

Position Paper: Transmission tariffs Elia

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Description

At European level, the liberalisation of the electricity market goes along with a continuous unbundling between production and sale of electricity on the one hand, and transmission and distribution on the other. The latter remained regulated activities, entrusted to natural monopolies in the various member states. Their fee was fixed in tariffs approved of by the regulators. These tariffs must fulfil three general criteria:

1. non-discriminatory: the calculation must be based on objective criteria and may not arbitrarily benefit to or harm certain categories of consumers;
2. cost reflective: the tariffs must represent a reasonable compensation of the capital invested; they must effectively be based on the relevant effective costs;
3. transparent: the tariff structure and the tariffs must be clear and accessible to the consumers.

These criteria are valid for all tariffs, as well for distribution as for transmission, and were accepted as from the beginning of the liberalisation process and never modified since.

In Belgium, the tariff procedure for the transmission grid is ruled by art. 12 of the law ([wet van 29 april 1999 betreffende de organisatie van de elektriciteitsmarkt](#)) This text must make sure that the tariffs fulfil the three European basic criteria, and must at the same time allow the transmission operator Elia to further develop the grid in function of the needs. Moreover, the tariffs must be comparable to other transmission grids abroad and must be based, for the entire territory of the country, on the same tariff structure. In general, this text requires moreover that:

- the tariffs guarantee a sufficient income to the grid operator in order to carry out his tasks correctly;
- they guarantee a balanced profit to the grid operator in order for him to finance himself at correct standards on the capital market.

The tariffs are presented by the transmission system operator Elia to the CREG (Commission for the Regulation of Electricity and Gas) for a period of 4 years each time since 2008 (current period 2020-2023); the CREG can approve or refuse the proposal, after which the transmission system operator (TSO) can make a new proposal or, if no proposal is approved of before December 31 preceding the tariff period, he can impose provisional tariffs.

According to the legislation, the tariffs follow the structure below (adapted for the period 2016-2019¹; only for end users, other tariffs can in certain cases be applicable to producers or distribution system operators (for more detail see also www.creg.be or www.elia.be):

- Tariff for connection to the grid: every one wishing to connect to the grid must pay a fee:
 - o one-off tariff cost for an orientation study
 - o one-off tariff cost for a detail study
 - o one-off tariff cost for studies on substantial modernisation². This study and this tariff are new since the tariff period 2020-2023
 - o annual tariff for the use of the first connection bay³; for existing bays financed by the user, the tariff is applied anyway 33 years after having been connected for the first time for the use of other connection equipment (lines or cables and their requisites, equipments for transformation, compensation of reactive power and filtering of the voltage wave)

¹ Different tariff structure than in the previous tariff periods, with several significant adaptations. Furthermore also structural changes in the number of voltage levels (from four to three), the suppression of the tariff carrier "gross limited energy" (replaced by net energy) and the suppression of the differentiation between peak and offpeak tariffs.

² The aim of the tariff for the study on substantial modernisation is to study the substantial character of a modernisation of plants connected to the grid, for which a revision of the connection contract is or is not required, conform the European connection network codes. This tariff is one-off and the amount depends on the type and the voltage level of the connection point of plants where the operations are the object of the study on substantial modernisation. This type of study concerns only the connection bay.

³ From the tariff period 2020-2023 onwards this is split up into onshore and offshore tariffs (220kV).

