



CONSULTATION ON FLUXYS BELGIUM'S TARIFFS PROPOSAL FOR TRANSMISSION TARIFFS 2020-2023

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Disclaimer

This document has been prepared by Fluxys Belgium SA/NV in the process of elaboration of the next tariff proposal for the period 2020-2023, solely for consultation purposes. It aims at providing information on possible future tendencies and on main expected evolutions. Numbers and parameters contained in this document are indicative best estimates subject to possible changes or corrections. Under no circumstances shall any person, company, corporate body or other entity be entitled to assert any right, claim or other entitlement against Fluxys Belgium SA/NV (or either its directors, managing directors or employees) as a result, or on the basis of this document.

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1 EXECUTIVE SUMMARY

In accordance with the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a Network Code on harmonised transmission tariff structure for gas (“TAR NC”¹) and as decided by the Commission for Electricity and Gas Regulation (“CREG”) in her decision (B)1657 regarding the implementation of the TAR NC² and based on CREG decision (Z)1110/11 on the tariff methodology for 2020-2023 (“CREG Methodology”³), Fluxys Belgium is organizing a consultation of the relevant natural gas companies on the preparation of the tariffs for the next tariff period (years 2020 to 2023 included).

This consultation document starts with a description of the overall applicable framework in which Fluxys Belgium is developing its tariff proposal 2020-2023. With the aim to provide information to network users on possible evolutions of the tariffs for the next tariff period, the proposed reference price methodology, the main parameters influencing the tariffs and the resulting tariffs are then described as specified in the TAR NC.

The total allowed revenue is set in accordance with the CREG Methodology and serves as starting point to derive reference prices.

In order to ensure cost reflectivity, the proposed Reference Price Methodology (“RPM”) used to derive reference prices from the allowed revenue, is conform to the TAR NC reference Capacity Weighted Distance Methodology (“CWD Method”) with an Entry/Exit split of 33/67 for transmission services and will remain unchanged for non-transmission services. Evolution of tariffs within the tariff period is, as currently, based on indexation: tariffs of years 2, 3 and 4 are inflated using CPI of May of year-1. The transmission tariffs are capacity based.

Overall, Fluxys Belgium expects individual transmission tariffs levels per service to evolve quite differently from one service to the other due to the implementation of the CWD Method but, even in a context of decreasing capacity sales and changing behavior of network users, the general tariff level is expected to decrease, mainly due to:

- a decrease of the operating costs compared to current tariff period, enabled thanks to substantial efficiency efforts made since several years. Moreover, in accordance with CREG Methodology additional efficiency gains to be realized during the next regulatory period are already factored in the tariff calculation for 2020-2023; and
- in accordance with CREG Methodology, a substantial utilization of the regulatory account accumulated in the past, targeting a level of 100M€ in the regulatory account at the end of the tariff period. This results in an expected utilization of about 240M€ on the period 2020-2023;

Based on the selected RPM, the cost allocation assessment ratio between intra- and cross-system network used as described in art.5 of the TAR NC, remains within the limit of 10% prescribed in the TAR NC.

For non-transmission tariffs, the methodology remains unchanged compared to the current method and non-transmission tariffs are expected to remain stable (+~0,9% compared to 2019 tariffs indexed).

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>

² <https://www.creg.be/fr/publications/decision-b1657>

³ <https://www.creg.be/fr/publications/decision-z111011>

Thanks to the simplification process of the Fluxys Belgium services started in 2017 selected non-transmission services will disappear or be merged.

After several consecutive tariff decreases since 2010, it is important to notice that, for the periods after 2023, an increasing trend of nominal tariffs can be expected taking into account the following main tendencies:

- (i) the expected further decrease of the capacity sales / further move towards short term bookings by network users;
- (ii) the natural limits to further efficiency gains, and;
- (iii) the lower level of the regulatory account at the end of the tariff period (100M€), compared to the levels of the regulatory account utilization foreseen during 2020-2023 (~240M€).

2 INTRODUCTION

2.1 Consultation procedure and scope

According to Article 26 of TAR NC and according to Article 2 of the procedure for the introduction and approval of tariff proposal and tariff modifications, as concluded between CREG and Fluxys Belgium on 24 January 2018 and published on CREG's website⁴, Fluxys Belgium organizes a consultation of the relevant gas companies before it submits its tariff proposal to the CREG approval. This consultation will be open from 8 October 2018 until 7 December 2018 in accordance with Art.26.2 of the TAR NC. Relevant gas companies interested to react to this consultation are invited to react (please refer to chapter 5 of this document).

Within one month following the end of the consultation, Fluxys Belgium will publish the consultation responses received and their summary in accordance with Art.26.2 of the TAR NC. In addition Fluxys Belgium will draw up a consultation report in annex to the tariff proposal explaining how and why the comments received have or have not been taken into account, which will also be submitted to CREG.

In parallel to this consultation organized by Fluxys Belgium, a consultation on the topics reserved to national regulatory authority ("NRA") - as per CREG decision (B)1657 in accordance with Art.28 of the TAR NC - will be held by CREG. In order to ensure consistency between the offered services and their tariffs, a dedicated consultation on amendments and improvements to the regulated documents⁵ will also be held in parallel to this tariff consultation. Indeed, for reason of consistency, evolutions in the service offer and related tariffs have to be seen together.

Previously, CREG already held a public consultation on the tariff methodology for 2020-2023, as required by Article 15/5bis of the Gas Act of 12 April 1965. Following this consultation, an amended draft decree was submitted to the Chamber of Representatives on 8 June 2018. In absence of any additional comments and since the preparatory procedure laid down by law had been completed, CREG adopted the decree (Z)1110/11 establishing the tariff methodology for the natural gas transmission system, natural gas storage facilities and LNG facilities on 28 June 2018. The authorized revenue for years 2020 to 2023 is set in accordance with this CREG Methodology (see 4.2.1).

2.2 Aim of this consultation

This document aims at informing network users and relevant natural gas companies of main expected indicative changes and tendencies in future tariffs. The objective is to gather stakeholders' feedback before submitting a tariff proposal to CREG for period 2020-2023.

2.3 Structure of this consultation document

This document begins with a description of the general context within which Fluxys Belgium will draw up her tariff proposal for the 2020-2023 tariff period, as she already used to do before the TAR NC entered into force. It is followed by the detailing all the elements subject to consultation in accordance with the TAR NC and as referred to in ACER's consultation template according to Art.26(5) of the TAR NC.

⁴ <https://www.creg.be/sites/default/files/assets/TarifsPublications/FluxysOthers/TarMethodo20-23/20180124-Accord-FluxysFlxRCoord.pdf>

⁵ <http://www.fluxys.com/belgium/en/Services/Transmission/MarketConsultations/Consultation>

3 GENERAL CONTEXT

Article 26 of TAR NC states that one or more consultations must be carried out by the NRA or by the transmission system operator (“TSO”) depending on the decision of the NRA. CREG decided on 20 July 2017 in its decision (B)1657 that Fluxys Belgium will carry out these consultations except those which have to be carried out by the NRA. In particular CREG decided that consultations related to Articles 5(1), 6(1), 6(4)(b), 6(4)(c), 10(2)(b), 10(7) 26(1), 26(3), 27(1), 29(a)(i), 29(a)(ii), 29(a)(iv), 29(b), 30(1), 30(2) and 30(3) will be carried out by Fluxys Belgium.

In parallel to this consultation, CREG is carrying out a consultation on the parameters that are explicitly reserved to the NRA consultation in accordance with Article 28 of the TAR NC.

This consultation follows the structure laid down in Article 26 of the TAR NC regarding consultation requirements. However, Fluxys Belgium does not wish to restrict to technical parameters of the tariff design only and therefore also gives context elements / main parameters driving the tariffs evolution for the next regulatory period. Moreover, an Information Session is organized on 24 October 2018 in Brussels on this tariff consultation and related matters (please refer to point 5 for more information).

