

## Consultation Report 24

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<b>1. INTRODUCTION .....</b>	<b>2</b>
<b>2. CONSULTATION PROCESS .....</b>	<b>2</b>
<b>3. OUTCOME OF CONSULTATION PROCESS .....</b>	<b>2</b>
<b>4. APPENDICES .....</b>	<b>4</b>

## **1. INTRODUCTION**

From 23 March till 6 April 2017 included, Fluxys Belgium consulted the market on its proposed adjustments to the 2016-2019 transmission tariffs approved by Commission for Electricity and Gas Regulation (CREG) on 29 October 2015. This consultation primarily aims at (i) a decrease of the main transmission capacity services tariffs as from 1 January 2018, (ii) an exceptional suspension of the otherwise foreseen indexation of the tariffs on 1 January 2018 and (iii) the modifications to the tariffs of the Zeebrugge Hub services.

## **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 23 March till 6 April 2017 included, stakeholders were invited to submit their written feedback and, if needed, ask additional information through bilateral contacts with Fluxys Belgium. No dedicated information session was organised. However an information session on 9 March 2017 related to the consultation 23 which was dedicated to, amongst others, the modifications to the Zeebrugge Hub services gave an explanation on these new services and the related tariff.

Taking into account the different comments received, Fluxys Belgium submits for approval to the CREG, the updated tariff proposal related to transmission and storage services for 2016-2019.

## **3. OUTCOME OF CONSULTATION PROCESS**

In general stakeholders welcome the tariff reduction and the efficiency efforts made by Fluxys Belgium to offer such a tariff reduction.

One party acknowledges the surpluses have rightly been returned to the grid users by lowering the tariffs but requests that to be done as soon as possible. The surpluses that are now returned to the market through the tariff reduction mainly come from an unexpected evolution of the OLOs and from continuous efficiency efforts made by Fluxys Belgium. Fluxys Belgium has even anticipated the evolution of the regulatory account compared to the CREG decision so that the tariff decrease can already be applied as from 1 January 2018 and not later.

One party stresses the fact that a tariff reduction now will benefit newcomers while long term contracts holders have been paying the higher tariff in the past. The tariff decrease will benefit all grid users holding or subscribing capacity.

One party asked for a complete deletion of the indexation (i.e. for 2019 as well). The indexation of the tariffs within the tariff period is part of Fluxys Belgium tariff model. This indexation of the tariffs over the 4 years period is taken into account when deriving the tariffs from the authorized revenues. The indexation principle does not incur increased charges.

One stakeholder argues that cross-border tariff should be lower and Fluxys Belgium should be benchmarked in terms of efficiency and revenue cap. It also says that cross border tariffs along with the neighbouring TSO which are above spreads should be aligned beyond NC TAR regulations. This stakeholder then requests that cross border tariffs are lowered even further to incentivize capacity bookings for your customers again. Fluxys Belgium will implement the Network Code on Harmonized Tariff Structures for Gas within the due dates referred to in the code. It is proposed to apply this

tariff reduction without changes to the tariff methodology so that it can be returned to all customers without differentiation.

One stakeholder requests more transparency on the current levels of the regulatory account and on the assumptions used to calculate the tariffs. It expects more transparency on the revenues and regulatory account to come from the implementation of the Network Code on Harmonized Tariff Structures for Gas and asks for a due and early implementation of the transparency guidelines as foreseen in this code. Fluxys Belgium will implement the Network Code on Harmonized Tariff Structures for Gas within the due dates referred to in the code. Fluxys Belgium will inform the market accordingly. Fluxys Belgium has submitted its tariff settlement for 2016 to CREG on 1 March 2017 according to the Tariff Methodology. The CREG decision will be taken according to the same methodology. The surpluses that are now returned to the market through the tariff reduction (within a regulatory period) mainly come from the unexpected evolution of the OLOs and from continuous efficiency efforts made by Fluxys Belgium. Fluxys Belgium has even anticipated the evolution of the regulatory account compared to the CREG decision to already return in 2018 while it could have been returned later (e.g. 2019). The utilisation of the regulatory account should also not lead to unstable tariffs.

One party asks for differentiated application of the future tariff decreases, if any, benefiting, for competition reasons, in priority to industrial end users and power plants. It is proposed to apply this tariff reduction without changes to the tariff methodology so that it can be returned to all customers without differentiation. Fluxys Belgium underlines that the mentioned specific end users already benefited of the “fix/flex service” introduced end 2015.

Regarding the tariff for the Zeebrugge Implicit Transfer Service, all stakeholders support the evolution offered with this new service which facilitates the Zeebrugge market. One party questions the level of the tariff for this service. In the consultation on the service itself (consultation 23) which was run in parallel to this consultation other parties raised the same issue.

Fluxys Belgium minimizes the implicit booking of capacity (hence the cost of this service for the grid user) by first using the existing capacities of the grid user. By principle the implicit allocation is a fully optimized utilisation rate of capacity in contrast to an ex- ante booking. The introduction of this service goes along with the abolition of the Automatic and Additional Hub Back-up and Offtake Services which generate costs for the grid users in such events. Moreover with the deletion of these services a specific financial guarantee is no longer needed and imbalances are aggregated into one imbalance account.

Having well received the feedback from the market Fluxys Belgium proposes to keep the proposed tariff in case of shortfall at the ZTP Physical Trading Service (i.e. 0.73€/kWh/h/y) and to reduce it to 0.18€/kWh/h/y in case of excess at the ZTP Physical Trading Service (this means a reduction of almost 40% in average compared to the initially proposed tariff).

In the consultation 23 some parties requested the possibility to transfer the imbalance to other parties before transferring it to the ZTP. Fluxys Belgium has well received this feedback and will implement this possibility.

One party questions the basis for applying an “Energy In Cash” fee and the reason why it is not netted off in case of a Virtual Interconnection Point. Energy in cash is a variable part of the approved regulated tariffs and therefore is applicable throughout the regulatory period. No “Energy In Cash” is applied at the Zeebrugge Beach because the gas arriving at or leaving the Zeebrugge Beach has already been charged this tariff when entering or respectively exiting the EE system. This tariff is applied on individual grid user’s allocations and will remain applicable when the VIP will be implemented as, even if the flow will be distributed over the physical borders points included in the

VIP, the overall physical flow will follow the grid users' nominations as it is the case before the VIP implementation.

#### **4. APPENDICES**

***4.1 Appendix 1: Market consultation – public material***

***4.2 Appendix 1: Market consultation – confidential material***