equal treatment of all long-term transport capacity subscribers</p> <p>It should be taken in consideration by Fluxys that merging the two points ZeeHub and ZTP would be detrimental for OCUC [DK LNG-Zee] capacity holder (namely EDF).</p> <p>Indeed the OCUC-product subscriber pays a price that includes the Zeebrugge exit tariff, in order to have the possibility to trade on the ZEE Hub (ZTP physical)</p> <p>In earlier the market consultation 61, Fluxys planned to allow users to switch OCUC to entry/exit - free of charge. The OCUC DNK – Zeebrugge could become Entry ZTP + Exit Zeebrugge, meaning the OCUC-product subscriber can trade DNK gas at the ZTP with the ZTP Entry. If the OCUC-product subscriber decides not to split the OCUC, it will have exit capacity at Zeebrugge which is not a Hub anymore (therefore the value is minor); in case the OCUC-product subscriber decides to split the OCUC, according to consultation 61, it would pay for a product (Exit Zeebrugge) that will not be using, since the Entry ZTP is sufficient.</p> <p>Consequently, the situation would be detrimental for the OCUC-product subscriber with respect to other market participant that would only pay for the entry ZTP at minor cost.</p> <p>Fluxys should consider to offer an adequation of the current service either ensuring the possibility to reshuffle the product with other products of equivalent value or give the possibility to the shipper to reduce the subscription of a service that would not be used as a consequence of the modifications derived from consultation 61 and 62.</p> <p>In any case, EDF would like to have the confirmation that, in case of merging the two points ZeeHub and ZTP, all the previous conditions related to the existing contracts will be preserved without losing any of the rights previously defined.</p>	<p>Capacities at Zeebrugge IP will remain in place and can be used, as already today, to bring gas to/from the Belux market using OCUC and/or Zeeplatform services and is connecting ZTP with NBP. All capacities and conditions that might be on it will be maintained.</p>

Questions and Answers				
#	From	Topic	Questions / Comments by Stakeholders	Answers / Comments by Fluxys Belgium
2	EFET	Transitional price	<p>EFET welcomes the proposed integration of the physical and notional trading points to simplify H-gas trading on the Belgian market, and further support the development of liquidity and competition.</p> <p>Having said that, we would like to raise a concern with regard to the removal of Zeehub as a price reference point. LNG shippers with pre-existing long-term contracts indexed to ZeeHub will need to undergo a process of re-indexation. ZTP is the closest price point to ZeeHub, but the two prices are not equivalent. Indeed, ZTP trades at a systematic premium to ZeeHub. This premium is related to capacity costs for transferring LNG to ZTP.</p> <p>Given this price difference between both hubs, we would ask Fluxys to support the publication of a transitional price to replace the current ZeeHub price, taking into account capacity costs to ZTP (that are factored into its premium over ZeeHub). The period during which a pricing agency would publish a transitional price would be adjusted to the needs of the shippers affected by this merger but should not be carried out for more than 5 years. We believe that the transitional price could be easily formulated as follows.</p> <p>ZeeHub = ZTP – CAPA with CAPA = the arithmetic average of the sum of the daily value of capacity, based on Entry Services Firm on Interconnection Point (Zeebrugge LNG Terminal).</p> <p>Such a transitional price arrangement would ensure that the hub merger may proceed while affected long term contracts are being adjusted, without causing undue disruption.</p>	See 1.1
3.1	FEBEG	Zeebrugge IP and contracted capacities	<p>As stated in our answer to the previous consultation n° 57 held by Fluxys in May 22 on the merger of the ZTP notional and the ZTP physical market places, FEBEG strongly supports the creation of a more liquid Belgian H-gas market. Febeg appreciates the efforts made by Fluxys. We think this merger should happen on 1st of October 2023 as planned by Fluxys, as FEBEG believes that it will simplify the market design and enhance ZTP's liquidity, all the more because the ZTP physical market place has become extremely illiquid.</p> <p>As far as contracted capacities on the Zeebrugge Beach transmission point are concerned, Fluxys proposes to :</p> <ul style="list-style-type: none"> -Turn the Zeebrugge Beach transmission point into an unbookable point -Keep all contracted capacities on the Zeebrugge Beach transmission point, after the merger of the two market places <p>FEBEG believes that the proposed becoming of the contracted capacities on the Zeebrugge Beach point is regrettable.</p> <p>Indeed, for shippers having contracted long term capacity on the Zeebrugge Beach point to trade between the ZTP notional and the ZTP physical market places, these capacities will lose the purpose which motivated shippers to book them in the first place, once the two market places have merged.</p> <p>A merger between two market places should automatically result in the cancellation of the contracted capacities between the two market places after the start date of the merger, as the purpose of these capacities will cease to exist. Keeping the Zeebrugge Beach transmission point is pointless (hence Fluxys' proposal of rendering it unbookable), and maintaining the contracted capacities on this "useless" point would be contrary to the fundamental assumption on which the contract was entered into, thereby affecting the validity of the contracted capacities.</p> <p>Furthermore, this proposal would be detrimental for shippers who did book such capacities in the past while other shippers would only benefit from the new proposal.</p> <p>In light of the above, we suggest that, starting the date of the markets merger, all Entry and Exit capacities on the Zeebrugge Beach point be cancelled (as it was the case in all the recent market mergers in the adjacent countries, i.e. France and Germany).</p>	The Zeebrugge IP will not be turned into an unbookable point. The Zeebrugge IP and all contracted capacities on it will remain in place and can be booked and used, as already today, to bring gas to/from the Belux market using OCUC and/or Zeeplatform services and is connecting ZTP with NBP.
3.2	FEBEG	Index publication	Finally, FEBEG would like to have more clarifications on how the fusion is going to be carried out vis-à-vis the platforms that publish ZTP physical and ZTP notional indexes.	See 1.1