Compared to the past, the TAR NC is the main new element to be taken into account when deriving tariffs in a context of an expected high level of the regulatory account at the start of the period and decreasing capacity sales for 2020/2023 and even more further.

4 TAR NC CONSULTATION

4.1 Article 26(1)(a) – Proposed Reference Price Methodology

4.1.1 Article 26.1(a)(i) - Information on the parameters used in the proposed RPM related to technical characteristics of the transmission system

4.1.1.1 Article 26.1(a)(i)(1) – description of the proposed RPM

The Fluxys Belgium commercial model is an Entry/Exit system. The Entry or Exit transmission capacity is sold per point and allows the grid users to flow gas into or out of the system through these points. Please refer to the Standard Transmission Agreement (“STA”), Access Code for Transmission (“ACT”) and Transmission Program (“TP”)⁶ for more details on the service offer.

The tariff for a transmission service mainly depends on the considered point, its direction (Entry or Exit), the duration of the considered product, the moment of the year for which it is booked, and the nature (firmness) of the capacity.

The TAR NC defines the RPM as being the methodology used to determine how the allowed revenue is allocated to Entry and Exit services. The resulting tariffs for Entry and Exit yearly standard products are called reference prices.

The TAR NC describes, in article 8, its own reference RPM referred to as CWD Method. The cost drivers in this method are the forecasted capacities on points and the distances between points.

Fluxys Belgium proposes to apply the CWD Method as defined in Article 8 of the TAR NC as RPM with, however, an adapted Entry/Exit split. The CWD Method indeed best meets the requirements that the chosen methodology needs to satisfy as per Article 7 of the TAR NC, namely: cost-reflectivity, non-discrimination, and avoiding undue cross-subsidisation. Please refer to the TAR NC for detailed information on this CWD Method. In order to avoid unnecessary variations, this method is applied with an Entry/Exit split of 33/67 similar to the currently applied Entry/Exit split of 30/70.

The following adjustments (so called “equalization” in the TAR NC) are made in accordance with Belgian Gas Law: (i) all tariffs for Entry services are equalized and (ii) all tariffs for Exit services domestic points are equalized, both taking into account a differentiation based on the difference in gross calorific value of low versus high calorific zone.

The main input parameters are:

- The allowed revenue (see point 4.1.2), which is decreasing significantly mainly due to:
 - o decreasing OPEX (thanks to efficiency efforts made and supplementary targets as set in CREG Methodology);
 - o significant use to the regulatory account – i.e. decreasing by around 240M€ during the period (see point 4.2.1).
- distances (pipeline approach), and;

⁶ Documents available on <https://www.fluxys.com/belgium/en/Services/Services>

- forecasted contracted capacity at Entry and Exit points, with a decreasing trend due to the gradual end of long term contracts, and the partial replacement by short term bookings (see point 4.1.1.6).

Resulting expected reference tariffs per service are listed under point 4.1.3 and a comparison with the transmission tariffs currently applicable is given under point 4.4.1.

Within the tariff period, the tariffs of years 2, 3 and 4 are the tariffs for year 1 indexed based on Belgian CPI evolution. The expected evolution of the tariffs within the period 2020-2023 based on the estimated CPI is given under point 4.4.2. Yearly indexation within the period will be based on real index variations between May year N-1 and April year N so that the tariffs for the next (calendar) year will be known at the time of the annual yearly auctions (1st Monday of July of each year as per CAM NC⁷).

Note that the CREG Methodology foresees that if, during the period, there is a deviation (e.g. due to differences between budgeted parameters and real parameters) between the real level of the regulatory account at end of year and the regulatory account trajectory foreseen in the tariff proposal, tariffs will be automatically adjusted (downwards or upwards).

4.1.1.2 Derivation of tariffs for OCUCs and Wheelings based Entry and Exit reference prices

In accordance with TAR NC Article 4.2, the specificities of short haul services - Wheelings and Operational Capacity Usage Commitments ("OCUC") - are to be taken into account. The tariffs for these services benefit from a discount to the reference prices as these services (i) do not offer an access to the virtual trading point ZTP Notional and (ii) do not use the full flexibility and extent of Fluxys Belgium's network.

As these services do not offer an access to ZTP Notional, a minimum discount of 25% is applied. On top of that, an extra discount based on the effective use (in km) of the network is applied. This extra discount varies linearly in function of the distance (maximum discount for the minimum use of the network (Wheelings), minimum discount for a use of 100 km or more of the network (OCUCs of 100km or more)).

4.1.1.3 Other changes in order to ensure consistency with expected service offer evolutions

Up and until now, two distinct services coexist allowing natural gas deliveries to End Users at medium pressure: the Medium Pressure Service ("MP") and the Dedicated Pressure Reduction Service ("DPRS"). Following the project to simplify her services, Fluxys Belgium has proposed, as from the tariff period 2020-2023, to merge these two specific services into one single new Reduced Pressure Service ("RPS"), which will replace MP and DPRS. The level of the tariff for the RPS will be similar to the current tariffs for MP and DPRS (see point 4.1.3).

Moreover, a new service will be introduced: the Injection Transmission Service on domestic points. This one aims at giving the possibility to renewable gas producer to inject biomethane into the TSO grid directly or via the Distribution System Operator grid. The tariff level for this service will be the same as the Entry tariff at IPs. In order to support the development of renewable gas, Fluxys Belgium proposes not to apply this tariff during the 2020-2023 tariff period.

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0459&from=EN>

4.1.1.4 Article 26.1(a)(i)(2) – justification of the parameters used that are related to the technical characteristics of the system

The CWD Method assumes that the share of the allowed revenue to be collected from each Entry or Exit point should be proportionate to its contribution to the cost of the system’s capacity and to the distance between it and all Exit points or all Entry points.

Consequently, the costs drivers in the CWD Method are (i) distances and (ii) forecasted contracted capacities (for the latter please refer to point 4.1.1.6). For measuring the distances, in accordance with Art.8 of the TAR NC, the pipeline approach is applied.

4.1.1.5 Article 30.1(a)(i) – technical capacity at Entry and Exit points

This chapter details the technical capacities per IP, direction (Entry or Exit), zone (L or H) and year (2020-2023) of the Fluxys Belgium network. This information is provided in accordance with the TAR NC but is not used in the tariffs calculation, as the CWD Method rather uses the forecasted contracted capacity at Entry and Exit points.

The underlying assumptions (supply, demand and related statistical analysis) taken when modelling the network to determine the technical capacities of each IP are described in Fluxys Belgium 10 years’ indicative investment planning⁸. Note that those figures are yearly averages and can be adjusted in the framework of Art.6 of CAM NC⁹ and (pro-active) congestion management procedures as described in attachment E of the ACT¹⁰.

