

**Position Paper: Closed Distribution Systems (electricity + natural gas)**

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**Description**

The concept of closed distribution systems was introduced in the European legislation in 2009 with the implementation of the 3<sup>rd</sup> Energy Package. This legislation was then transposed at federal level in Belgium (*réseaux fermés industriels/gesloten industriële netten*, see [Réseaux fermés | SPF Economie \(fgov.be\)](#) and [Gesloten netten | FOD Economie \(fgov.be\)](#)), in the Flemish Region (*gesloten distributienetten*, [Gesloten distributienetten | VREG](#)) and in the Walloon Region (*réseaux fermés professionnels*, [Réseaux fermés professionnels | CWAPE](#)). There is no specific legislation on that matter in the Brussels Capital Region.

**Objectives of Febeliec**

Closed distribution systems are in several ways fundamentally different from public networks. That is why Febeliec insists upon a specific regulation that really respects the fundamental rights of all those connected to them (a.o. the free choice of supplier and the access for third parties to the networks), but that also limits the administrative and financial burden for owners. The Directives for electricity and natural gas are indeed in the first place meant for public networks, and are often not adapted to the specific situation of closed distribution systems.

**Proposals for exemptions**

Closed distribution systems should be considered as *sui generis* systems. Of course, Febeliec agrees that owners of closed distribution systems have a certain number of general obligations towards the underlying consumers, but asks on the other hand that closed distribution systems be exonerated from certain obligations. She insists upon the federal and regional legislators and regulators to apply these exemptions when possible:

1. Exemptions explicitly mentioned in the directives (article 28 of the Gas directive, article 38 of the Electricity directive)
2. “Small” distribution systems  
Both directives authorize member states not to apply the requirements concerning the unbundling of distribution systems operators to networks of less than 100.000 connected customers.
3. No TSO  
Given the fact that closed distribution systems are not transmission systems, the articles in question of both directives cannot be applied to them. It concerns rules regarding a.o. unbundling, public service obligations, supply of information, compliance, connection obligation ...
4. No electricity nor natural gas companies
  - Closed distribution systems for electricity are (on the basis of the definitions of the directive) not electricity companies, and thus not vertically integrated companies. The obligations imposed on vertically integrated companies (e.g. public service obligations, unbundling of accounts, universal services, ...) are therefore per definition not applicable on closed distribution systems.
  - Closed distribution systems for gas are (on the basis of the definitions of the directive) not natural gas companies and thus no vertically integrated gas companies either. The obligations imposed on vertically integrated companies (e.g. the obligations of article 3.1 (public service obligations), article 3.8 (energy-efficiency), articles 30 and 31 (unbundling of accounts)) are therefore per definition not applicable on closed distribution systems.

**Grid codes**

Febeliec pleads for all grid codes to recognize the specificity of closed distribution systems and to impose a minimum of administrative and financial obligations.

**Connection agreements**

In the connection agreements of Fluxys, Elia and the DSO's, Febeliec pleads for a single connection and access agreement per industrial site. For subsequent connections, these can be managed with specific appendices to the agreements. Furthermore, Febeliec can accept, in order to guarantee a fair treatment of all underlying clients, and in order to guarantee that competition sensitive information be adequately protected, that the owner of a closed

distribution system becomes access holder of the site as soon as one of the underlying offtaker uses his/her right of free supplier's choice.

#### Information exchange

Between market actors, information is exchanged according to specific protocols (Elia and Fluxys have their own protocols for this, at distribution level the UMIG-manual – Utility Market Implementation Guide - is used under supervision of Atrias). Febeliec still negotiates with the other actors on the specific way in which closed distribution systems can take part in these information exchanges with a minimum of administrative and financial obligations.