



CONSULTATION ON THE KEY ELEMENTS OF THE  
CONSIDERED AMENDMENT TO THE FLUXYS BELGIUM  
APPROVED TRANSMISSION TARIFFS 2016-2019

23 March 2017

# 1 EXECUTIVE SUMMARY

In accordance with the procedure for the introduction and approval of tariff proposals agreed between CREG and Fluxys Belgium, Fluxys Belgium is organising a consultation of the relevant natural gas companies and network users on the key considered amendments to the 2016-2019 transmission tariffs approved by CREG on 29 October 2015 (decision (B)151029-CDC-656G/31).

The considered amendment to the transmission tariffs contains:

- A 4.5% decrease, as from January 1<sup>st</sup> 2018, for the main transmission capacity services; and,
- For all transmission tariffs, an exceptional non-application of the otherwise foreseen indexation of the tariffs on 1 January 2018. Assuming a 2.97%<sup>1</sup> inflation rate over 2017 the effective tariff decrease for the main transmission capacity services compared to 2017 would therefore be of 7.47%;
- No changes to the tariff structure, except for some modifications to the trading services tariffs which are necessary in the framework of the revision of the ZTP Trading Services (cancellation of back-up & offtake tariffs and introduction of a tariff for implicit allocation of transmission services at Zeebrugge in the framework of the Zeebrugge Imbalance Transfer Service).

This tariff reduction is possible thanks to:

- Decreasing rate of return coming from historically low long term risk-free rates (i.e. 10 years OLOs),
- The continuous efficiency efforts of Fluxys Belgium, resulting in decreasing operating expenses.

It is worth pointing out this tariff reduction comes above the previous tariff reduction of 7% that was introduced on 1 January 2015.

Nevertheless, despite Fluxys Belgium efficiency and commercial efforts, future tariff increases can not be excluded including if, among others, the long term risk-free rates increase and/or capacity sales decrease.

## 2 INTRODUCTION: AIMS OF THE CONSULTATION, PROCEDURE AND SCOPE

According to Article 8 of the procedure for the introduction and approval of tariff proposals and tariff modifications, as concluded between the Commission for Electricity and Gas Regulation (hereinafter referred to as "CREG") and Fluxys Belgium on 25 August 2014 and as published on CREG's website<sup>2</sup>, Fluxys Belgium organizes a consultation of the relevant gas companies before it submits its tariff proposal. This consultation covers the key elements of the considered changes to the future tariffs.

Following the consultation, the system operator draws up a consultation report explaining how and why the various comments have or have not been taken into account. The comments from the

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<sup>1</sup>Latest official CPI publication (February 2017) : [http://statbel.fgov.be/en/statistics/figures/economy/consumer\\_price\\_index/](http://statbel.fgov.be/en/statistics/figures/economy/consumer_price_index/)

<sup>2</sup> <http://www.creg.be/nl/publicaties/andere-div-18022014-fluxyslng> or <http://www.creg.be/fr/publications/autres-div-18022014-fluxyslng>

stakeholders who were consulted and the consultation report are submitted as annexes to the tariff proposal.

For what concerns the envisaged modifications to the trading services, a consultation<sup>3</sup> on the related amendments to the regulated documents is organized by Fluxys Belgium. The tariff modifications regarding these services go hand in hand with the amendments to the regulated documents. Please refer to that consultation for more details.

### 3 GENERAL CONTEXT

The current consultation focuses on the considered key changes to the transmission tariffs. However, it is important to remember that the amended tariffs are set on the basis of an estimate of the calculation parameters for these tariffs, and that this estimate can be strongly influenced by contextual factors such as developments in the regulatory framework parameters or evolution of sales of transmission services.

With regard to the regulatory framework, CREG published a tariff methodology establishing a framework for the calculation of tariffs in December 2014. At European level, the network code harmonising the structure of gas transmission tariffs<sup>4</sup> passed the comitology process on 29 September 2016 and was published in the EU Official Journal on 17 March 2017. It will come into force 20 days later, hence on 6 April 2017. This regulation foresees that the prevailing tariffs (i.e. those for the 2016-2019 tariff period) remain applicable until the end of the tariff period. The so-called tariff network code will then apply for the tariff setting as from 2020.