IP	Entry				Exit			
	2020	2021	2022	2023	2020	2021	2022	2023
Blaregnies L	<i>Backhaul</i>				10,49	10,49	10,49	10,49
Dunkerque LNG	9,12	9,12	9,12	9,12	-			
Eynatten 1	9,95	9,95	9,95	9,95	11,3	11,3	11,3	10,7
Eynatten 2	10	10	10	10	11,3	11,3	11,3	10,7
Hilvarenbeek L	26,95	26,95	26,95	26,95	<i>Backhaul</i>			
IZT	7,5	7,5	7,5	7,5	6,88	6,88	6,88	6,88
Loenhout	5,65	5,65	5,65	5,65	2,82	2,82	2,82	2,82
's Gravenvoeren	16,61	16,61	16,61	16,61	<i>Backhaul</i>			
Virtualys	5,23	5,23	5,23	5,23	32,21	32,21	32,21	32,21
Zandvliet H	1,98	1,98	1,98	1,98	<i>Backhaul</i>			
Zeebrugge	29,3	29,3	29,3	28,2	29,85	29,85	29,85	29,85
Zeebrugge LNG	19,21	19,21	19,21	19,21	<i>Backhaul</i>			
Zelzate 1	16,95	16,95	16,95	16,95	13,7	13,7	13,7	13,7
Zelzate 2	<i>Backhaul</i>				4,12	4,12	4,12	4,12
ZPT	14	14	14	14	<i>Backhaul</i>			

Technical Capacity per IP – FIRM – 106 kWh/h – rounded to 2 decimals

⁸

http://www.fluxys.com/belgium/en/About%20Fluxys/Investment/~media/Files/About%20Fluxys%20Belgium/Investment%20Programme/TYNDP_2017_Fluxys_BE_LNG_external_version_FR_final.ashx

⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0459&from=EN>

¹⁰

http://www.fluxys.com/belgium/en/Services/Transmission/Contract/~media/Files/Services/Transmission/TermsConditions/Version20180426/ACT_Full_PLANC_EN_Approved.ashx

4.1.1.6 Article 30.1(a)(ii) – forecasted contracted capacity at Entry and Exit points

This parameter is used in the CWD Method. It represents the budget of capacities that are expected to be sold. This chapter details how these forecasted contracted capacities (aka “Reference Quantities”) are estimated, per category of services.

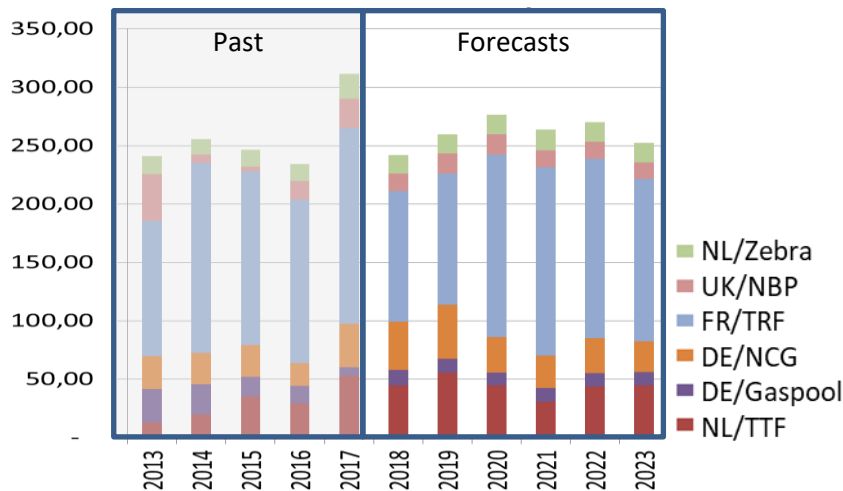
Methodology

The forecasted contracted capacities can be split into two parts. On the one hand, the capacity subscriptions that are already concluded today for the period 2020-2023, considered as “booked”. On the other hand, an estimation of additional volumes can be added, based on assumptions with regards to supply, demand and possible contract renewal per transmission service (Entry/Exit on Interconnection Points, domestic households, industry, Power Plants,...), taking into account the specificities of each related market segment.

Exit capacity at Interconnection Points

Forecasted Exit contracted capacities at IPs result of an estimation based on supply, demand, production, infrastructure development and transmission pricing, in the concerned neighboring countries and the possible role Belgium is and could be playing in the future, in supplying those markets through transit.

The following graph illustrates our basis assumption for yearly exported volumes towards the different neighboring markets. For the period 2020-2023, the average export assumption is around 260 TWh/y, with year on year variations driven by several factors, including also L/H conversion in neighbouring markets.



Estimation of yearly exports to neighboring markets - TWh/y

Those volumes are translated into forecasted contracted capacities, using (i) historical seasonality and volatility of the flows through those Interconnection Points, (ii) already contracted capacities on the respective Interconnection Points and presumed booking pattern (short term vs long term / Entry/Exit vs short haul services) of network users.

The table below lists the forecasted contracted capacities (firm) for the Exit capacities at Interconnection Points and for OCUCs.

Exit and OCUC Capacities	2020	2021	2022	2023
Exit L capacity	10,54	10,27	10,22	10,22
Exit H capacity	43,51	39,38	39,89	37,14
OCUC	19,23	18,52	17,55	15,62

Forecasted contracted Exit and OCUC capacities at IPs – 10⁶ kWh/h – rounded to 2 decimals

Exit capacity on domestic points

The Belgian domestic market is split into 3 different segments: distribution, industrial clients and Power Plants. For each end users in these segments, grid users have to subscribe (implicitly or explicitly) HP firm domestic Exit transmission services. For Industry and Power Plants, grid users can opt for the Fix/Flex tariff option (on yearly basis, composed of a capacity and a commodity component¹¹) or the standard tariff option (with seasonal and multipliers applicable for non-yearly subscriptions).

The assumption relating to distribution segment is that there will be no growth in the peak capacity required to supply the Belgian market. However, the L/H conversion operation, based on latest Synergrid plan, will progressively shift L capacity towards H zone.

For industry and Power Plants, we estimate that the current level of capacity will remain stable over period 2020-2023. We have today limited insights on confirmed new connections in the period, neither obviously on potential future disconnections.

Below a table summarizing the forecasted contracted capacity for domestic Exit on the high and low calorific zones.

Dom. Exit Capacity	2020	2021	2022	2023
H Capacity	51,35	54,77	57,97	60,99
L Capacity	20,61	17,19	14,01	10,98

Forecasted contracted domestic Exit capacities - 10⁶ kWh/h – rounded to 2 decimals

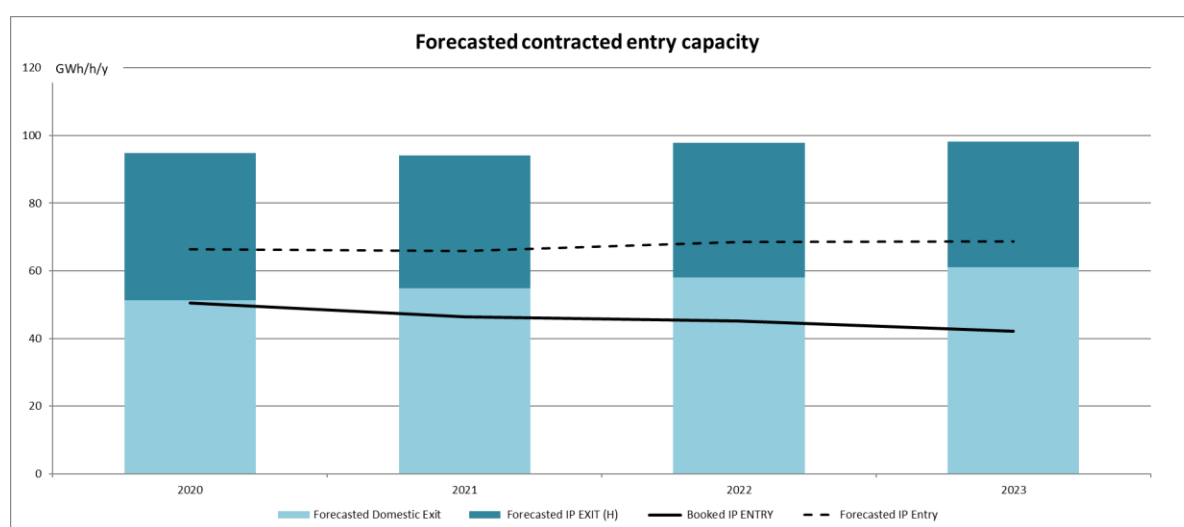
¹¹ For Power Plants, we estimate an average of 9300 GWh/y of gas consumed for fix/flex contract holders and for industry, we estimate an average of 256 GWh/y of gas consumed for fix/flex contract holders.

