

**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 2024-2027); 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. At this effect, it is important to differentiate the regulated activities of the grid operator, for which ex ante tariffs are being approved by the regulator and where a correction ex post takes place in the tariffs of the next tariff period, if needed, on the basis of the positive or negative regulatory accounts of the grid operator, from the non-regulated activities of the grid operator, for which the regulator does not approve tariffs, but where there are possibly transfers towards the regulated activities, a.o. in compensation of knowhow or assets that were acquired within the regulated activities.

According to the legislation, the tariffs follow the structure below (adapted for the period 2016-2019<sup>1</sup>; 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](http://www.creg.be) or [www.elia.be](http://www.elia.be)):

- Tariffs for connection to the grid: every one wishing to connect to the grid must pay a fee. The different connection tariffs can be consulted on <https://www.elia.be/nl/klanten/facturatie-en-tarieven> and are composed of on the one hand one-time tariffs (e.g. for carrying out a study) and on the other hand recurrent tariffs (for the use of the connection installations).
- Tariffs for access to the grid: first of all the tariffs for the management and the development of the grid infrastructure with a tariff for the monthly peak for the offtake, where since the tariff period 2024-2027, certain periods are excluded from the tariff calculation, a tariff for the yearly peak for the offtake, for which already from the previous periods a yearly peak period has been defined, a tariff for the power put at disposal at the offtake, then the tariffs for the management of the electric system and tariffs for the offtake or injection of

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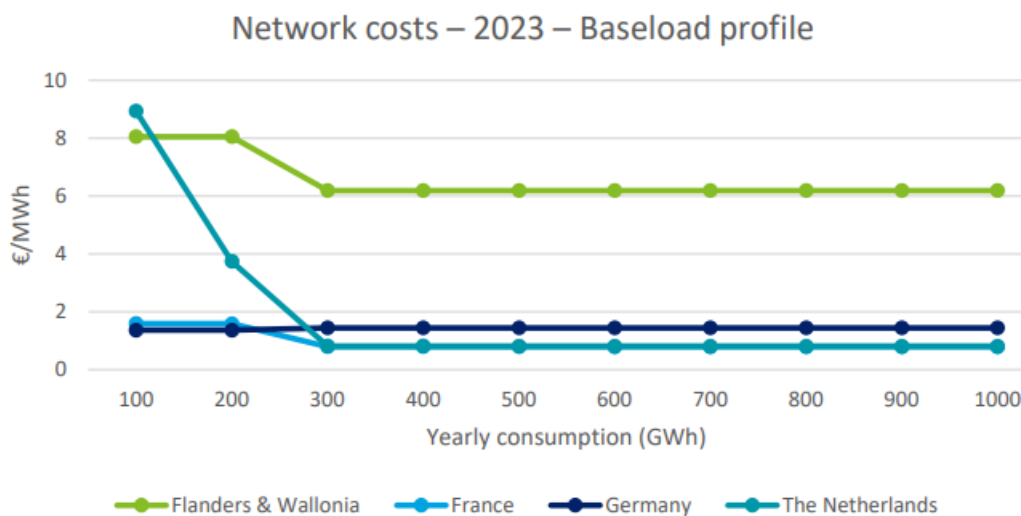
<sup>1</sup> Different tariff structure than in the previous tariff periods, with several significant adaptations. Furthermore also structural changes in the number of voltage levels (from four to three), the suppression of the tariff carrier "gross limited energy" (replaced by net energy) and the suppression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

additional reactive energy, the tariffs for compensation of imbalances, including the tariffs for the power reserves and the black-start based, and finally the tariffs for market integration. Within these tariffs, there are additional specifications, such as the use of the 11th measure of peak of the month, neutralizing the impact of activations by Elia in the framework of its balancing services, modalities for adapting the available capacity and the tariff in case of surpassing this capacity.

- 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. the yearly study of price comparison carried out by Deloitte at Febeliec's demand, 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 2023<sup>2</sup>

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.

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.

<sup>2</sup> Febeliec electricity benchmarking report

- 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. Moreover, it is important that positive regulatory accounts be retrieved as soon as possible to the grid users, so that the tariff amount be a correct reflexion of the financial accounts.
- 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. Nevertheless, this compensation may not lead to unjustified cost increases for grid users and it should be based on objective criteria, including the intrinsic and specific risk profile of a regulated grid operator.
- 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, and to the extent that the underlying projects can offer a positive cost-benefit analysis.
- 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 still little possibilities for grid users to optimize their profiles in light of the adapted situation, resulting in potentially additional costs.