Printed copy of written comments

All reactions			
Company	First Name	Last Name	Confidential
EDF	Nora	Kalinskij	No
EFET	Pawel	Lont	No
FEBEG	Luc	Huysmans	No

EDF and EDF Trading Ltd's response to Fluxys Belgium's Market Consultation 62: Merger of ZTP Physical (ZeeHub) and ZTP Notional (ZTP)

EDF and EDF Trading Ltd (subsequently EDFT) welcome the public consultation and appreciate the opportunity to express their views on Fluxys' proposal regarding changes to the regulatory documents for transmission, in particular relating to the simplification of the H-zone market model.

1. Ensuring equal treatment of all market participants, including shippers with legacy contracts that require re-indexation

Fluxys is proposing to merge ZeeHub and ZTP. In its consultation document, Fluxys states that these changes "reduces complexity and concentrates trading activity, aiming at simplifying trading in the BeLux market area and contributing to improved liquidity." Although this change may indeed bring benefits to pipeline shippers, it creates an issue with hub indexing for LNG shippers who hold legacy contracts linked to ZTP Physical (ZeeHub).

The removal of ZeeHub means that all market participants who were using it in contract indexation must replace it with another price point. The closest one would be ZTP. However, pricing between ZeeHub and ZTP, is not equivalent. In fact, when comparing yearly averages, we can see that ZTP trades at a systematic premium in comparison to ZeeHub. This is related to capacity costs for bringing gas to ZTP.

Market participants who have term indexed contracts to ZeeHub should not be discriminated against by being forcefully exposed to a price difference between ZeeHub and ZTP as a result of the market design changes proposed by Fluxys. The absence of at least a transitional arrangement allowing market participants to adapt, would not only be disruptive: it would also be discriminatory and would distort the level playing field. It would ignore the point that market participants with indexed contracts to ZeeHub are, for these purposes, in a materially different situation compared to those with contracts indexed to ZTP. Equal treatment of materially different situations, at least without a suitable transitional mechanism, would be discriminatory. Term contracts are also an essential part of the market. Regulatory changes which cut across (the pricing in) term contracts without suitable transitional arrangements, distort the market and risk undermining confidence.

