federation of belgian industrial energy consumers

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Febeliec answer to the CREG consultation on the proposal of decision for the modification of decision (Z)1109/11 on the tariff methodology for the electricity transmission grid for the regulatory period 2024-2027

Febeliec would like to thank CREG for its consultation on the proposal of decision for the modification of decision (Z)1109/11 on the tariff methodology for the electricity transmission grid for the regulatory period 2024-2027.

Concerning MOG II and the fair margin incorporating an additional risk premium for covering additional risk for offshore grids, Febeliec is in principle not opposed insofar such additional premium only covers clearly identified additional risks which cannot be mitigated ex ante by Elia and do not fall under the normal risks already incorporated in the fair margin for the non-offshore assets. As indicated by the CREG, and in contrast with MOG I, Elia has in the mean time had the opportunity to develop additional experience and expertise to identify and manage such potential additional risks. Febeliec would therefore a priori expect that the additional remuneration (if any) for MOG II would be lower than the one granted for MOG I, given the better level of knowledge about operating offshore grids and thus a lower risk profile and as such would question whether the proposed additional risk premium of CREG is not too high, at the detriment of grid tariffs for the grid users.

Concerning the risk free interest rate, Febeliec would like to point out that the approved risk free interest rate for the period 2024-2027 based on the approved tariff methodology has been put at 1,68%. Febeliec in principle wonders why the approved tariff methodology should be adapted in order to any value above (the already maximum value according to the tariff methodology of) this 1,68% and this again at the detriment of the overall costs for the grid users through the grid tariffs. Febeliec nevertheless also understands that the market conditions have changed drastically since the elaboration of the tariff methodology and the reference period for the determination of the risk free interest rate for the period 2024-2027, resulting in the request of Elia to review this methodology. However, Febeliec can also only observe that for the tariff period 2020-2023, when the risk free interest rate dropped below the pre-determined value for this period, Elia has never applied for any modifications of its remuneration downwards to the benefit of the tariffs for the grid users. While Febeliec is not in principle in favor of such ex post and ad hoc modifications of the tariff methodology, always in one direction and at cost of the grid users, Febeliec does also not want to undermine any necessary investments of Elia towards the future grid due to insufficient financing resources. Febeliec therefore could, potentially agree with a modification insofar it is symmetrical, implying that it should also allow for a reduction of the remuneration whenever the risk free interest rate decreases and that no floor should be applied unless symmetrically also a cap is introduced with a same spread. Moreover, Febeliec supports the principle of a differentiated treatment for the remuneration of assets based on the date of their entry into force, taking into account that assets with an entry into force before 01/01/2022 have already benefit from an artificially high remuneration because the remuneration was not adapted based on the reduction of the risk free interest rate during this period. Alternatively, a symmetrical approach with a full modification of the remuneration for these assets could be envisaged if the unduly high remuneration during the previous tariff periods would be reimbursed to neutralize the effect on the grid tariffs.

Febeliec represents corporate energy consumers in Belgium for whom energy is a significant component of production costs and a key factor of competitiveness. Febeliec strives for competitive prices for electricity and natural gas for its members, and for more security of energy supply in the context of the energy transition. Febeliec's members are 5 sector federations and more than 40 companies from various sectors (chemistry and life sciences, petroleum products, glass, pulp & paper and cardboard, mining, textiles and wood processing, brick, non-ferrous metals, steel, transportation, construction materials, data centers, telecommunications). Together they represent some 80% of industrial electricity and natural gas consumption in Belgium and 225.000 jobs (www.febeliec.be).