

Subject: Interconnector, Fluxys Belgium and National Grid Gas consultation on ZIGMA
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Introduction

FEBEG welcomes the consultation that Interconnector (UK) Ltd (IUK), Fluxys Belgium and National Grid Gas (NGG) launched jointly seeking stakeholders views on the proposals to implement new European Regulation and to introduce innovative new services from IUK and Fluxys Belgium with respect to the new ZIGMA market model. Market participants are invited to give feedback by the 6th of May, 2014 at the latest.

FEBEG assessment of the Fluxys proposal

FEBEG can support the principle of integrating smaller balancing zones into the Fluxys balancing market, but the current proposal for a new market zone between UK and Belgium entry-exit systems does not resolve the fragmentation of the Belgian market and leads to contractual complexity:

Fragmentation of Belgian market

ZIGMA as it is defined in the document does not comply with the commonly shared criteria of what an entry-exit zone should be in order to ensure a well-functioning and liquid wholesale market. The main point that should be stressed is that the proposed new market area will not integrate any consumption zone. This new zone between NBP and ZTP, with a new virtual hub, will impede the ZTP to grow and retrieve liquidity from the consumption zone of Belgium.

Contractual complexity

The contractual frameworks to access IUK/NBP or the new hub into ZIGMA will be very complex and complicated to set up, with no advantage for the shippers and a new balancing zone to follow-up. FEBEG wonders if it is possible to implement one common balancing zone without harmonizing the underlying regulatory framework - e.g. access codes - and the commercial contracts.

FEBEG proposal for way forward

As the long term contracts in the Interconnector end in 2018, the new ZIGMA balancing zone will only be efficient from 2018. During this interim regime, FEBEG does not see the point for Interconnector to be part of ZIGMA and live with two parallel systems, one for the long term contracts and one which already exists with the current Zeeplatform.

In general, FEBEG has the feeling that a single entry-exit zone in Belgium would be more compliant with the EU guidelines, more efficient and more economic. That's why FEBEG would recommend investigating other solutions than the ZIGMA proposal to make Interconnector compliant with the CAM/BAL Network Codes.

One solution could be the merger of the Interconnector with the Belgium balancing zone, without creating a new zone and a new Hub in the middle, and to do it directly from November 2015 without stepping first into an interim and embryonic entry-exit zone as ZIGMA. Another solution could be to keep Interconnector separated from the Belgian balancing zone and to adapt the market rules in order to make them compliant with the CAM/BAL Network Codes.

FEBEG recommends to thoroughly investigate all these possible alternative solutions.