Entry capacity

In an Entry/Exit model, network users can use their Entry capacity either to supply the domestic market or to supply the neighboring markets. Therefore, a synergy effect can be observed where a single quantity of Entry capacity is used for both purposes, but not at the same time.

Based on the level of synergy observed in the past, one can expect that forecasted contracted capacity relating to the domestic market (Distribution, Industry and Power Plants) or Exit capacity at Interconnection Points will up to a certain level also trigger additional Entry capacity.

The graph below illustrates the forecasted contracted Entry capacity relative to the already booked Entry capacity, based on a 70% synergy level (= Entry/Exit) in H zone.



Forecasted contracted capacity – IP Entry vs IP Exit & Domestic

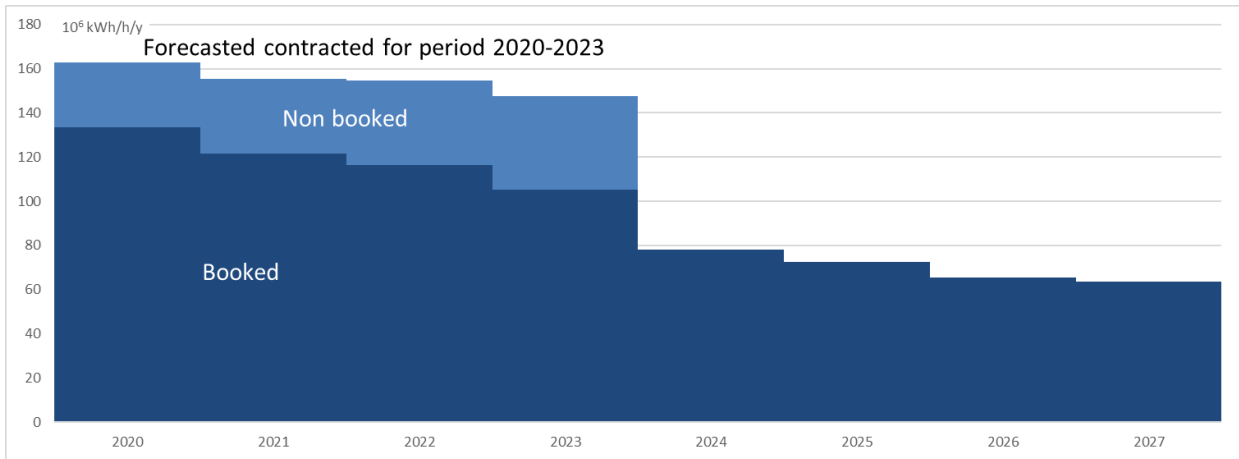
Below a table containing the total forecasted contracted Entry capacity at Interconnection Points.

Entry – Firm	2020	2021	2022	2023
Total	66,43	66,77	68,96	68,88

Forecasted contracted Entry capacities at IPs - 10⁶ kWh/h – rounded to 2 decimals

Summary

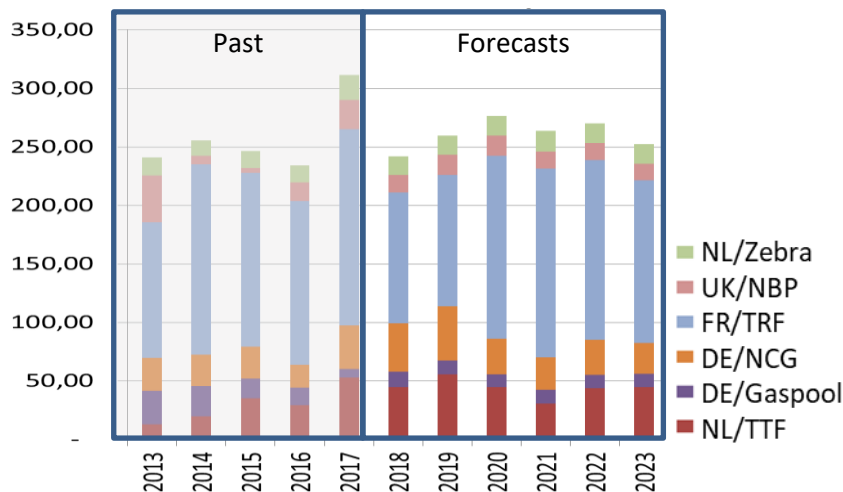
The following graph illustrates the projections of forecasted contracted capacities for the above-mentioned services at Interconnection Points over the years. For the period 2020-2023, a distinction is made between the capacity that is already booked and the capacity that is assumed to be further booked. For the sake of clarity, it is important to underline that these numbers are estimates which are more and more difficult to make in a market moving to short term.



Overview of forecasted contracted capacities on IPs – 10⁶ kWh/h

4.1.1.7 Article 30.1(a)(iii) – quantity and direction of the gas flow for Entry and Exit points

Even if not relevant for the selected methodology, as mentioned previously, the following graph illustrates our basis assumption for yearly exported volumes towards the different neighboring markets. For the period 2020-2023, the average export assumption is around 260 TWh/y, with year on year variations driven by several factors, including also L/H conversion in neighboring markets.



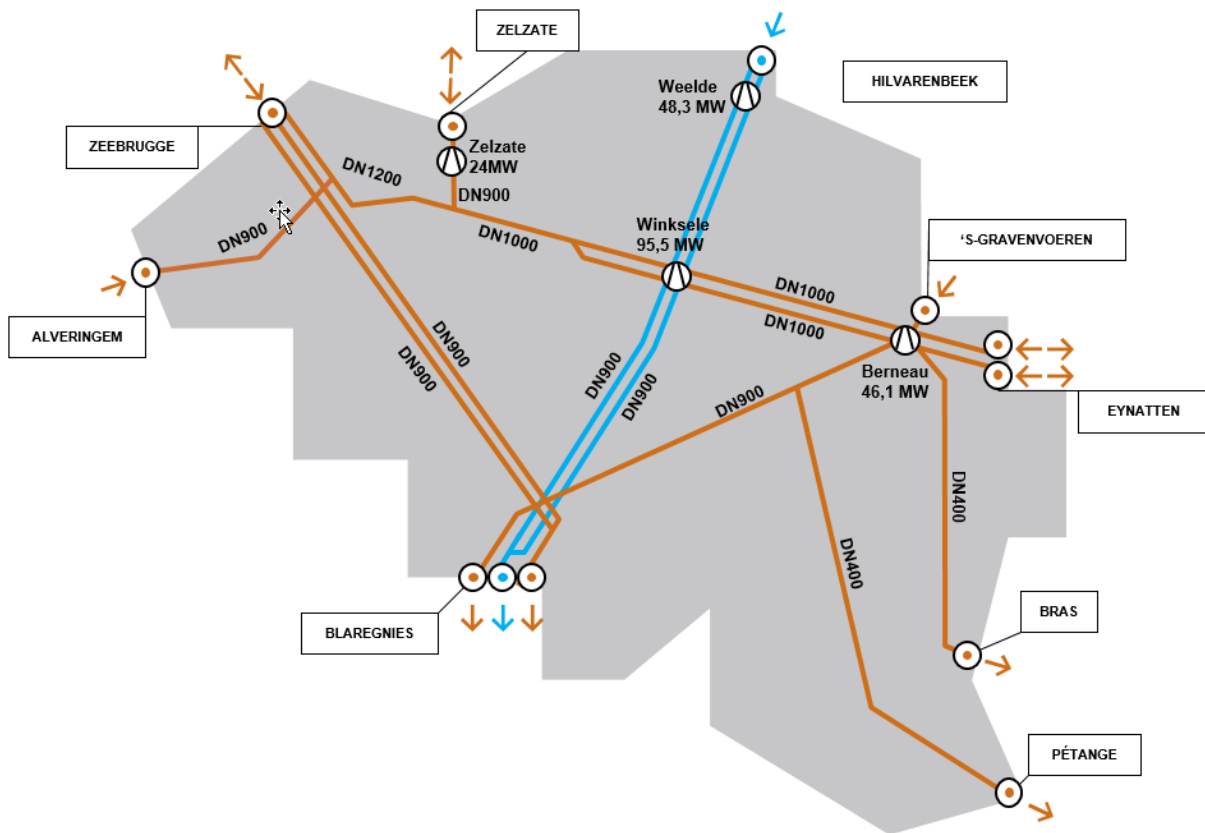
Estimation of yearly exports to neighboring markets - TWh/y

Belgian market internal consumption can be estimated to 170 to 190 Twh mainly depending on temperatures, economic context and consumption of gas fired Power Plants.

