

Consultation Report 27

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1. INTRODUCTION

As from 26 January to 23 February 2018, Fluxys Belgium consulted the market on amendments of the transmission regulatory framework, i.e. the Standard Transmission Agreement (STA), the Access Code for Transmission (ACT) and the Transmission Programme (TP).

The proposed modifications in the regulatory documents aim at :

- (i) introducing the VIP BE-NL by merging the IPs Zelzate 1, Zandvliet H and 's Gravenvoeren
- (ii) introducing the Reshuffling Service and L/H Capacity Switch service along with updating the Capacity Conversion Service under the generic name of Substitutions Services
- (iii) streamlining and optimizing the booking and invoicing processes
- (iv) bringing some additional technical changes

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.

Considering the current regulatory situation with regards to the balancing activities in the Belux area, the consultation has been exceptionally conducted simultaneously on two sets of documents, which are available on our website via the following link <http://www.fluxys.com/belgium/fr-BE/Services/Transmission/MarketConsultations/HistoryConsultation> :

- For the phase 1- current (Fluxys Belgium operates as Balancing operator for the Belux area) : the last version of the regulated documents as approved by the CREG on 17 July 2017.
- For the phase 2 – pending (Balansys becomes Balancing operator in the BeLux area) : the last version of the regulated documents as consulted in November-December 2017 (consultation 26).

During the period from 26 January until 23 February 2018 (included), stakeholders were invited to submit their written feedback and, if needed, seek additional information through bilateral contacts with Fluxys Belgium. An information session was also organised at Fluxys Belgium headquarters on 1 February 2018, where the proposed changes have been detailed and discussed with around 32 market participants, 17 of which having participated to the online session.

Taking into account the different comments received, Fluxys Belgium submits for approval to the CREG, the so amended version of the STA, ACT and TP.

3. OUTCOME OF CONSULTATION PROCESS

All comments received are listed and individually treated in the “Q&A’s” included in the consultation report submitted to CREG – see appendices.

Feedback was received from 8 individual Grid Users and 1 representing organisations (FEBEG) on the following topics.

Capacity Conversion Service

Market participants all welcomed in general the amendment of Capacity Conversion Service in order for it to be offered for Yearly, Quarterly, Monthly and Day-Ahead products on PRISMA. Several suggestions or questions were raised in order to extend or clarify the offering of Capacity Conversion Service in selected specific circumstances:

- One market participant suggested to offer the service for within-day product as well, what Fluxys Belgium doesn't intend to enable, given (i) the day-ahead offering already goes beyond CAM NC obligation and (ii) the increased complexity this feature would bear to ensure "freed-up" capacity by conversion would be reoffered for the subsequent within-day auction.
- One market participant suggested to offer the Capacity Conversion service for OCUC and Wheeling products, also on day-ahead and via PRISMA. Fluxys Belgium confirms this is actually the intention of the offered service, though the pilot implementation launched on 1/1/18 needs to be upgraded for this to be possible. Such upgrade is foreseen by July 2018.
- One market participant asked Fluxys to confirm that the DA capacity that has been allocated but converted through the capacity conversion service will be freed up and timely rolled over to upcoming within-day auctions. Fluxys Belgium confirms this is actually the intention of the offered service, though the pilot implementation launched on 1/1/18 needs to be upgraded for this to be possible. Such upgrade is foreseen by July 2018.

Other clarifications questions are treated in the appendix. Considering the comments received, the proposal will submitted for CREG approval, as consulted with one additional feature in ACT – Attachment B to explicitly exclude capacities assigned with retained payment obligation from the Capacity Conversion Service.

Reshuffling Service

Seven market participants supported or even complimented Fluxys for the proposed reshuffling service as it offers shippers the possibility to adjust and optimize their long-term transport capacity portfolio within the Belgian market. In addition, one market participant explained that this optimization opportunity should lead to a better utilization rate of the subscribed capacities and another welcomed the proposed standardized handling of the reshuffling service on PRISMA, during the yearly auction.

Notwithstanding this positive feedback, several suggestions were made to further enhance the proposed service towards more short term flexible options (offer the service for periods down to one year instead of the proposed 4 or 5 years period, offer the reshuffling service on a rolling yearly basis, introduce a time shift option when reshuffling a capacity contract, allow an entry service to be reshuffled in an exit service and/or vice versa). Fluxys Belgium believes that the reshuffling service as proposed already provides an important flexibility to existing contract holders, while meeting CAM NC compliancy in a pragmatic and efficient way. Furthermore the chosen multi-year approach coincides with the nature of existing long term contracts and upcoming tariff period, for which visibility on contracted quantities is key. As a consequence Fluxys Belgium doesn't intend to go beyond this proposal.

