

## Consultation Report 30

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## **1. INTRODUCTION**

From 8 October 2018 to 7 December 2018 included, Fluxys Belgium consulted the market on its proposed tariffs for transmission for the 2020-2023 regulatory period. 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 Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a Network Code on harmonised transmission tariff structure for gas (“TAR NC”).

## **2. CONSULTATION PROCESS**

In accordance with article 26 of the TAR NC 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 8 October to 7 December 2018 included, stakeholders were invited to submit their written feedback and, if needed, ask additional information through bilateral contacts with Fluxys Belgium. An information session on 24 October 2018 gave an explanation on the implementation of the TAR NC, the new Reference Price Methodology (“RPM”) and the resulting transmission tariffs proposed for 2020-2023.

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 - was 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 documents was also 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.

Taking into account the different comments received, Fluxys Belgium submits for approval to the CREG, the updated tariff proposal related to transmission services for 2020-2023.

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

In general, stakeholders welcome the overall tariff reduction and the efficiency efforts made by Fluxys Belgium to offer such tariff reduction. They also welcome the new RPM that Fluxys Belgium chooses to conform to the TAR NC Capacity Weighted Distance (CWD) Reference Price Methodology (RPM). However several parties suggest a more open and transparent consultation, detailing the impact on tariff levels, depending on the tariff methodology chosen, compared to the status quo and including a sensitivity simulation without the contribution from the regulatory account. Fluxys Belgium wants to emphasize that the tariff methodology was explained on the basis of what the EU tariff network code (TAR NC) lists as consultation requirements. The steps in the cost allocation assessment and the resulting cross-subsidization ratios were published in the consultation document. In addition, even if only one reference scenario was proposed in term of forecasted contracted capacities, lots of details have been provided in the consultation document regarding the methodology used to estimate the forecasted contracted capacities. The tariff calculation was done using the regulatory account as set in the tariff methodology (i.e. ending at 100M€ at end 2023). To answer the question raised on the use of the regulatory account, without any use of the regulatory account, the 2020-2023 tariffs would be in the range of 20% higher. With regard to the 2024-2027 regulatory period, tariffs level will mainly depend on the forecasted contracted capacities during that period which is a difficult exercise to run 6 to 9 years in advance and even more difficult in a context of transition from long term contracts towards short term sales.

Most of the parties discuss the remaining 100M€ in the regulatory account at the end of the period. They want to see it returned as soon as possible to those network users that paid for it, to avoid discrimination over time between network users. Fluxys Belgium stresses that a substantial part of the forecasted end 2019 regulatory account is already proposed to be returned over the period (255M€) and estimates that reserving such an amount in the regulatory account for the following period is necessary to absorb the 2024 tariffs increase. Moreover the possible surpluses during the period, if any, will be returned to the market in the period thanks to the adjustment rule correcting tariffs to meet the end 2023 target of 100M€. Stakeholders appreciate the 50m€ that the tariff methodology allows to use for investments were fully allocated to the tariffs.

Several parties state that it is not clear why an entry/exit split of 33/67 is proposed, compared to the current split of 30/70. The reason why Fluxys Belgium chooses for a 33/67 ratio, is to maintain the tariff stability and predictability. The ratio evolving from 30/70 to 33/67 allows to minimize the variations in entry tariffs and domestic exit tariffs when moving to the capacity weighted distance methodology.

One market participant had a comment on the way tariffs are calculated for L-Gas points. He suggests that the equalization for all entries should be calculated with reference prices expressed in energy units per unit of time and that the TAR NC specifies that transmission services shall be recovered in capacity-based tariffs and the methodology to calculate the tariffs must be cost-reflective. Fluxys Belgium agrees the methodology must be cost-reflective as set by the TAR NC. The cost driver for transmission services is the volume flowed per unit of time, not the energy transported. In case of low calorific gas, the tariff expressed in €/kWh/h is higher because of the difference of volume unit to transport, per unit of time. In  $m^3(n)/h$ , the tariff would be the same as for high calorific gas.

One stakeholder stated the methodology does not reflect actual costs. They propose to adapt the CWD methodology by adding discount factors on each exit point to other countries, to reflect the level of depreciation of the corresponding pipelines. However, the costs for providing transmission services are taken in one single basket of costs which are allocated to each transmission services based on the CWD methodology as referred to in the TAR NC. Furthermore discounting prices based on the depreciation of the pipelines does not work in an entry/exit system as, by definition, the concept of route or pipeline does not longer exist.

One party proposes that, given the decrease of the IZT exit tariff, in case of excess IUK revenues by IUK, a certain amount should be integrated into Fluxys Belgium and contribute to the allowed revenue. Fluxys Belgium will take note of the remark keeping in mind that possible sharing of excess revenues could also imply a possible sharing of shortfall in revenues.

Some parties also mentioned that backhaul tariff at unidirectional points and the 'Fix/Flex' tariff for CCGT should also be added to the tariff proposal. The entry backhaul tariff corresponds to the entry firm tariff discounted with the interruptible discount. The Fix/Flex tariff remains in application as in the current tariff period, meaning a 50% discount to the domestic exit HP tariff plus a variable tariff (depending on the allocations). The Fix/Flex tariff will be applicable to the RPS service as well.

Two stakeholders would like to gain a better understanding as to what type of analysis was made to conclude that a discount related to LNG transmission capacity is not considered. Fluxys Belgium wants to refer to art. 9 of the TAR NC, where it is stated that such a discount can be considered in case of an isolated Member State in respect of the gas transmission system. Looking at Belgium interconnections, a discount at the LNG entry point with the purpose of ending this isolation is not appropriate.

Some stakeholders questioned how the discount for the OCUC is set. The distance component for OCUC is, in their view, already fully reflected by using the CWD approach and therefore an additional distance-based discount on OCUC products seems unjustified to them. The OCUC discount is based on the distance between its relevant points because the shorter the distance is, the lower the load is in terms of the network operations. This effect of the distance is not reflected yet in the level of tariff per point as, in a CWD methodology, the tariff of a point is based on the distance to all other points.

One stakeholder proposes to modify the way transport costs are passed on to the distribution grid users, for instance by introducing a uniform fixed tariff in EUR/year. However, for Fluxys Belgium, this is a major change in how the costs are billed to the users which is not possible to analyse in the allowed time according to the TAR NC schedule. Nevertheless Fluxys Belgium is ready to discuss and analyse these more in detail in a next step.

#### 4. APPENDICES

Appendices include the answers received and a summary of the questions and answers.

All reactions			
Company	First Name	Last Name	Confidential
FEBEG	Steven	Harlem	NO
EDF Luminus	Bram	De Wispelaere	NO
Engie	Béatrice	Debacker	NO
EFET	Pawel	Lont	NO
EDF	Benjamin	Papillon	NO
ENI S.P.A	Hoi	Yu To	NO
Febeliec	Peter	Claes	NO
OMV Gas Marketing & Trading GmbH	Alexander	Frank	NO
Shell	Christiane	Sykes	NO