



European Union Agency for the Cooperation  
of Energy Regulators

## Agency Report

# Analysis of the Consultation Document on the Gas Transmission Tariff Structure for Belgium

NRA: CREG  
TSO: FLUXYS BELGIUM

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## 1. ACER conclusion

- (1) The Belgian gas TSO, Fluxys Belgium (Fluxys), proposes two different reference price methodologies (RPM), one applicable to the network used to transport high-calorific gas (H-gas), and a second one applicable to the network used to transport low-calorific gas (L-gas) from the Netherlands to France. The latter will be used from 2024 onwards, when Belgium is scheduled to phase it out L-gas in its own network.
- (2) For the H-gas network, Fluxys proposes to apply a capacity-weighted distance (CWD) methodology with an entry-exit split of 33/67% and equalised tariffs at entry points. Fluxys proposes a discount to entry points from and exit points to storage facilities of 100% and no discounts to entry points from LNG. Fluxys proposes several non-transmission services in addition to a commodity-based tariff to allocate the compression costs for flowing gas in the network. The information provided in the consultation is incomplete and does not allow assessing the compliance of the proposed commodity-based charges and the non-transmission services with Articles 4(3) and 4(4) of the NC TAR.
- (3) The tariff period for which Fluxys proposes to apply the RPM is four years, from 2024 to 2027. This period is longer than in most other Member States (MSs), with the exception of Austria, Croatia and Slovakia. CREG supports the application of a longer tariff period with the aim of achieving tariff stability. The Agency points at significant drawbacks of this approach resulting from the difficulty to forecast contracted capacity and from the need to reconcile existing over-recoveries which amount to several times the TSO's yearly allowed revenue allocated through tariffs.
- (4) The NC TAR foresees a cost allocation assessment ('CAA') and the comparison of the proposed RPM with the capacity-weighted distance ('CWD') methodology. The calculation of the CAA<sup>1</sup> for the four year tariff period results in 6.3%. When calculated for each of the four years of the tariff period, the results are: 7.4% (2024), 6.1% (2025), 4.6% (2026) and 4% (2027). These results are within the 10% threshold laid out in Article 5(6) of the NC TAR and do not require further justification. Regarding the comparison with the standard CWD, tariffs for both methodologies are similar as the difference between both methodologies are marginal. Fluxys does not provided a CAA calculation for the L-gas network.
- (5) The Agency identified a number of issues that are linked to the regulatory account and that are relevant for the calculation of the TSO's allowed revenue, which is an input parameter for the tariff calculation:
  - The Belgian Government passed a law on 26 December establishing a solidarity contribution<sup>2</sup> payable by Fluxys to the Belgian state (Solidarity Contribution Law) amounting to EUR 300 million. The Agency does not assess this legislative act as it is outside the scope of this report, which is set under Article 27(2) of the NC TAR.

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<sup>1</sup> Throughout this document, 'CAA' is used to refer to the capacity cost allocation comparison index described in Article 5(3)(c) of the NC TAR.

<sup>2</sup> The law can be consulted in the following link:  
[https://www.ejustice.just.fgov.be/mopdf/2022/12/30\\_1.pdf#Page17](https://www.ejustice.just.fgov.be/mopdf/2022/12/30_1.pdf#Page17).

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- Second, Fluxys' regulatory account accumulated an over-recovery of EUR 393 million in 2018<sup>3</sup>. In 2019, the NRA proposed to reconcile this revenue with the aim of bringing down the over-recovery to EUR 100 million by 2023<sup>4</sup>. Fluxys was on track to meet this objective by returning approximately EUR 200 million between 2022 and 2023, however the capacity sold in 2022 increased by 40% compared to 2022 (as shown in Table 5). CREG will establish the resulting impact on the regulatory account in 2023.
  - Third, Fluxys has accumulated EUR 515 million of congestion revenue in 2022 and CREG expects further EUR 320 million of congestion revenue in 2023. Fluxys proposes to return EUR 460 million of congestion revenue to network users, while investing EUR 240 million to reinforce the Belgian network<sup>5</sup>.
- (6) For the low calorific gas (L-gas) network, Fluxys proposes a postage stamp methodology with the same entry-exit split as the proposed CWD methodology. The resulting tariffs are based on the forecasted contracted capacity and the allowed revenue of the L-gas network, for which Fluxys provides limited details. The information provided about this RPM's input parameters is insufficient to assess its compliance with the requirements set out in Article 7 of the NC TAR.
- (7) Finally, the Agency remarks that Fluxys' regulated asset base ('RAB') is subject to an asset revaluation of EUR 950 million, which increases the value of the RAB to EUR 2.079 billion. CREG does not publish the details explaining how to calculate the allowed revenue allocated to network users that results from this revaluation<sup>6</sup>. At the request of the Agency, CREG and Fluxys have estimated these costs between EUR 20 million and EUR 45 million per year. This results in EUR 100 million to EUR 180 million for the next four years. The revaluation will apply until 2050 and does not seem to be subject to the usual depreciation, in other words its value seems to remain constant until 2050. The Agency does not assess the compliance of the revaluation as part of the analysis in this Report.