4.1.1.8 Article 30.1(a)(iv) – structural representation of the transmission network

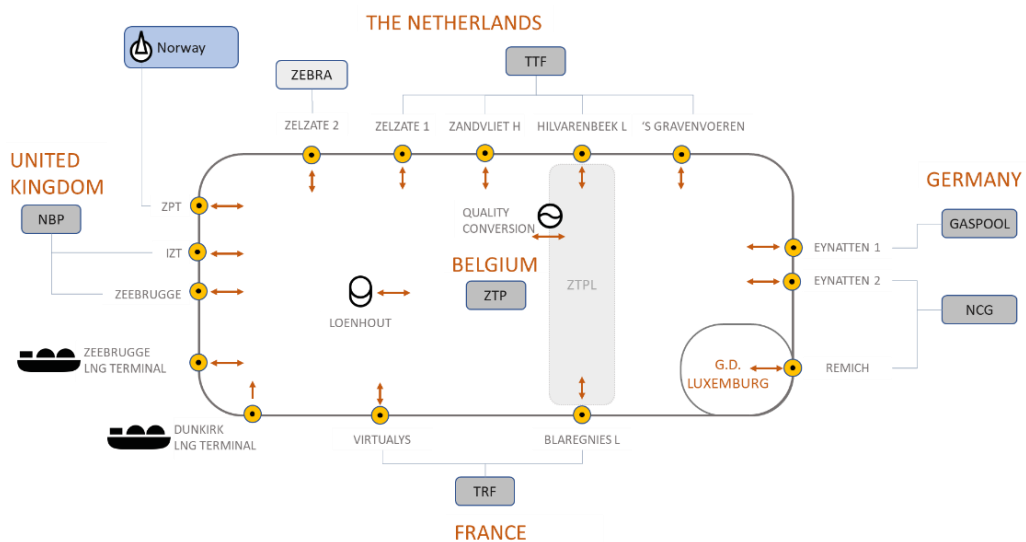
Natural gas transported and distributed in Belgium, including renewable gases to be produced locally, originates from various sources. The chemical composition of those different gases is not necessarily the same, in particular gross calorific value and Wobbe index may significantly differ. Most of those are however “rich” gases, can be substituted with one and another and are transported together, blended as H gas. Low calorific gas (L gas), produced in The Netherlands, either from the Groningen fields, either synthetically using Nitrogen blending installations, is however sufficiently specific (contains up to 14% of Nitrogen) to be transported in a separated infrastructure. Fluxys Belgium network is therefore divided into 2 sub grids, operated separately, also on a commercial level.

The network of Fluxys Belgium is developed along several main axes supporting East-West and North-South flows, composed of pipes of at least DN400. The flow of gas throughout the network is assured using 4 compressor stations, located in Berneau, Weelde, Winksele and Zelzate.



Main pipelines & Compression stations

There are 18 physical connection points, interconnecting Fluxys Belgium network with neighboring countries/markets/TSOs. Those are mapped onto the 15 Interconnection Points in the commercial model.



Schematic representation of BeLux Entry-Exit system and related IPs

4.1.1.9 Article 30.1(a)(v) – additional technical information about the transmission network

The following table details the mapping between physical connections and commercial (virtual) Interconnection Points:

Physical Points	Neighbouring TSO	Market Area	IP (commercial)
Eynatten	Gascade	Gaspool	Eynatten 1
	OGE	NCG	Eynatten 2
	Thyssengas		
	Fluxys TENP		
Zelzate	Zebra Network	-	Zelzate 2
	GTS	TTF	Zelzate 1
's Gravenvoeren			
Dilsen			
Zandvliet			
Hilvarenbeek			
Alveringem	Dunkerque LNG	-	Dunkerque LNG term.
	GRTgaz	TRF	Virtualys (VIP)
Blaregnies L			
Blaregnies			
Zeepipe Terminal	Gassco	-	ZPT
Loenhout Storage	Fluxys Belgium	-	Loenhout
Zeebrugge LNG	Fluxys LNG	-	Zeebrugge LNG term.
IZT	Interconnector UK	NBP via National Grid	IZT
			Zeebrugge

Mapping Physical – Commercial (V)IPs

4.1.2 Article 26.1(a)(ii) – The value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9

4.1.2.1 Article 9(1) – proposed discount(s) at Entry points from and Exit points to storage facilities

Only one storage facility is connected to the Fluxys Belgium transmission network: the Loenhout storage facility.

The proposed discounts are:

- 50% discount at Entry point from the Loenhout storage facility in accordance with Article 9;
- 100% discount at the Exit point to the Loenhout storage facility as it is already the case today.

Note that the Loenhout storage facility is not directly connected to either another transmission network or a distribution network.

4.1.2.2 Article 9(2) – proposed discount(s) at Entry points from LNG facilities and at Entry points from and Exit points to infrastructure developed with the purpose of ending the isolation of Member States

No such discount is applied.

4.1.3 Article 26.1(a)(iii) – Indicative reference prices subject to consultation

The tables in this section present the output of the CWD Method, i.e. the reference prices of the transmission services for year 1. The tariffs of years 2, 3 and 4 are the tariffs for year 1 indexed based on Belgian CPI evolution (see point 4.4.2).

Tariffs for non-transmission services are expected to remain stable with a limited increase of ~0,9% compared to 2019 indexed, except for Wheeling services as described in section 4.1.1.2. All tariffs are therefore not detailed hereunder except for the tariffs for the new RP Services and Wheelings.

ENTRY		Reference price in €/kWh/h/year
Border with	Interconnection Point	2020 – Firm
France	Virtualys	0,778
Germany	Eynatten 1	0,778
	Eynatten 2	0,778
The Netherlands	's Gravenvoeren	0,778
	Zandvliet H	0,778
	Zelzate 1	0,778
	Hilvarenbeek L	0,897
United Kingdom	IZT	0,778
Zeebrugge Area	Zeebrugge	0,778
Norway	ZPT	0,778
LNG Terminal	Dunkirk LNG Terminal¹²	0,778
	Zeebrugge LNG Terminal	0,778
Storage	Loenhout	0,389

Reference prices for Entry FIRM capacity – Year 2020 - €/kWh/h/y

EXIT		Reference price in €/kWh/h/year
Border with	Interconnection Point	2020 – Firm
France	Virtualys	1,309
	Blaregnies L	1,505
Germany	Eynatten 1	1,516
	Eynatten 2	1,516
The Netherlands	Zelzate 1	0,977
	Zelzate 2	0,977
United Kingdom	IZT	0,813
Zeebrugge Area	Zeebrugge	0,813
Storage	Loenhout	0,000

Reference prices for Exit FIRM capacity – Year 2020 - €/kWh/h/y

¹² For Dunkirk LNG Terminal, Cross Border Delivery Service tariff still applies.

