From: De Wispelaere, Bram <Bram.Dewispelaere@edfluminus.be>
Sent: 07 December 2018 18:11
To: marketing@fluxys.com
Cc: Gerkens, Benoît; Schoonacker, Frank; Severyns, Laurent; Peperstraete, Filip
Subject: Market Consultation 30 : Transmission tariffs for the 2020 - 2023 period

Good evening,

With this mail we wish to respond to the Market Consultation 30 : Transmission tariffs for the 2020 - 2023 period. Our answer is not confidential.

EDF Luminus thanks Fluxys for the given transparency and the opportunity to express our opinion, suggestions and concerns regarding the tariff proposal for the period 2020-2023.

It goes without saying that we fully support the FEBEG reaction to this consultation, especially the demand for more transparency and the call to fully disclose the cost allocation assessment completed with a sensitivity analysis based on other scenario's for the forecast of contracted capacity on entry and exit points as well as domestic and interconnection points. As a domestic shipper, we have additional concerns regarding the tariff proposal.

Based on the consultation documents and excel file we noted that there is a factual increase of more than 5% on the tariffs for combined use of entry and domestic exit compared to today's levels. Without the use of the regulatory account (+-60M€/y) this increase would be even more than 25% compared to today's levels. This increase is the result of the application of the new CWD methodology and is very worrisome.

This 25% increase is now mitigated with the return of the regulatory account to the market, but for the new regulatory period as from 2024 this could be a serious problem:

- Thanks to the regulatory account Fluxys can keep the tariff increase on Entry points limited to 3% avoiding that step-out clauses would be activated on the ongoing LT contracts. Can Fluxys still avoid this in 2024?
- Domestic exit tariffs will increase significantly in 2024

The increase therefore could be very disruptive. In fact, this implicitly announced tariff increase could be very detrimental for the investment climate within Belgium in the coming 4 years and beyond. Project developers and operators of new gas fired power plants in the framework of Security of Electricity Supply in Belgium, will have to take the long term impact of the tariff increase into account, possibly making the technology less competitive compared to alternatives, regardless of the introduction of a Capacity Market (CRM).

The 25% increase is the result of the applied assumptions of forecasted contracted capacities on entry and exit points. It is unclear if Fluxys took into account other scenario's in which contracted capacity for domestic use would decrease instead of increase, e.g. as a result of energy savings and loss of economic activities. It even looks like Fluxys is pre-empting on the loss of forward contracts for transit after 2024. At the same time, the consequences upon tariffs are pushed 4 years ahead thanks to discounts from the currently out of proportion regulatory account, but possibly creating a bigger problem in 2024. This would also mean that shippers were and are financing a loss making situation in the future, which in our opinion is in contradiction with all sound principles of economy and market competition.

A final and very disappointing result of the new CWD methodology with the assumptions applied by Fluxys, is that in absolute terms only transit seems to profit from the return of the regulatory account, and not all grid users who have financed 12 years in the past this out of proportion amount on the regulatory account. On the contrary, shippers that use the Fluxys grid only for domestic supply face a 5% cost increase.

Therefore Luminus calls upon Fluxys and CREG to review the assumptions as currently applied within the CWD methodology, taking into account the longer than 4 years effects, reducing the sensitivity for other scenarios and aiming at redistributing more evenly between transit and domestic use the return from the regulatory account. Such a review should also smooth out the expected disruptive effects in 2024.

Best regards,

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