EDF and EDFT would therefore urge Fluxys to support recourse to a transitional price that takes into account capacity costs to ZTP and ensures shippers have more time to find an appropriate alternative for the price of their legacy contracts. We believe that the transitional price could be easily formulated as follows.

$$\mathbf{ZHub = ZTP - CAPA}$$

with CAPA = the arithmetic average of the sum of the daily value of capacity, based on Entry Services Firm on Interconnection Point (Zeebrugge LNG Terminal)

A pre-determined future period for publishing the transitional price may be arranged with the relevant price reporting agencies.

In this way, it can be ensured that market participants who are forced to move away from ZeeHub indexation are treated fairly when compared to those already using the ZTP index. In our view, not taking account of the historic price differential between ZeeHub and ZTP would not be an acceptable outcome for Fluxys' proposed market redesign. It would also not be conducive to market confidence in Zeebrugge as a gas hub characterised by a level playing field and foreseeable regulation.

2. Ensuring equal treatment of all long-term transport capacity subscribers

It should be taken in consideration by Fluxys that merging the two points ZeeHub and ZTP would be detrimental for OCUC [DK LNG-Zee] capacity holder (namely EDF).

Indeed the OCUC-product subscriber pays a price that includes the Zeebrugge exit tariff, in order to have the possibility to trade on the ZEE Hub (ZTP physical)

In earlier the market consultation 61, Fluxys planned to allow users to switch OCUC to entry/exit - free of charge. The OCUC DNK – Zeebrugge could become Entry ZTP + Exit Zeebrugge, meaning the OCUC-product subscriber can trade DNK gas at the ZTP with the ZTP Entry. If the OCUC-product subscriber decides not to split the OCUC, it will have exit capacity at Zeebrugge which is not a Hub anymore (therefore the value is minor); in case the OCUC-product subscriber decides to split the OCUC, according to consultation 61, it would pay for a product (Exit Zeebrugge) that will not be using, since the Entry ZTP is sufficient.

Consequently, the situation would be detrimental for the OCUC-product subscriber with respect to other market participant that would only pay for the entry ZTP at minor cost.

Fluxys should consider to offer an adequation of the current service either ensuring the possibility to reshuffle the product with other products of equivalent value or give the possibility to the shipper to reduce the subscription of a service that would not be used as a consequence of the modifications derived from consultation 61 and 62.

In any case, EDF would like to have the confirmation that, in case of merging the two points ZeeHub and ZTP, all the previous conditions related to the existing contracts will be preserved without losing any of the rights previously defined.

Fluxys Belgium
Avenue des Arts 31,
B-1040 Brussels
Sent via email to: marketing@fluxys.com

Amsterdam, 14 April 2023

EFET response to Fluxys Consultation 62: Merge of the ZTP Physical and ZTP Notional Trading Services

EFET welcomes the proposed integration of the physical and notional trading points to simplify H-gas trading on the Belgian market, and further support the development of liquidity and competition.

Having said that, we would like to raise a **concern with regard to the removal of Zeehub as a price reference point**. LNG shippers with pre-existing long-term contracts indexed to ZeeHub will need to undergo a process of re-indexation. ZTP is the closest price point to ZeeHub, but the two prices are not equivalent. Indeed, ZTP trades at a systematic premium to ZeeHub. This premium is related to capacity costs for transferring LNG to ZTP.

Given this price difference between both hubs, **we would ask Fluxys to support the publication of a transitional price to replace the current ZeeHub price, taking into account capacity costs to ZTP (that are factored into its premium over ZeeHub)**. The period during which a pricing agency would publish a transitional price would be adjusted to the needs of the shippers affected by this merger but should not be carried out for more than 5 years. We believe that the transitional price could be easily formulated as follows.

$$\mathbf{ZeeHub = ZTP - CAPA}$$

with CAPA = the arithmetic average of the sum of the daily value of capacity, based on Entry Services Firm on Interconnection Point (Zeebrugge LNG Terminal).

