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note
Fluxys Belgium

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Subject: EFET[1] response to the consultation on Fluxys Belgium's Tariffs proposal for Transmission Tariffs 2020 - 2023

EFET welcomes the opportunity to respond to the consultation on Fluxys Belgium's tariff proposal for transmission tariffs 2020-2023. EFET would like to make the following comments. These comments are not confidential.

Reference Price Methodology

We agree with the use of the Capacity Weighted Distance (CWD) methodology to derive tariffs for 2020 – 2023. However, we would have liked to see analysis carried out using other methodology's so that network users could get a better understanding of why the CWD methodology was chosen. The only analysis within the consultation appears to be regarding the proposed entry/exit split. Even having the ability to compare tariffs with the current methodology would have been useful, although our opinion is that the current methodology is not a fair approach considering the Belgian gas network of today.

Our understanding is that today "distance" is the main driver for the allocation of costs in the system. In this framework, distance for exit IPs is measured by taking only one entry point into consideration (i.e. Zeebrugge), as if an old point-to-point/transit system was still in place. This is obviously not the case anymore, and in an entry/exit system, distance should be measured as an average distance from all entry points in the system (to be then weighted by capacity). In fact, gas exiting Belgium towards neighboring countries may be coming from any of the entry points in the system. It is therefore wrong and unrealistic to assume that all flows directed to adjacent markets only enter via Zeebrugge, which is - for some IP exit points - one of the farthest entry point in the system. This element is crucial, as it is a distortion, which might negatively affect the correct allocation of costs in the system. Moreover, this way of calculating exit tariffs is not even in line with the spirit of the EU Regulation 715/2009 which explicitly provides that "*Tariffs should not be dependent on the transport route. The tariff set for one or more entry points should therefore not be related to the tariff set for one or more exit points, and vice versa*" (recital 19). In this framework, the application of the cost allocation methodology as provided by the European Network Code on Tariffs (Capacity Weighted Distance – CWD), represents an improvement compared to the current methodology. In addition, we note that National Grid in Great Britain have also proposed the use of the CWD methodology. To facilitate analysis by network users they have release models for CWD and postages stamp. Within each model users can compare the methodology against the current Long Run Marginal Cost (LRMC) methodology.

[1] The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

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Entry/Exit Split

Fluxys Belgium are proposing an entry/exit split of 33/67. Although we can see that using a 50/50 split would have led to increased prices, there is no rationale for why Fluxys has moved from a 30/70 split. Indeed, the reasoning behind this decision was requested at the recent Information Session. However, Fluxys did not appear to give any reason and we are left with the assumption that this is a totally arbitrary figure. To maintain tariff stability and predictability where possible, maintaining the current 30:70 split may be more appropriate.

Regulatory Account

EFET notes that the CREG have set a maximum target level for the Regulatory Account of €100m. Meaning €240m will be returned to users during the next regulatory period. This is to be welcomed as is the fact that Fluxys will not be using the regulatory account for financing investments up to €50m. However, €100m is still a significant number to have sitting in a regulatory account. We are of the opinion that Fluxys could return an even greater sum to network users over the regulatory period. In the interests of avoiding any temporal cross-subsidy, EFET would welcome any action that would ensure that the targeted amount is returned to the shippers that contributed to the over-recovery.

Proposed Discounts at Entry points from and Exit points to storage facilities

EFET agrees with the 50% discount at the Entry point from the Loenhout storage facility in accordance with Article 9, and 100% discount, as is applied at present, at the Exit point to the Loenhout storage facility.

OCUC and Wheeling

We are pleased to see the continued of the OCUC and Wheeling's services.