

Consultation Tariff Proposal 2016-2019 Results

Users' Group
Plenary Meeting

02/07/2015

Context of the consultation

- **Public consultation**
 - Announced via e-mails, Elia News and UG meetings
 - From 20/4/2015 to 4/5/2015
 - Special explanatory meeting of UG 23/4
- **Large participation - 16 answers**
 - 7 generators (federations / companies)
 - 5 consumers (federations / companies)
 - 1 ARP (company)
 - 1 aggregator (federation)
 - 2 DSOs
- **Numerous comments & proposals**
 - Proposals/comments on every decisive element
 - Spontaneous proposals/comments on other elements out of the consultation

Reactions “Tariff elaboration process”

- Insufficient implementation time => several proposals to adapt process
 - Not the competence of Elia
 - Elia communicates available information (tariff matrix) and adopted tariffs as soon as possible
- Need of information on milestones of the approval process
 - Information provided as much as possible to the market
 - UG presentation
 - Webpage <http://www.elia.be/fr/users-group/Consultation-publique>
 - Workshop Grid Users
 - Elia News July
- Not enough data or information to correctly analyze impacts on market parties
 - Scope of consultation limited to key factors of foreseen evolutions in the tariff proposal for period 2016-2019
 - Tariffs and detailed data are part of the tariff’s proposal, submitted to CREG approval

Reactions “Evolution of Costs”

- More transparency on elements leading Elia’s assumptions
 - Elia communicates information on several elements, such as expected OLO and inflation, evolution RAB, investment budget, etc. (see report)
- Cost efficiency incentives for Elia ?
 - Tariff Methodology: incentives placed on cost efficiency (art.21)
 - Controllable costs, influenceable costs, non controllable
- More information on Elia hypotheses (evolution of ancillaries needs and costs, volume of demand...)
 - More detailed information on estimated volumes (ranges) of ancillary services and assumed drivers impacting their price (see report)
 - Further diversification of ancillary services resources (load & generation) is required to cover increasing volume need of AS + decommissioning (temporary or not) of some of current resources
 - More information is given on the hypotheses of expected evolutions in offtake and injection (see report)

Allocation between Tariff for Injection and Tariff for Offtake

(most cited arguments are mentioned here, others are discussed in the report)

Overall principle of injection tariff challenged by generation, consumers propose (also) an injection tariff for network infrastructure costs

- Proposed mechanism for determining injection tariff remains unchanged:
 - Tariff for Injection limited to tariff for “de vermogensreserve en black-start”
 - 50% of costs underlying this tariff are allocated to injection, but capped by average injection tariff found via international benchmark
- Reasons for not changing proposed mechanism:
 - (1) historical practice, (2) benchmark result, (3) cost evolutions for “vermogensreserve en black-start”:
- Request for differentiation among generation technologies:
 - No legal basis to do so without creating discrimination
- Request of creating locational signal for generation:
 - According to Electricity-Law, Elia only applies uniform tariff for entire BE territory

Benchmark

- Benchmarking for (large) consumers suggested
 - Not required by tariff methodology but Elia can look into it to provide a benchmark on tariffs
- Geographic scope was questioned:
 - NWE still considered as relevant scope from market perspective and not contradicting legal benchmarking prescriptions. Nevertheless, alternative geographic scopes are investigated in the benchmark (NL-FR-DE-AT & NL-FR-DE-AT-UK).
- Available information on benchmarking was questioned:
 - Elia clarified in the consultation report how to interpret the provided information:
 - (1) source for the data used (ENTSO-e), (2) benchmarking methodology followed and (3) how to use results

Reactions “Costs allocation and tariffs”

Tariff for maintenance and development of the network

Allocation between tariffs for power put at disposal (50%), yearly (30%) & monthly peak (20%)

(most cited arguments are mentioned here, others are discussed in the report)

- Different (diverging) opinions received on the best split between tariffs for Y& M peak
- (System) peak consumption often cited as ‘driver for investments’
 - System peak is only one driver for investments. Given the ‘local’ nature of many investments, the power put at disposal is very important as long term signal and driver for investments
- ➔ Elia proposes not to change the initial allocation:
 - Tariff for power put at disposal introduces long term signal, in line with long term development of the network
 - Tariff for Y peak ‘easier’ to avoid than tariff for M peak due to limited period
 - Continuity: 50% for power put at disposal applied to DSOs in 2013-2015