Such a transitional price arrangement would ensure that the hub merger may proceed while affected long term contracts are being adjusted, without causing undue disruption.

Contact

Pawel Lont
European Gas Markets Manager
p.lont@efet.org

FEBEG reaction to market consultation 62



Luc Huysmans (Febeg) <luc.huysmans@febeg.be>
To marketing@fluxys.com

Reply Reply All Forward

Fri 14/04/2023 15:34

You replied to this message on 14/04/2023 21:50.



[EXTERNAL EMAIL] DO NOT CLICK links or attachments unless you recognize the sender and know the content is safe.

Dear

Note: I retracted the initial reaction after a last minute remark. Please consider this as our formal reaction.

Please find in attachment the response of FEBEG to the ongoing market consultation.

FEBEG supports the merger, and the planned date of 01.10.23, as it gives our members an appropriate amount of time for the necessary implementation of the changes.

However, we think that a merger between two market places should automatically result in the cancellation of the contracted capacities between the two market places after the start date of the merger, as the purpose of these capacities will cease to exist.

Best regards

Luc Huysmans
power generation & energy policy advisor



Subject: FEBEG reaction to Fluxys Consultation 62 – Merge of ZTP Physical and ZTP Notional Trading Services
Date: 14 April 2023
Contact: Luc Huysmans
Telephone: +32496595415
Mail: Luc.huysmans@febeg.be

Preliminary remarks

FEBEG wants to thank Fluxys Belgium for the opportunity to react to proposal for the merger of ZTP Physical and ZTP Notional Trading Services. The deadline for this consultation is 14 April 2023.

The remarks of FEBEG are not confidential.

Remarks on the content

As stated in our answer to the previous consultation n° 57 held by Fluxys in May 22 on the merger of the ZTP notional and the ZTP physical market places, FEBEG strongly supports the creation of a more liquid Belgian H-gas market. Febeg appreciates the efforts made by Fluxys. We think this merger should happen on 1st of October 2023 as planned by Fluxys, as FEBEG believes that it will simplify the market design and enhance ZTP's liquidity, all the more because the ZTP physical market place has become extremely illiquid.

As far as contracted capacities on the Zeebrugge Beach transmission point are concerned, Fluxys proposes to :

- Turn the Zeebrugge Beach transmission point into an unbookable point
- Keep all contracted capacities on the Zeebrugge Beach transmission point, after the merger of the two market places

FEBEG believes that the proposed becoming of the contracted capacities on the Zeebrugge Beach point is regrettable.

Indeed, for shippers having contracted long term capacity on the Zeebrugge Beach point to trade between the ZTP notional and the ZTP physical market places, these capacities will lose

the purpose which motivated shippers to book them in the first place, once the two market places have merged.

A merger between two market places should automatically result in the cancellation of the contracted capacities between the two market places after the start date of the merger, as the purpose of these capacities will cease to exist. Keeping the Zeebrugge Beach transmission point is pointless (hence Fluxys' proposal of rendering it unbookable), and maintaining the contracted capacities on this "useless" point would be contrary to the fundamental assumption on which the contract was entered into, thereby affecting the validity of the contracted capacities.

Furthermore, this proposal would be detrimental for shippers who did book such capacities in the past while other shippers would only benefit from the new proposal.

In light of the above, we suggest that, starting the date of the markets merger, all Entry and Exit capacities on the Zeebrugge Beach point be cancelled (as it was the case in all the recent market mergers in the adjacent countries, i.e. France and Germany).

Finally, FEBEG would like to have more clarifications on how the fusion is going to be carried out vis-à-vis the platforms that publish ZTP physical and ZTP notional indexes.