OCUC	Reference price in €/kWh/h/year
Interconnection Points	2020 - Firm
Zelzate 1/2 - IZT/Zeebrugge	1,039
IZT/Zeebrugge - Zelzate 1/2	1,039
Dunkirk LNG Terminal/Vitruvalys - IZT/Zeebrugge	1,193
's Gravenvoeren - Eynatten 1/2	0,861
Eynatten 1/2 - 's Gravenvoeren	0,861

Reference prices for OCUC FIRM capacity – Year 2020 - €/kWh/h/y

OTHER TRANSMISSION SERVICES	Reference price in €/kWh/h/year
	2020 - Firm
Domestic Exit HP H-grid	1,086
Domestic Exit HP L-grid	1,253

Reference prices for other transmission services – Year 2020 - €/kWh/h/y

NON TRANSMISSION SERVICES	Reference price in €/kWh/h/year
	2020 - Firm
Reduced Pressure Service H-Grid	0,629
Reduced Pressure Service L-Grid	0,725
Wheeling Zelzate	0,439
Wheeling Eynatten	0,574
Other non-transmission services	inflated 2019 tariffs + 0,9%

Indicative tariffs for non-transmission services – Year 2020 - €/kWh/h/y

4.1.4 Article 26.1(a)(iv) – Cost Allocation Assessment

As requested by Article 5 of TAR NC, the TSO must perform a Cost Allocation Assessment (“CAA”) relating to the transmission services revenue to be recovered by capacity-based transmission tariffs and based on the cost drivers of the chosen methodology, i.e. in this case the *forecasted contracted capacity and distance*.

The CAA shall indicate the degree of cross-subsidisation between intra-system and cross-system network use based on the RPM.

To determine the degree of cross-subsidisation, the CAA shall be carried out based on

- the **intra-system ratio** ($Ratio_{cap}^{intra}$) obtained by dividing the transmission services capacity revenue for intra-system network use at all Entry and Exit points by the value of the relevant capacity cost drivers for intra-system network use¹³;

¹³ In this case the sum for all Entry and Exit points of the forecasted contracted capacity for intra-system network use multiplied by the capacity weighted distance of these points.

- the **cross-system ratio** ($Ratio_{cap}^{cross}$) obtained by dividing the transmission services capacity revenue for cross-system network use at all Entry and Exit points by the value of the relevant capacity cost drivers for cross-system network use¹⁴.

Applied to our case, these calculations give:

Elements	Intra-system use ¹⁵	Cross-system use ¹⁶
Revenue Entry	29.485.579 €	48.976.721 €
Revenue Exit	77.874.998 €	82.553.209 €
Sum revenue	107.360.577 €	131.529.930 €
Cost driver Entry	5.146.903.154	8.744.563.072
Cost driver Exit	9.606.030.148	9.351.929.422
Sum cost driver	14.752.933.302	18.096.492.495
Ratio	0,007277	0,007268

Components and calculation of the intra-system and cross-system ratios

The capacity cost allocation comparison index between the ratios is calculated with the following formula:

$$Comp = \frac{2 \times |Ratio_{cap}^{intra} - Ratio_{cap}^{cross}|}{Ratio_{cap}^{intra} + Ratio_{cap}^{cross}} \times 100\%$$

The degree of cross-subsidisation between intra-system and cross-system network use is determined by the value of this index.

The indexes calculated with the corresponding annual values for the following years related to the proposed tariffs stay well below the level (>10%) for which a more detailed explanation is to be provided by the NRA, according to article 5.6 of TAR NC: 0,12% for 2020, 3,19 % for 2021, 3,63 % for 2022 and 3,25 % for 2023.

We can therefore conclude from this CAA that no further justification is required.

4.1.5 Article 26.1(a)(v) – Assessment of the proposed RPM in accordance with Article 7

As the proposed RPM is the CWD Method as defined in Article 8 of the TAR NC (applied with an Entry/Exit split of 33/67, please refer to next point for comparison with a 50/50 split), it represents a natural choice that best fits with the requirements of the TAR NC and more specifically with the objectives mentioned in TAR NC article 7.

CWD Method indeed assumes that the share of the allowed revenue to collect from each Entry/Exit point should be proportionate to its contribution to the cost of the system's capacity and to the distance between it and all Exit points or all Entry points. Using capacity and distance as main cost drivers leads to a good balance between cost-reflectivity and complexity, this is particularly true for a meshed transmission network used for cross border and domestic transmission like the one of Fluxys Belgium.

¹⁴ In this case the sum for all Entry and Exit points of the forecasted contracted capacity for cross-system network use multiplied by the capacity weighted distance of these points

¹⁵ Entry capacities and revenue used for these calculations were determined according to Art. 5(5) of TAR NC

¹⁶ Entry capacities and revenue used for these calculations were determined according to Art. 5(5) of TAR NC

A postage stamp RPM could have been an option but would clearly be less cost reflective than the CWD Method. Moreover, the CAA test (see point 4.1.4 above) applied to the proposed methodology stays within the limits as set-out in TAR NC art 5.6.

4.1.6 Article 26.1(a)(vi) – Comparison with CWD Method of Article 8 accompanied by the information set out in Article 26.1(a)(iii)

The proposed RPM is the CWD Method with a 33/67 Entry/Exit ratio where a 50/50 ratio is suggested by TAR NC. The reference prices as calculated by the CWD Method with a 50/50 Entry/Exit ratio are presented in the tables below. The indicative reference prices subject to consultation are listed under point 4.1.3.

ENTRY		Reference price in €/kWh/h/year
Border with	Interconnection Point	2020 - Firm
France	Virtualys	1,168
Germany	Eynatten 1	1,168
	Eynatten 2	1,168
The Netherlands	's Gravenvoeren	1,168
	Zandvliet H	1,168
	Zelzate 1	1,168
	Hilvarenbeek L	1,346
United Kingdom	IZT	1,168
Zeebrugge Area	Zeebrugge	1,168
Norway	ZPT	1,168
LNG Terminal	Dunkirk LNG Terminal ¹⁷	1,168
	Zeebrugge LNG Terminal	1,168
Storage	Loenhout	0,584

Reference prices for Entry FIRM capacity with CWD Methodology pursuant to Article 8 – Year 2020 - €/kWh/h/y

EXIT		Reference price in €/kWh/h/year
Border with	Interconnection Point	2020 - Firm
France	Virtualys	0,967
	Blaregnies L	1,112
Germany	Eynatten 1	1,121
	Eynatten 2	1,121
The Netherlands	Zelzate 1	0,722
	Zelzate 2	0,722
United Kingdom	IZT	0,601
Zeebrugge Area	Zeebrugge	0,601
Storage	Loenhout	0,000

Reference prices for Exit FIRM capacity with CWD Methodology pursuant to Article 8 – Year 2020 - €/kWh/h/y

OTHER TRANSMISSION SERVICES	Reference price in €/kWh/h/year
	2020 - Firm
Domestic HP H-grid	0,803

¹⁷ For Dunkirk LNG Terminal, Cross Border Delivery Service tariff still needs to be applied

Domestic HP L-grid	0,926
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*Reference prices for other transmission services capacity with CWD Methodology pursuant to Article 8 – Year 2020 -
€/kWh/h/y*

As you would have expected, the results are globally similar but with an important increase of Entry tariffs and a decrease of Exits tariffs. This scenario was not selected as it leads to unnecessary further variations of tariffs. A large increase of Entry tariffs could also potentially have an impact on ZTP prices and trigger step-outs of existing capacity contracts.

4.2 Article 26(1)(b) – Indicative information set out in Article 30.1(b)(i), (iv),(v)

4.2.1 Article 30.1(b)(i) – Allowed revenue of the TSO

The definition of the total allowed revenue (composed of operating costs, depreciations, fair margin, cost of debt and use of the regulatory account) is set in accordance with CREG Methodology.

CREG Methodology sets the maximum target level of the regulatory account end of the period to 100M€. Taking into account the very high amounts to be return to the tariff during the period 2020-2023 in order to reach this level and the fact that, due to the further expected decrease of capacity sales after 2023, 100M€ in the regulatory account will very likely not be enough to dampen the tariff increase that can be expected for the next period, a target of 100M€ is considered.

