

Febeliec answer to the CREG Public Consultation (PRD)1110/12 on the proposal of decision on the tariff methodology for the natural gas transport grid, the gas storage installation and the LNG installation for the regulatory period 2024-2027

Febeliec would like to thank the CREG for the opportunity to provide its input and comments on the public Consultation (PRD)1110/12 on the proposal of decision on the tariff methodology for the natural gas transport grid, the gas storage installation and the LNG installation for the regulatory period 2024-2027.

Febeliec welcomes the proposal that tariff decisions and thus the effective tariffs will already be known by end May 2023 for application as of January 1st 2024, which allows grid users some time to adapt their actions to any relevant modifications in tariff structures and/or tariffs.

Febeliec would like to stress clearly that it is of the utmost importance to distinguish between the regulated and the non-regulated activities of Fluxys, in order to avoid any cross-subsidization of non-regulated activities by the Belgian natural gas consumers, which are subject to Fluxys' regulated monopoly in Belgium. This is particularly important given the intention of Fluxys to invest in new, non-regulated activities in the coming years. For Febeliec, a reliable and well-functioning grid with an efficient cost structure, leading to the lowest system cost for grid users, is the main task of the transmission system operator. All other activities might be interesting for shareholders and thus worth pursuing from that perspective, but should not (negatively nor positively) impact Belgian gas grid users. Febeliec thus fully supports the efforts of CREG in this tariff methodology to clearly separate both perimeters.

Febeliec supports a tariff methodology which provides the transmission system operator with a fair remuneration which allows it to fulfil its (regulated) tasks, but is and always has been principally opposed to the introduction of additional incentives for the transmission system operator. However and as already referred to by Febeliec on numerous occasions, a pragmatic approach towards such incentive schemes can be acceptable, as results from the past have shown that this approach can lead to positive results, insofar the objectives are selected on criteria of cost efficiency for the system and/or necessity and/or reasonable character of budgets and/or added value for the grid users beyond the normal operations of the transmission system operator, and/or clear links to timeliness of realisation of projects, to the benefit of the grid users, market functioning and market integration. Thus, also in this proposal for a tariff methodology for 2024-2027, Febeliec does not oppose the approach of the CREG concerning incentives insofar the objectives are selected under the above-mentioned criteria.

With respect to the approach of embedded debt, Febeliec has no comments except referring to the above-mentioned comment on the non-regulated activities of Fluxys, which should have under no circumstance an impact on the regulated activities and related grid tariffs.

Febeliec supports the stability in the structure of the tariffs, as stability and predictability are important for grid users, especially in order to avoid additional changes in the current turmoil on the energy markets.

On the elements concerning the remuneration of the TSO, Febeliec supports the decision to no longer include an (il)liquidity premium in the remuneration of the TSO. Febeliec also insists that the remuneration of a risk-free investment, which a regulated monopoly is, should be kept at a level that reflects the (lack of) risk in order to avoid excessive grid tariffs for grid users. As such, while Febeliec does not necessarily want to oppose the value defined for the OLO, Febeliec is pleased to see that the upward revision margin is limited. Concerning the Belgian market risk premium, based on the elements provided by the CREG, Febeliec also considers 3,5% not an underestimate and might even suggest that it could potentially be an overestimate, as the values applied in Germany and the Netherlands are significantly lower. Febeliec also supports the proposed beta parameters of 0,83 resp. 0,96. On the gearing 40/60, Febeliec has no comments.

As for positive balances in the regulatory accounts, Febeliec strongly supports a swift and full allocation to grid tariffs, even if the balance is lower than 100 million €.

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 39 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Pfizer, Proxiums, Recticel, Sol, Tessengerlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.