- for a new connection or the adaptation of an existing connection, a lump sum amount;
 - annual fee to put existing equipment at disposal of the grid user;
 - annual fee to operate and maintain the connection equipment;
 - fixed annual fee applicable in case a user owns its connection and operates and maintains it in the name and for account of Elia.
 - tariff for the use of supplementary protection-equipment, supplementary equipment for alarm signalisation, metering.
 - tariff for testing "Power Quality" for reception
- Tariffs for the management and the development of the grid infrastructure, for the tariff period 2016-2019 onwards, without differentiation in tariffs for peak and offpeak hours.
- Tariff for the monthly peak for the offtake, for which the monthly peak for the offtake is monthly defined as the maximum peak of the offtaken power during each quarter of the concerned month. For the grid users directly connected to the Elia grid, the tariff for the monthly peak for the offtake is applied on the 11th measured peak of the month⁴. (in €/kW net offtaken, in function of voltage level)
 - Tariff for the yearly peak for the offtake, for which the yearly peak for the offtake is determined monthly ex-post as the maximum peak during the quarters of an hour that make up the tariff period of the yearly peak over the last 12 months, i.e. the current month of invoicing and the 11 preceding months. The tariff period of the yearly peak is defined as the period from the month of January till March and from the month of November till December, from 5 pm till 8 pm, excluding week-ends and holidays. For grid users directly connected to the Elia grid, the tariff for the yearly peak for the offtake is applied on the 11th measured peak of the month⁵. (in €/kW net offtaken, in function of voltage level)
 - Tariff for the power put at disposal at the offtake, for which this tariff is applied to the contractual apparent power as described in the connection contract and its annexes. As this contractual apparent power can be lower than the physical capability of the connection, a tariff will be applied to the exceeding part measured in the month M in case the power put at disposal at the offtake has been exceeded and this for a period going from month M till month M+11. This tariff corresponds to the tariff for power put at disposal at the offtake increased by 50%. The reference used for the calculation of the exceeding part for the grid users directly connected to the Elia grid is the 11th peak of the month measured in kVA. Additionally, there is also a specific tariff for grid users directly connected to the Elia grid for additional access points, which is lower than the tariff for the power put at disposal at the offtake of the main access point. (in €/kVA per year, in function of the voltage level)
- Tariffs for the management of the electric system
- Tariff for the management of the electric system (in €/kWh net offtaken, in function of the voltage level);
 - Tariff for the offtake of additional reactive energy, dependant on the level of the exceeding energy, based on 2 zones (in €/kVarh, two tariff zones, in function of the voltage level)⁶.

⁴ In case a downward activation by Elia (decremental bids in the scope of a CIPU-contract – contract for the coordination of injection by the production units) of non-reserved tertiary power (mFRR or manually activated frequency restoration reserves) creates an impact on the determination of the monthly peak for the offtake for a given access point in the Elia grid, the monthly peak will be corrected based on the activations asked by Elia.

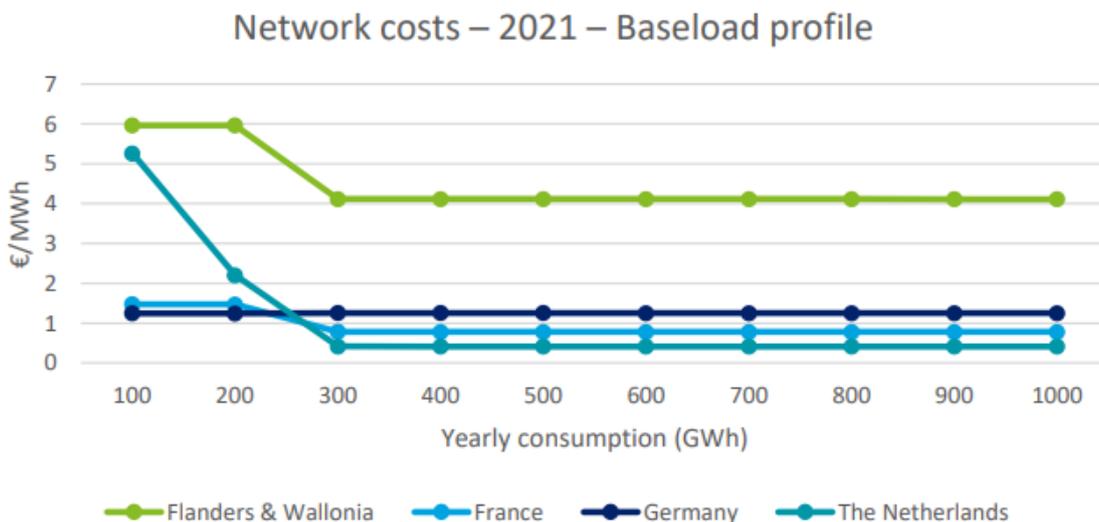
⁵ In case a downward activation by Elia (decremental bids in the scope of a CIPU-contract) of non-reserved tertiary power (mFRR) creates an impact on the determination of the monthly peak for the offtake for a given access point in the Elia grid, the monthly peak will be corrected based on the activations asked by Elia.

⁶ From 1 January 2021, insofar as Elia's activation of the (automatic or central) voltage regulation causes an impact on the determination of quarter-hour volumes for an access or interconnection point, these quarter-hour deliveries will be corrected on the basis of activations requested by Elia. For 2020, there is a complete exemption from the rate for additional off-take or injection of reactive energy for the access points that contribute to the provision of the support service for the voltage regulation (contractualisation). In addition and also as of January 1st 2021, in case of incompatibility between this tariff and the operating curves of the guaranteed voltage zone by local voltage regulation installed on the transformer's secondary to the medium voltage (also referred to as "butterfly curve"), a full or partial exemption (for the quadrant(s) affected by the incompatibility) from the tariff for the take-off or injection of the additional reactive energy is applied at the request of the relevant public distribution system operator.