Correction of peak consumption

- Many respondents requested continued application of the mechanism which corrects for the highest n peaks taken into account for “subscriptions”
 - ➔ Elia proposes to foresee a mechanism correcting the highest 10 peaks of the month (in line with current practice for subscriptions) Applicable to Tariff for Y peak, Tariff for M peak and exceedance of power put at disposal
 - Applicable for all industrial clients and DSO connected to 70/36/30 kV grids

Reactions “Costs allocation and tariffs”

Tariff for maintenance and development of the network

Period considered for Tariff for yearly peak: reviewed proposal

(most cited arguments are mentioned here, others are discussed in the report)

- The period is considered too long and not reflecting the peak consumption
- No dynamic or smart system
- No harmonization of this period with other peak periods used by the market

→ New proposal:

Nov-Mar, Weekdays (no public holidays), 08h00 – 12h00 & 16h00 – 20h00

- Ex-ante fixed because of transparency and simplicity
- Shorter period based on statistical method
- Harmonization with other peak concepts not considered desirable because of different underlying rationales
 - From November to March included
 - Weekdays
 - Public holidays are excluded

Reactions “Costs allocation and tariffs”

Tariff for maintenance and development of the network

Revision of Power Put at disposal

- **Increasing Power put at disposal:** detailed study is a too heavy process
 - Every increase of capacity needs a ex-ante notification to Elia, based on applicable process (Grid Codes)
 - Not necessarily a detailed study needed for every request (if capacity exists)

- **Reducing Power Put at disposal:**
 - ➔ New proposal about modalities
 - Suppression of the proposal to prohibit reduction power made available during 12M after a first reduction
 - Condition remains that power put at disposal cannot be reduced during the 12M following the last increase

Reactions “Costs allocation and tariffs”

Tariff for maintenance and development of the network

Penalties System

- To review 115% during 12M on the full peak
 - ➔ New proposal
 - To be limited to power exceeding the power made available
 - Penalty during 12M + 50%: to have a long term component & to avoid gaming

Adapted tariff according type of access point

- Proposal Elia : 20% of the tariffs for ‘complementary access point’

Tariff for power put at disposal for DSOs

- Questions about the difference of treatment between DSOs for interconnexion points at 30/36/70kV level (power put at disposal contractual) and at mid-voltage (power put at disposal by physical capacity of transfo)
 - No transformer at 30/36/70kV level : contractual value needed for power put at disposal
 - Harmonization of DSOs and direct clients at 30/36/70kV level

Reactions “Costs allocation and tariffs”

Tariff for management of electric system

- Reactive power: scope to review
 - Clarification of the proposition: to take as reference the highest possible value of active offtake (more flexibility for clients, regarding Y peak)

Tariff for market integration

- request to charge this tariff on ARPs and not on access holders
 - Underlying costs are not related to unbalances.
 - Service-based character also true for access holders
 - The initial proposal remains unchanged
- Concern on how costs are determined and evolved
 - The nature of the costs covered by this tariff is determined in the tariff methodology.
 - For 2016-2019 best possible estimate taken in account; evolution after 2019 difficult to predict at this stage

Compensation for losses in kind by ARPs

- Current system cannot be suppressed in this tariff proposal but requires a change in the Federal Grid Code

Milestones Tariffs' Proposal

- 30/6 : introduction of Elia tariffs' proposal to CREG
- July/Aug : CREG can ask additional information during 60 days after introduction
- Aug/Sept: Elia communicates to CREG within 30 days the requested additional information
- Max 100d after reception of the Elia tariffs' proposal : decision CREG: approval or refusal (at last 8/10/2015)
- **In case of approval:** CREG communicates a motivated decision to the market
- **In case of refusal :**
 - Oct. : hearing of Elia by the CREG (at last 23/10/2015)
 - Introduction of **adapted Elia tariffs' proposal** (max 30d after receiving CREG decision)
 - Decision CREG: **approval or refusal** (max 30d after introduction of adapted Elia tariffs' proposal)
- 1/1/2016 : entry into force of new tariffs