

FLUXYS's Public consultation #30 related to tariffs for 2020-2023

ENGIE Response

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Engie fully supports FEBEG's position, in particular on the following points :

- Need for more transparency;
- Interdependency with IUK;
- Evolution of the regulatory account;
- Lack of definition of some tariffs.

ENGIE would like to add two additional comments :

- On the treatment of L-Gas points;
- On the lack of reflection of actual costs.

Interpretation of the equalization option in NC TAR for L-gas points

The methodology proposed by Fluxys includes an equalization of all the entries, based on a volume related tariff. ENGIE considers that EU regulation 2017/460 prescribes that this equalization should be done in an energy related tariff.

Indeed, article 6.4 of the NC TAR, stipulates that : *“Adjustments to the application of the reference price methodology to all entry and exit points may only be made [...] as a result of one or more of the following:*

[...]

(b) equalization by the transmission system operator(s) or the national regulatory authority, as decided by the national regulatory authority, whereby the same reference price is applied to some or all points within a homogeneous group of points; [...].”

The reference price is defined in article 1 : *“‘reference price’ means the price for a capacity product for firm capacity with a duration of one year, which is applicable at entry and exit points and which is used to set capacity-based transmission tariffs; “*

And the applied capacity unit of a capacity product is defined in article 10 of the CAM NC, predating the TAR NC : *“The capacity offered shall be expressed in energy units per unit of time.”*

Furthermore, including a GCV correction, i.e. an element reflecting a cost dimension, is not logical for an equalization adjustment which objective is precisely to immune end-users from cost reflectiveness and to ensure a similar treatment of all end-users.

- ⇒ Therefore, the equalization should be calculated with reference prices expressed in energy units per unit of time.

Interpretation of CWD calculation on L-gas transit exit points

The proposed methodology consist in the CWD for all exit points as defined in the article 8 of the NC TAR. ENGIE considers that EU regulation 2017/460 prescribes that this calculation should be done using an energy related tariff.

Indeed, article 8.1.b of the NC TAR stipulates to use capacity parameters : “the forecasted contracted capacity at each entry point or a cluster of entry points and at each exit point or a cluster of exit points;”

All formulas used in this methodology are based on these capacity parameters, including the reference price for each entry and exit points.

Again the applied capacity unit of a capacity product is defined in article 10 of the CAM NC, predating the TAR NC : “*The capacity offered shall be expressed in energy units per unit of time.*”

⇒ Therefore, the calorific gas value is not to be considered in this calculation.

Choice of the CWD methodology

The methodology chosen by Fluxys does not answer best the aims defined in the EU regulation 2017/460 and clearly disadvantages transit to France, even though the pipelines used for that purpose have already been nearly completely amortized.

According to EU Regulation 2017/460, the reference price methodology [...] shall aim at:

- (a) enabling network users to reproduce the calculation of reference prices and their accurate forecast;
- (b) taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;
- (c) ensuring non-discrimination and prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5;
- (d) ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;
- (e) ensuring that the resulting reference prices do not distort cross-border trade.

The CWD methodology proposed by Fluxys is not well suited in particular to reflect point (b). Indeed, Fluxys network has been built over a long period, with the first transit pipes (SEGEO pipelines) started as early as 1967, i.e. they are beginning to be fully amortized. Actual CAPEX costs of these pipelines should therefore be extremely low. The new methodology, based on the distance, is resulting in an opposite result, as the oldest routes becoming the most expensive ones. It therefore seems that the CWD methodology, usually set to improve cost reflectiveness, is not adapted in the Belgium case.

⇒ Engie proposes to adapt the methodology by adding discount factors on each exit points to other countries to reflect the level of amortization of the corresponding pipelines.