

Febeliec answer to the CREG consultation on the proposal of decision for the modification of decision (Z)1110/12 on the tariff methodology for the gas transmission grid, the gas storage and LNG installations 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)1110/12 on the tariff methodology for the gas transmission grid, the gas storage and LNG installations for the regulatory period 2024-2027.

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, Fluxys has never applied for any modifications of its remuneration downwards to the benefit of the tariffs for the grid users.

While Febeliec is in principle not 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 Fluxys towards the future grid due to insufficient financing resources. However, Febeliec wonders which important investments are still required within the Belgian gas transmission grid, gas storage and LNG installations in this regulatory period which could be jeopardized by the current rate of return, which is also known upfront by all investors and has been incorporated in the valuation of Fluxys.

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.