Tariff considerations were also mentioned in stakeholders' comments. The applicable fee – corresponding to (i) what was applied in previous reshufflings and (ii) the tariff for surrendering of capacity or secondary transactions facilitated by Fluxys – remains to our opinion the relevant one for this proposal. Its application in case capacities are both reshuffled and successfully surrendered will however be clarified at the request of several stakeholders. It was also questioned by several stakeholders if Fluxys Belgium could provide for a visibility/guarantee on future tariffs as this could influence the relevance of certain reshuffling choices. As for previous reshuffling exercise, the revenue neutrality of the reshuffling exercise is based on today's applicable tariff, while recognizing the Belgian regulated tariff regime foresees no fixed price option.

Other clarifications questions are treated in the appendix. Considering the comments received, the proposal will submitted for CREG approval, as consulted, with exception of the clarification of (i) the fee calculation when a combination of surrender and reshuffling applies and (ii) the calculation of the to be acquired capacity on one interconnection point given the applicable tariffs.

L/H Capacity Switch Service

This proposal was welcomed by the market and essentially commented by FEBEG or its members. In order to further increase the flexibility offered by the service for those holding long term contract at interconnection point Hilvarenbeek L, it was suggested

- by two market participants that the switching right a shipper receives in the framework of the L/H capacity switch service can be exercised until 30 September for the following gas year (start on 1st of October – the next day), instead of limiting the switching during a window organized in conjunction with yearly auctions. Fluxys Belgium deems it not feasible to implement the requested modification on the timing while ensuring compliancy with the CAM NC that foresees that yearly capacities are acquired during the yearly auctions organized each year on the first Monday of July. The main principle of the proposal is based on the acquisition of new capacities combined with the release of existing contracted capacity.
- Those same market participants furthermore suggested that switching entitlements that wouldn't be used at one point in time should be (i) accumulated and transferred for a future use (e.g. to the following year) and/or (ii) transferred to other network users. Fluxys Belgium foresees in the consulted proposal that the percentages that will be published on yearly basis to determine the level of Entry capacity that is eligible for the L/H capacity switch service will depend on the level of Domestic Exit Points of the L-Zone capacities that are scheduled to be converted to H-gas between the 1st of June 2018 and the start of Gas Years Y+1 and Y+2, respectively. This means that there is already an accumulation foreseen in the proposed document, since the % will depend on the residual L-market size.
- One market participant also pointed out that the same mechanism should be offered for L-Exit points with shippers determining on their own the level of L-exit capacities that should be switched to the H-gas grid. Fluxys Belgium would like to remind that the L/H capacity switch service is only offered for Entry capacity at Hilvarenbeek L to take into account the decrease of the Belgian L-gas market through the physical conversion of such market.

Other clarifications questions are treated in the appendix. Considering the comments received, the proposal will submitted for CREG approval, as consulted.

VIP BE-NL

Respondents generally speaking welcomed the proposal to create a VIP regrouping existing H-gas IPs between Belgium and The Netherlands. In particular the choice to apply a similar approach as for what was done for Virtualys is appreciated, including the neutral impact of a possible VIP on the Belgian applicable tariffs, both for new and existing contracts is recognized.

However, in light of GTS' recent decision to postpone the implementation of VIPs - initially targeted for 1 October 2018 - due to *"the uncertainty which subverts the legal basis for the implementation"* in particular the treatment of existing contracts when introducing a VIP, several questions were raised with regards to Fluxys Belgium proposal:

- GTS decision – and associated outcome at EU level – could yield a clarification that renders the proposed model unpractical. Though Fluxys Belgium believes the proposed model to be fit for purpose and compliant with CAM NC, one cannot exclude that current discussion could lead to an adjustment of EU regulation in that matter, with associated consequences for the proposed model.
- GTS initial – now "suspended" – proposal yields at the Dutch side of the border, a significant shift in applicable tariff, which triggered questions regarding compliancy of the proposal with CAM NC Art. 19.9. a1 and b2. According to one respondent specifically referring to such

1 The total technical capacity at the VIPs shall be equal to or higher than the sum of the technical capacities at each of the interconnection points contributing to the VIPs.

GTS foreseen tariff shift, VIP establishment should be subject to a cost benefit analysis, reporting on detrimental effects for existing capacity contract holders and associated foreseen mitigation measures by the TSO. Fluxys Belgium believes that the proposal for the Belgian side of the VIP answers both CAM NC Art. 19.9.a and CAM NC Art. 19.9.b, as technical capacity is maintained and current applicable tariff are maintained for equivalent services, as it was the case for Virtualys. CAM NC doesn't mandate explicitly a cost-benefit analysis, or compensating measures to be established by one TSO, compensating for possible effects at the other side of the border.

- It was suggested by one market participant to introduce reshuffling or termination opportunities while implementing the VIP BE-NL, further building on same tariff impact at GTS' side. Fluxys Belgium reminds that under the proposed model, existing contracts in Belgium remain unaffected, in particular in quantity and price, as only the reference to the location identifier will be mapped onto the new point and EIC code. There is therefore no reason to consider additional measures at the Belgian side of the border.