### 4 ALLOWED REVENUE AND REGULATORY ACCOUNT

Transmission tariffs shall be cost-based and shall therefore enable to generate the revenue required (the “allowed revenue”) to cover all efficiently incurred costs related to the transmission grid. This “allowed revenue” is made up of the system operator’s costs and the system operator’s remuneration. This “allowed revenue” is increased or decreased with the foreseen movements of the regulatory account<sup>5</sup>. The regulatory account can then be used to reduce (or avoid an increase of) the regulated tariffs and to finance part of the future investments.

In its 29 October 2015 approval decision of the 2016-2019 tariffs (decision (B)151029-CDC-656G/31), CREG foresaw that the transmission tariffs should be reviewed in case the contribution to the regulatory account during the 2016-2019 period would reach 75MEUR. In that case this surplus should be progressively returned to the transmission tariffs spread over the next 4 years and the next regulatory period.

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<sup>3</sup> <http://www.fluxys.com/belgium/en/Services/Transmission/MarketConsultations/Consultation>

<sup>4</sup> [http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR0450\\_141226\\_TAR%20NC\\_Final.pdf](http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR0450_141226_TAR%20NC_Final.pdf)

<sup>5</sup> Movements of the regulatory account will take the form of returning any positive balance on the account (past surpluses, constituting a regulatory liability) or recovering any negative balance on the account (past deficits, constituting a regulatory asset).

Anticipating that this threshold of 75M€ will most probably be reached at the end of 2017 mainly as a consequence of the low interest rates and thanks to the continuous efficiency efforts made, Fluxys Belgium considers reducing its transmission capacity tariffs as of 1 January 2018.

In accordance with the here above mentioned CREG decision, the current proposal offers to use the incremental non allocated part of the regulatory account to reduce the tariffs. No other parameter or cost element entering into the definition of the “allowed revenue” is changed compared with the 29 October 2015 CREG approval.

The 2016-2019 approved tariffs budgeted a cumulated use of the regulatory account over 2018 and 2019 of 42M€ for the planned investments and 100M€ to maintain the 2015 tariff reduction.

The current proposal of amendment to the tariffs would use an additional 51M€ to further reduce the 2018-2019 tariffs. This amount of 51M€ considers the nominal 4.5% tariff reduction plus a non-application of the 2018 indexation based on the assumption of a 2.97% inflation rate, being the latest available actual inflation rate<sup>6</sup>.

With this proposal Fluxys Belgium surpasses by far the CREG decision of 29 October 2015 to return 75M€ of the regulatory account over the next 4 years and the next regulatory period.

## 5 GENERAL COST ALLOCATION AND TARIFF CALCULATION PRINCIPLES

Apart from the use of the regulatory account as explained in the previous section the tariff principles and methodology remain unchanged compared with the ones which were consulted on in May/June 2015 and approved by CREG on 29 October 2015.

## 6 CHANGES IN TARIFFS

### 6.1 1/1/2018 tariff decrease

As discussed above, Fluxys Belgium considers introducing a 4.5% tariff decrease of the main capacity services on 1 January 2018 compared to the approved tariff for the same period in the CREG’s 12 October 2015 decision. The considered capacity services for this tariff reduction are: entry IP capacities, exit IP capacities, OCUCs, wheelings and capacity services to domestic exit points (HP capacity including fix/flex option, MP capacity and DPRS capacity).

Moreover, besides this tariff decrease for the main capacity services, Fluxys Belgium considers applying, for all tariffs, an exceptional non-application for one year of the otherwise foreseen indexation on 1 January 2018.

This means that:

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<sup>6</sup>Latest official CPI publication (February 2017):[http://statbel.fgov.be/en/statistics/figures/economy/consumer\\_price\\_index/](http://statbel.fgov.be/en/statistics/figures/economy/consumer_price_index/)

- For the main capacity services benefitting from the nominal tariff decrease of 4.5%, the reduction in real terms will be of 7,47% (assuming a 2.97%<sup>7</sup> indexation year-on-year in Nov 2017 which is the reference for the yearly tariff indexation).
- For all other tariffs, the 2018 tariffs will be identical to the 2017 tariffs by not applying the indexation normally applicable on 1 January 2018, representing a tariff reduction in real terms of 2.97% (assuming a 2.97%<sup>6</sup> indexation year-on-year in Nov 2017 which is the reference for the yearly tariff indexation).