- Tariffs for compensation of imbalances
 - o Tariff for the power reserves and the black-start based on offtake (in €/kWh net offtaken, in function of the voltage level);
 - o Tariff for the power reserves and the black-start based on injection for the grid users directly connected to the Elia grand and for the distribution grid operators connected to the 70/36/30 kV grid (in €/kWh net injected, in function of the voltage level);
 - o Tariff for the maintenance and the restoration of the residual balance of the individual access responsible parties: this tariff is a specific tariff fixed by the regulator and encompasses the tariff for balancing energy
- Tariff for market integration (in €/kWh net offtaken, in function of the voltage level)
- In addition, Elia charges a certain number of federal and regional levies and taxes that are, strictly speaking, not part of the transmission tariff (federal levy, connection offshore wind parks, federal green certificates, ...).

Objectives of Febeliec

Comparing studies, a.o. from Deloitte, demonstrate that, although *facial* Belgian transmission tariffs seem competitive compared to a.o. neighboring countries, the *effectively paid* transmission tariffs are substantially higher than those in our neighboring countries (France, Netherlands, Germany) due to reductions (up till 90%) given in these countries to specific offtake profiles (stable, anticyclical, large). Febeliec thus insists that similar reductions also be introduced in Belgium.



Source: Deloitte Benchmarking study of electricity prices between Belgium and neighboring countries 2021⁷

Febeliec can totally agree with the large principles that the European directives impose as regards tariffs. These must fulfil 3 basic criteria:

- be non-discriminatory: the tariffs may not arbitrarily benefit to or harm (certain categories of) grid users.
- be transparent: the tariff methodology and the tariffs themselves must be made public and must be available to the grid users in a sufficiently detailed way.
- be cost reflective: the tariffs must represent the real costs for the grid operator in the most correct way possible.

⁷ <http://www.febeliec.be/data/1616053404Benchmarking%20study%20electricity%202021%20FINAL.pdf>

For Febeliec, this comes down to making some essential choices:

- The tariffs must cover the real costs of the electricity grid. Costs for obligations of public services or imposed by the authorities, must be financed by state budget. Such costs will be recovered by the grid operator anyway, and must be debated between the CREG and the grid operator, where a level playing field must be taken into account for industrial users by means of an analysis of the (way of) charging through in the neighbouring countries.
- The cost of the grid must be spread in an equal way over all grid users, both consumers and producers, on the basis of the criteria of cost reflectiveness. It must thereby be avoided that a consumption site with local production must pay twice for electricity that does not even flow over the grid.
- The usual grid costs must be spread on a non-discriminatory and on a transparent way over all grid operators on the basis of the principle of the post stamp. Individual costs (eg. connection or imbalance costs) must be attributed to the system operator concerned. In this way, the costs of reservation of reserve capacity (R1, R2, R3) should in the best way happen by means of the Balancing Responsible Party, given the fact that the 3 types of reserves all concern the balance of the grid. The regulator must make sure that the producers consider the grid costs charged to them as production costs, and that they do not explicitly charge them through to their customers.
- The transmission system operator must receive a correct compensation for the means that he invests in the grid. This global compensation must allow him to carry out the maintenance of the transmission grid in order to obtain an optimal level of tension and reliability, and to expand it where and whenever required by the evolution of demand, new investments in generation, or need for additional flexibility and capacity for guaranteeing the stability of the grid.
- The development of a reliable and efficient high tension level grid is necessary to obtain a competitive, efficient and balanced electricity market. Febeliec can therefore accept that additional investments be made for the development and the reinforcement of the high level tension grid, as far as the extra cost can at least be compensated by more competition and thus lower prices on the commodity markets for electricity.
- In the framework of the procedure to approve tariffs, it is desirable to publish the tariff proposals in light of transparency. Moreover, the period for the composition and approval of the tariff dossier and the determination of the tariffs should be shifted in time, such that they would be known to grid users at least one trimester before their entry into force in order to be able for them to adapt their internal (production) processes. The publication of a general tariff methodology is a first step, but many important details are only known upon publication of the tariffs and leave within the current timeframes little possibilities for grid users to optimize their profiles in light of the adapted situation, resulting in additional costs.