Considering this target level of the regulatory account of 100M€ at the end of the period, the share of regulatory account the TSO can use for investments still needs to be set. Indeed, CREG Methodology states that a maximum of 50M€ of the regulatory account (for the whole regulatory period 2020-2023) may be used to finance investments. Given the feedback received from network users relating to the use of part of regulatory account to finance investments, it is proposed not activate this option and to return the full 50M€ directly to the tariffs over the period.

The resulting total allowed revenue to be covered by the tariffs, per year, for the period 2020-2023 is presented in the table below.

	2020	2021	2022	2023	2020-2023
Allowed revenue	301.906.532€	302.756.944€	299.700.589€	302.363.873€	1.206.727.938€

Allowed revenue for the tariff period 2020-2023

4.2.2 Article 30.1(b)(iv) and 30.1(b)(v) – Transmission services revenue

The table hereunder details the evolution of the transmission services revenue.

	2020	2021	2022	2023	2020-2023
Transmission revenue	238.890.507€	234.643.626€	238.257.822€	233.899.726€	945.691.682€

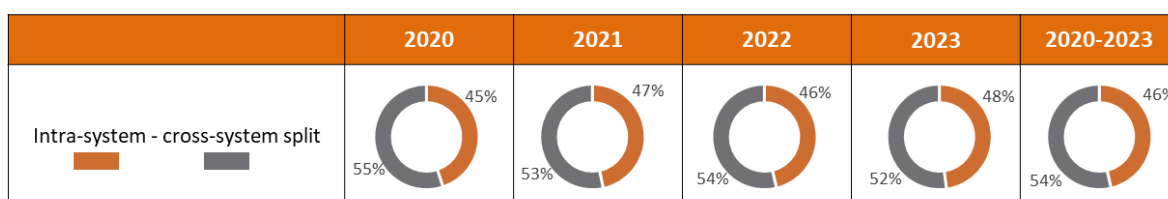
Revenue from transmission services

This revenue can be further analysed according to 3 axes:

- **Capacity vs commodity split**, meaning the breakdown between the revenue from capacity-based transmission tariffs and the revenue from commodity-based tariffs. Fluxys Belgium's

Transmission services revenue are mainly¹⁸ capacity-based, the commodity-based revenue depending on the volume of gas transported and the commodity price can be estimated to 5 to 8% of total costs;

- **Entry vs Exit split**, meaning the breakdown between the revenue from capacity-based transmission tariffs at all Entry points and the revenue from capacity-based transmission tariffs at all Exit points. As previously detailed it is proposed to apply a 33/67 Entry/Exit ratio for the construction of the tariffs;
- **Intra-system vs cross-system split**, meaning the breakdown between revenue from intra-system network use at both Entry and Exit points and the revenue from cross-system network use at both Entry points and Exit points as set out in Article 5 of TAR NC. Despite the decreasing trend of bookings, the figure below shows that the share of cross of border in generation of the allowed revenue remain very important.



Revenue from transmission services and splits of the transmission revenue

4.3 Article 26(1)(c) – Information on commodity based and non-transmission tariffs

4.3.1 Article 26.1(c)(i) – Commodity based transmission tariffs

Fluxys Belgium applies a commodity fee (the so-called Energy In Cash) which will still be charged to reflect the limited¹⁹ variable costs related to gas transmission. This fee is kept unchanged compared to the currently applicable tariff, i.e. 0,08% of the allocated quantities at the Gas Price Reference, as published on Fluxys Belgium website.

4.3.2 Article 26.1(c)(ii) – Non-transmission tariffs

Non-transmission services considered as such in accordance with Article 4. The main non-transmission services are the following:

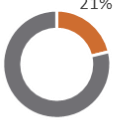
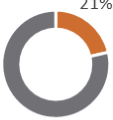



- RPS - Reduced Pressure Service;
- Odorization;
- Quality Conversion;
- Zeeplatform;
- Wheelings;
- Hub services.

The applied Tariff methodology is a costs based methodology and is the identical to the one that applies for current tariffs: each service receives its relevant part of each types of the regulated costs.

The shares of allowed revenue recovered from non-transmission services are the following:

¹⁸ See 4.3.2 hereunder

¹⁹ Around 5-8% of the total costs

	2020	2021	2022	2023	2020-2023
Non-transmission revenue	64.146.962€	64.875.002€	65.633.607€	66.340.353€	260.995.925€
Share of allowed revenue					

Allowed revenue for non-transmission revenue and share of the total allowed revenue

The non-transmission services revenue is reconciled as set out in Article 17.3 of TAR NC. Over- or under-recovery of the non-transmission services comes together with the over- or under-recovery of the transmission services in the regulatory account.

The indicative tariffs for non-transmission services are the following:

NON TRANSMISSION SERVICES	2020 Indicative tariffs	Unit
Reduced Pressure Service H-Grid	0,629	€/kWh/h/year
Reduced Pressure Service L-Grid	0,725	€/kWh/h/year
Odourisation		
H	0,090	€/MWh
L	0,104	€/MWh
Quality conversion		
H->L base load	3,530	€/kWh/h/year
L -> H	1,337	€/kWh/h/year
Zeeplatform		
2 points	78680	€/year
3 points	118020	€/year
4 points	157360	€/year
Wheelings		
Zelzate	0,439	€/kWh/h/year
Eynatten	0,574	€/kWh/h/year
Hub services		
Fix	7632	€/year
Variable	0,0019	€/MWh

Indicative tariffs for non-transmission services

4.4 Article 26(1)(d) – Indicative information set out in Article 30 (2)

4.4.1 Article 30.2(a)(i) – Comparison between transmission tariffs applicable for the prevailing tariff period and for the tariff period for which the information is published

The use of CWD Method leads to a small increase of the Entry capacity tariffs, a decrease of the Exit capacity tariffs and a slight decrease of tariffs for HP Domestic Exits as presented in the tables hereunder. Tariffs for 2019 are a forecast based on an indexation of 1,60%.

Last column in the table below shows a comparison of the reference prices for 2020 with forecasted tariffs for 2019 inflated to 2020 using an indexation of 1,60%, using the formula

$$\frac{\text{tariff}_{2020} - (\text{tariff}_{FC 2019} * (1 + \text{indexation}))}{\text{tariff}_{FC 2019} * (1 + \text{indexation})}$$

ENTRY		Tariffs in €/kWh/h/year			2020 tariff vs 2019 inflated
Border with	Interconnection Point	2018	FC 2019	2020	
France	Virtualys	0,732	0,744	0,778	3,0%
Germany	Eynatten 1	0,732	0,744	0,778	3,0%
	Eynatten 2	0,732	0,744	0,778	3,0%
The Netherlands	's Gravenvoeren	0,732	0,744	0,778	3,0%
	Zandvliet H	0,732	0,744	0,778	3,0%
	Zelzate 1	0,732	0,744	0,778	3,0%
	Hilvarenbeek L	0,845	0,859	0,897	2,9%
United Kingdom	IZT	0,732	0,744	0,778	3,0%
Zeebrugge Area	Zeebrugge	0,732	0,744	0,778	3,0%
Norway	ZPT	0,732	0,744	0,778	3,0%
LNG Terminal	Dunkirk LNG Terminal ²⁰	0,732	0,744	0,778	3,0%
	Zeebrugge LNG Terminal	0,732	0,744	0,778	3,0%
Storage	Loenhout	0,732	0,744	0,389	-48,5%

Comparison of Entry tariffs in current and next tariff period

EXIT		Tariffs in €/kWh/h/year			2020 tariff vs 2019 inflated
Border with	Interconnection Point	2018	FC 2019	2020	
France	Virtualys	1,606	1,632	1,309	-21,1%
	Blaregnies L	1,639	1,665	1,505	-11,0%
Germany	Eynatten 1	2,906	2,952	1,516	-49,4%
	Eynatten 2	2,906	2,952	1,516	-49,4%
The Netherlands	Zelzate 1	1,903	1,933	0,977	-50,3%
	Zelzate 2	1,903	1,933	0,977	-50,3%
United Kingdom	IZT	2,906	2,952	0,813	-72,9%
Zeebrugge Area	Zeebrugge	2,906	2,952	0,813	-72,9%
Storage	Loenhout	0,000	0,000	0,000	-