Next to the specific questions and remarks with regards to VIP BE-NL, one market participant commented on the fact that the VIP-related maintenance publication - instead of the IP-related maintenance publications - leaves customers with a reduction in transparency and increased potential impact. Fluxys Belgium would like to comment that maintenance is still executed and considered on the underlying physical borders but will indeed be expressed at VIP level. This will reduce the impact of given maintenance on the total flows between two market areas, as capacity holders will also benefit from the capacity available at the other – unaffected – physical IPs.

Other clarifications questions are treated in the appendix. Considering the abovementioned uncertainty on scope and implementation date, stemming out of GTS decision to postpone its VIP implementation until further clarification is obtained on the applicable regulatory framework for VIP, in particular the treatment of existing contracts, Fluxys Belgium decided to temporarily withdraw its proposal for VIP BE-NL implementation. Taking remarks from the respondent that VIP implementation requires timely information and notification, the proposal will be submitted to CREG once clarity is gained with GTS.

Simplification of processes and services

Most of respondents commented on the simplification proposals – invoicing and booking processes - welcoming these initiatives by Fluxys Belgium.

Regarding invoice and invoicing process simplification, one respondent suggested Fluxys Belgium to go even further and another one requested to keep both pdf and xml versions of invoice appendix and related details. Regarding electronic document, given the objective of the new proposed appendix is to be (i) comprehensive, (ii) easily integrated in shippers' system and (iii) easily processed in Excel, Fluxys Belgium considers that a pdf version of it would bear unnecessary burden and complexity to maintain. Templates, test samples and support will be provided in due time to enable a smooth transition at shippers' side.

Regarding booking process simplification and uniformization (IP products, including OCCUs & Wheelings, on PRISMA – FCFS or Auction as the case may be – and all at least on Day-Ahead basis), the proposals are widely supported by stakeholders. Market also welcomes that a manual fall back is kept, should platforms be unavailable. One respondent requested the lead-time for secondary traded capacity on PRISMA to be reduced beyond the proposed 2 business days. Fluxys Belgium doesn't consider it appropriate at this stage to reduce the leadtime any further, given the correct functioning of that automated process through PRISMA should be ensured first.

² [VIPs] facilitate the economic and efficient use of the system including but not limited to rules set out in Article 16 of Regulation (EC) No 715/2009.

Other clarifications questions are treated in the appendix. Considering the comments received, the proposal will be submitted for CREG approval, as consulted, with the exception of (i) subscription process for Dunkerque LNG Terminal that is further automated and (ii) Quality Conversion services for which the change to PRISMA based subscription is postponed to a later stage, given the complexity of implementation (no automatic treatment as ST capacities are dependent on Nitrogen procurement). The current process will therefore be kept and the potential change will be reconsulted at a later stage.

Technical changes

Three market participants welcomed the proposal to change the basis for pro-rating during a constraint to be based on bookings rather than nominations. No other comments were received, whereby the proposed changes will be part of the final proposal as consulted.

Topics outside the scope of the consultation

In the framework of substitution services, two market participants suggested Fluxys Belgium to introduce a new service similar to the "diversion service" offered by GTS that allows shippers to switch their capacity contracts between different IPs located at the same location. Considering that (i) Fluxys Belgium has indeed in its model several IPs that are considered as part of the same location from a capacity simulation point of view (namely ZZ1 & ZZ2, EY1 & EY2, and all Zeebrugge area IPs), that are connected by wheeling or zeeplatform services, (ii) Fluxys offered such similar options before the entry into force of the CAM NC, and (iii) the mechanism developed in the framework of the Reshuffling and L/H Capacity Switch service opens up the possibility to offer a CAM compliant solution, Fluxys Belgium sees an opportunity to develop such a Diversion service together with the other Substitution services. However, as this subject was not in the scope of the current consultation, and in order to give the opportunity to all market participants to react on such a proposal, Fluxys shall organize as soon as possible a new dedicated market consultation – Market Consultation 27bis – on that topic specifically.

One market participant commented on the lack of user-friendliness and operational fitness for purpose of the PRISMA platform compared to the Fluxys' Electronic Data Platform (EDP). Fluxys Belgium takes note of this viewpoint, though not mentioned during this consultation by any other stakeholders. A training on PRISMA screens – current ones and new ones to be used in the framework of the proposed simplification – will be organized in Q2 together with PRISMA representative, where such feedback will be useful to ensure improvement of the platform.

One market participant commented on the article 19.4.5 of the STA "Disputes". This change – in the framework of final setup with Balansys - was already consulted (market consult #14) and approved by CREG in 2015 ((B)150520-CDC-1420). The background of that change was to ensure that parties to the dispute cannot influence the decision by appointing the same experts, since both the TSO and the balancing operator could be parties to a dispute with the same Grid User.

A market participant suggested that Fluxys should allow unbundled and bundled capacities on PRISMA to compete with each other. This is however not allowed by the CAM NC.

Textual corrections

Several textual errors were reported and have been corrected in the submitted documents.

4. APPENDICES

4.1 Appendix 1: Market consultation – public material

4.2 Appendix 2: Market consultation – confidential material