

CONSULTATION REGARDING THE PROPOSAL FOR THE TRANSMISSION TARIFF 2024-2027

1. INTRODUCTION

On the 6th of November, 2022 Fluxys has launched a public consultation regarding the proposal for the transmission for the transmission tariff 2024-2027.

Luminus would like to thank Fluxys for providing market parties with the opportunity to submit suggestions and comments on the proposal for the transmissions tariff 2024-2027..

Luminus fully supports the suggestions and comments put forward by FEBEG. On top of this reaction, Luminus wishes to invite Fluxys to investigate and implement a regulatory framework for the annulation of services, perhaps against a fee.

2. PROPOSAL FOR REGULATORY FRAMEWORK TO TERMINATE SERVICES

2.1. LUMINUS' ENTRY/EXIT CAPACITY HILVARENBEEK

In order to ensure security of gas supply in the Belgian L-zone, the Belgian Government has encouraged Belgian market parties to conclude long term energy supply and interconnection capacity contracts. In this context, **Luminus - as a responsible market party and in order to supply its customers in the Belgian L-zone – has booked entry/exit capacity Hilvarenbeek up to 2030.**

The **costs associated to these capacity bookings are very significant** in relation to Luminus' overall portfolio. These costs are currently – through a price formula - passed on to the customers in the Belgian L-cal zone.

2.2. ACCELERATED CONVERSION FROM L TO H

End of 2020, the Belgian Government has decided to accelerate the L/H conversion by end of 2024. This implies that **gradually - and fully as of 2024 - these costs cannot longer be passed on to the customers and Luminus is left with a stranded asset**, due to a governmental decision.

2.3. PREFERRED REMEDIATING MEASURE, I.E. REGULATORY FRAMEWORK FOR THE ANNULATION OF SERVICES

In 2011 Luminus has contracted long term capacity Hilvarenbeek based on the best possible assumptions and forecasts on the gas market and possible market evolutions, being fully aware of related market risks. The unilateral governmental decision to accelerate the conversion has **impacted the legitimate expectations of the contracting parties as well as the balance of the rights and obligations of the contracts**. So, **ideally it should be possible to terminate these contracts or to be compensated by the authorities.**

In this context, the possibility to terminate a contract against payment of an annulation fee might already alleviate the impact on the Luminus' portfolio. As the termination of a contract – whether it be against a fee or not – will have an impact on Fluxys' revenues, it is **the ideal moment to investigate and implement an overall regulatory scheme to terminate services as the estimated impacts can be taken into account in the budgets** for the transmission tariffs for the period 2024-2027.

2.4. ALTERNATIVE PROPOSAL: IMPROVEMENT OF THE L-CAPACITY SWITCH SERVICE

The L-Capacity Switch Service implemented by Fluxys is being considered as a measure to offer a solution for market parties having contracted long-term entry capacity on Hilvarenbeek. On top of the fact that – for the measure to be effective – an equivalent solution should be implemented on the Dutch side of the border as well, **it should be pointed out that this L-Capacity Switch Service might be a solution for some market parties, but certainly not for all**. As Luminus is sourcing is H-gas on the ZTP, switching L-gas entry capacity to H-gas entry capacity has no value whatsoever.

Luminus understands that some of the abovementioned preferred remediating measures have an impact on the revenues of TSO's. Therefore, Luminus wishes to propose **an improvement to the L-Capacity Switch Service which offers more flexibility and opportunities to market parties while preserving the revenues of the TSO**, i.e. allowing to switch L-gas entry capacity for a mix of H-gas entry capacity and H-gas exit capacity, e.g. 50 % entry and 50 % exit. As far as Luminus is concerned, this option would bring additional means to balance its portfolio and offer some additional opportunities to optimize its positions. This additional economic value would at least compensate a part of the losses incurred by the impact of the accelerated conversion on the existing capacity contracts at Hilvarenbeek.

Luminus invites Fluxys to investigate the proposed improvement to the L-Capacity Switch Service so that a mitigating measure can be offered to all impacted market parties.