Comparison of Exit tariffs in current and next tariff period

OCUC	Tariffs in €/kWh/h/year			2020 tariff vs 2019 inflated
Interconnection Points	2018	FC 2019	2020	
Zelzate 1/2/VIP BE-NL - IZT/Zeebrugge	1,073	1,090	1,039	-6,2%
IZT/Zeebrugge - Zelzate 1/2/VIP BE-NL	1,073	1,090	1,039	-6,2%
Dunkirk LNG Terminal/Virtualys - IZT/Zeebrugge	1,408	1,431	1,193	-17,9%
's Gravenvoeren - Eynatten ½	0,469	0,477	0,861	77,8%
Eynatten 1/2 - 's Gravenvoeren	0,469	0,477	0,861	77,8%

Comparison of OCUC tariffs in current and next tariff period

²⁰ For Dunkirk LNG Terminal, Cross Border Delivery Service tariff still needs to be applied

OTHER TRANSMISSION SERVICES	Tariffs in €/kWh/h/year			2020 tariff vs 2019 inflated
	2018	FC 2019	2020	
Domestic HP H-grid	1,059	1,076	1,086	-0,6%
Domestic HP L-grid	1,221	1,241	1,253	-0,6%

Comparison of other transmission services tariffs in current and next tariff period

A comparison of the tariff for delivery of gas to a customer directly connected to Fluxys Belgium's network shows a limited increase in tariffs between 2019 and 2020 but a 20% decrease when compared to the tariff applicable in 2010 (inflated to 2020).

Tariff evolution 2010-2020	2010 tariff inflated to 2020	FC 2019	2020	2020 tariff vs 2010 inflated	2020 tariff vs 2019 inflated
70% Entry + Domestic HP H-grid	2,095	1,597	1,631	-22,1%	0,6%

Evolution of tariff for the period 2010-2020 for the delivery of gas to a customer connected on Fluxys Belgium's network

4.4.2 Article 30.2(a)(ii) – Comparison between transmission tariffs applicable for the tariff period for which the information is published and for each tariff period within the remainder of the regulatory period

With a forecasted indexation of 1,70% per year, the forecasted transmission tariffs for year 2, 3 and 4 of the next regulatory period will be as follow:

ENTRY		2020	2021	2022	2023
Border with	Interconnection Point	1,70%			
France	Virtualys	0,778	0,791	0,805	0,819
Germany	Eynatten 1	0,778	0,791	0,805	0,819
	Eynatten 2	0,778	0,791	0,805	0,819
The Netherlands	's Gravenvoeren	0,778	0,791	0,805	0,819
	Zandvliet H	0,778	0,791	0,805	0,819
	Zelzate 1	0,778	0,791	0,805	0,819
	Hilvarenbeek L	0,897	0,913	0,928	0,944
United Kingdom	IZT	0,778	0,791	0,805	0,819
Zeebrugge Area	Zeebrugge	0,778	0,791	0,805	0,819
Norway	ZPT	0,778	0,791	0,805	0,819
LNG Terminal	Dunkirk LNG Terminal ²¹	0,778	0,791	0,805	0,819
	Zeebrugge LNG Terminal	0,778	0,791	0,805	0,819
Storage	Loenhout	0,389	0,396	0,402	0,409

Evolution of Entry tariffs in next regulatory period

²¹ For Dunkirk LNG Terminal, Cross Border Delivery Service tariff still needs to be applied

EXIT		2020	2021	2022	2023
Border with	Interconnection Point	1,70%			
France	Virtualys	1,309	1,331	1,353	1,376
	Blaregnies L	1,505	1,531	1,557	1,583
Germany	Eynatten 1	1,516	1,542	1,568	1,595
	Eynatten 2	1,516	1,542	1,568	1,595
The Netherlands	Zelzate 1	0,977	0,994	1,011	1,028
	Zelzate 2	0,977	0,994	1,011	1,028
United Kingdom	IZT	0,813	0,827	0,841	0,855
Zeebrugge Area	Zeebrugge	0,813	0,827	0,841	0,855
Storage	Loenhout	0,000	0,000	0,000	0,000

Evolution of Exit tariffs in next regulatory period

OCUC		2020	2021	2022	2023
Interconnection Points		1,70%			
Zelzate 1/2/VIP BE-NL - IZT/Zeebrugge		1,039	1,057	1,075	1,093
IZT/Zeebrugge - Zelzate 1/2/VIP BE-NL		1,039	1,057	1,075	1,093
Dunkirk LNG Terminal/Vitruualys - IZT/Zeebrugge		1,193	1,214	1,234	1,255
's Gravenvoeren - Eynatten ½		0,861	0,875	0,890	0,905
Eynatten 1/2 - 's Gravenvoeren		0,861	0,875	0,890	0,905

Evolution of OCUC tariffs in next regulatory period

OTHER TRANSMISSION SERVICES		2020	2021	2022	2023
		1,70%			
Domestic HP H-grid		1,086	1,105	1,124	1,143
Domestic HP L-grid		1,253	1,274	1,296	1,318

Evolution of other transmission services tariffs in next regulatory period

4.4.3 Article 30.2(b) – Simplified model

Is available on Fluxys Belgium website at the following location:

<http://www.fluxys.com/belgium/en/Services/Transmission/MarketConsultations/~media/Files/Services/Transmission/ConsultationPlatform/Consultation30/Simplified%20Tariff%20Model%20Transmission%20Services%20Fluxys%20Belgium%20v1.ashx>

4.5 Article 26(1)(e) – Fixed payable price under price cap regime

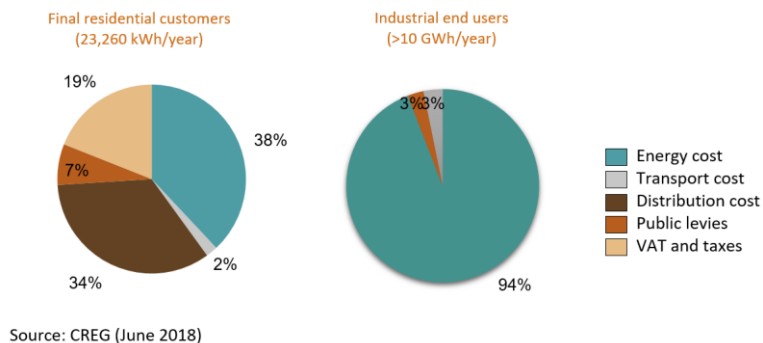
The fixed payable price approach referred to in Article 24 (b) does not apply to Fluxys Belgium.

4.6 Share of Fluxys Belgium's tariffs in the final customer invoice

The share of the Fluxys Belgium transmission costs in the gas invoice of the industrial end users directly connected to the network represent about 2 to 3% of the amount on the total invoice.

The part of the transmission costs on the gas invoice for residential customers (connected on the distribution network of a Distribution System Operators) will only represent 2% of the amount on the total invoice (approximately 40 euros/year for a gas consumption of 23,260 kWh/year).

The charts below give an overview of all components costs of a gas invoice for 2 specific type of gas consumers, expressed in % of the total amount invoice:



5 INVITATION TO REACT

We would like to invite all interested parties to submit any comments they may have on this document by email at following address: marketing@fluxys.com and this before 5.00 p.m. on 7/12/2018. Please note that in accordance with the TAR NC, all responses will be published. Please include a non-confidential version of your response suitable for publication.

During the consultation period, Fluxys Belgium organizes an Info Session on 24/10/2018, please refer to marketing@fluxys.com for registration.