These tariff reductions are offered based on unchanged assumptions of the approved 2016-2019 tariff proposal as explained in section 5. However, considering the 7% tariff decrease applied on 1 January 2015 and the currently proposed reduction, Fluxys Belgium can not exclude a tariff increase in the future. In order to mitigate this risk and only in case of adverse market conditions (e.g. sharply decreasing sales and/or sharply increasing OLOs) and given the latest evolutions of the inflation rate, Fluxys Belgium reserves the right to apply the suspended 2018 tariff indexation later in addition to the normally applicable annual indexation for 2019.

## 6.2 Tariffs for ZTP trading services

Besides the tariff reduction, some tariff modifications are necessary within the framework of the revision of the ZTP trading services. The consultation on the changes to the services themselves is run in parallel (see consultation 23<sup>8</sup> launched on 2 March 2017 and which will be open until 31 March 2017).

The modifications to the ZTP trading services are indicatively planned for 1 October 2017 meaning that the related tariffs modifications would become applicable at the same date. The effective start date of these services will be confirmed in due time.

Related modifications to the tariffs:

- Cancellation of the Fixed and Variable Automatic Back-up and Offtake Service Charge:  
When the new service allowing the implicit transfer of potential imbalances from the ZTP Physical Trading Services to/from the Grid User Balancing Position will enter into force, the currently applicable Fixed Automatic Back-up and Offtake services and Variable Automatic Back-up and Offtake services and fees will be no longer needed. The related tariffs will be deleted.
- Introduction of a Tariff for implicit allocation of transmission service at Zeebrugge in the framework of the Zeebrugge Imbalance Transfer Service:  
In case the grid user does not hold enough capacity to allow the full transfer of its imbalance (if any) between the ZTP Physical Trading Services and its Grid User Balancing Position, the necessary extra capacity will be automatically and implicitly allocated for the remaining hours of the gas day at the IP Zeebrugge. The tariff for this service of implicit capacity allocation is expressed in capacity terms, i.e. the Tariff for Zeebrugge Imbalance Transfer Service, and amounts to 0.73€/kWh/h/y, which means that Grid Users will pay the capacity tariff at Zeebrugge plus the tariff for implicit allocation of capacity at Zeebrugge

<sup>7</sup> Latest official CPI publication (February 2017): [http://statbel.fgov.be/en/statistics/figures/economy/consumer\\_price\\_index/](http://statbel.fgov.be/en/statistics/figures/economy/consumer_price_index/)

<sup>8</sup> <http://www.fluxys.com/belgium/en/Services/Transmission/MarketConsultations/Consultation>

(0.73€/kWh/h/y) for the capacity implicitly allocated under the Zeebrugge Imbalance Transfer Service.

## 7 TARIFF SHEET

Besides the changes detailed in the previous sections and which would be effective as of 1 January 2018 for the tariff reductions and possibly as of 1 October 2017 for the ZTP services, all being subject to CREG approval, one other change is expected to the tariff sheet. Indeed, as from 1 October 2017 (date subject to pre notice of 8 weeks), Fluxys Belgium will introduce a Virtual Interconnection Point (VIP) with GRTgaz, between ZTP (H Zone) and PEG-Nord which will combine the former Interconnection Points Blaregnies Troll, Blaregnies Segeo and Alveringem. The introduction of the VIP FR-BE concept is under consultation<sup>9</sup> until 31 March 2017. The regulated tariffs for all the related services are unaffected by the creation of this VIP: the only change from a tariff perspective refers to the name of the Interconnection Point.

## 8 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](mailto:marketing@fluxys.com) and this before 5.00 p.m. on 6 April 2017. We also ask you to specify in your response, whether the content is to be treated as confidential or not. Unless otherwise mentioned, all comments will be treated as non-confidential.

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<sup>9</sup><http://www.fluxys.com/belgium/en/Services/Transmission/MarketConsultations/Consultation>