### ACER compliance analysis of the proposed tariff methodologies

- (8) The Agency concludes, after having completed the analysis of the proposed H-gas and L-gas methodologies pursuant to Article 27(2) of the NC TAR, that:
- Both methodologies are compliant with the requirement on transparency. At the same time, the Agency remarks that the longer duration of the tariff period, under the current market conditions, and in the context of a significant accumulated over-recovery, can potentially difficult the forecast of tariffs.
  - The Agency cannot establish that the methodology for the H-gas network is compliant with the requirement on cost-reflectivity. The proposed CWD methodology is appropriate for the Belgian

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<sup>3</sup> See p. 12 <https://www.creg.be/sites/default/files/assets/Publications/Decisions/B656G-41FR.pdf>

<sup>4</sup> See footnote 3

<sup>5</sup> This investment aims at eliminating the internal congestion in the Belgian network with a view to increasing the offered capacity on the Belgian-German border.

<sup>6</sup> The transparency requirements for the consultation do not include information on the allowed revenue methodology. However, the information published as part of the consultation rests on the assumption that information on the allowed revenue methodology is published as part of the broader transparency requirements of the NC TAR. The relevant information on the RAB revaluation, required under Article 30 of the NC TAR, has not been published by Fluxys.

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network based on its technical characteristics, however, Fluxys does not provide sufficient information to ensure the compliance of the input parameters to the RPM in a context of the current market conditions and of significant accumulated over-recoveries. Based on the conclusion on the requirement on cost-reflectivity, the Agency cannot conclude that the proposed RPM is compliant with the requirements on preventing undue cross-subsidisation and non-distortion of cross-border trade.

- The Agency cannot establish that the methodology for the L-gas network is compliant with the requirement on cost-reflectivity. Fluxys does not provide sufficient information to assess the input parameters to the RPM, namely the forecasted contracted capacity and the allowed revenue. At the same time, the methodology is compliant with the requirements on cross-subsidisation and cross-border trade, as the L-gas network is only used to transport gas from the Netherlands to France.
- Both methodologies are compliant with the requirements on non-discrimination and on volume risk.
- On the requirements applicable to commodity-based tariffs, Fluxys does not comply with the provision of information required for the consultation under Article 26(1)(c)(i) of the NC TAR. The Agency can therefore not assess the compliance of the proposed commodity based-tariffs with the requirements under Article 4(3) of the NC TAR. Fluxys does not provide the information required on the energy prices and on the flows used to forecast compression costs.
- On the requirements applicable to non-transmission tariffs, Fluxys does not comply with the provision of information required for the consultation under Article 26(1)(c)(ii) of the NC TAR. The Agency can therefore not assess the compliance of the proposed non-transmission tariffs with the requirements under Article 4(4) of the NC TAR. Fluxys does not provide information to assess the requirements applicable to non-transmission tariffs, namely whether the proposed non-transmission services are cost-reflective, non-discriminatory, objective and transparent as well as whether they are charged only to the beneficiaries. Fluxys also does not provide a description of the proposed non-transmission services as part of the consultation.

### ACER recommendations to CREG

- (9) The Agency provides in the following paragraphs several recommendations for CREG to consider when taking its motivated decision pursuant to Article 27(4) of the NC TAR. The Agency makes it explicit when these recommendations are a requirement according to the NC TAR.
- (10) On the duration of the tariff period, the Agency recommends that CREG shorten the duration of the tariff period. CREG should ensure compliance with Article 2(23) of the NC TAR that requires that the tariff period be equal to the *period during which a particular level of reference price is applicable*. In addition, the Agency notes that a change in tariffs before the end of a tariff period according to Article 12(3)(b) of the NC TAR, is only possible “*due to exceptional circumstances under which the non-adjustment of tariff levels would jeopardise the operation of the transmission system operator*”. A shorter tariff period can have a duration of, for instance, one or two years, the former being the standard across EU gas TSOs. The Agency further sees a shorter tariff period as a key enabler to reconcile the large over-recoveries logged in the regulatory account and, in this manner, to improve the cost-reflectivity of tariffs. The Agency recommends this shorter tariff period duration until the regulatory account returns to levels comparable to those of other EU TSOs.

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- (11) On the forecasted capacity used as an input to the RPM, the Agency recommends CREG to:
- Provide additional information on the calculation of the forecasted capacity that is an input to the CWD RPM as required by Articles 26(1)(a)(i) and 30(1)(a) of the NC TAR. For this purpose, CREG should publish the expected gas volumes to be transported by the Belgian transmission network and the forecasted contracted capacity that is an input to the RPM. This information should be published for each border, for domestic exit points, and for entry points from and exit points to storage. The data should be provided on yearly basis.
  - Publish the methodology used to forecast the contracted capacity that is an input to the RPM. This information is a requirement pursuant to Articles 26(1)(a)(i) and 30(1)(a) of the NC TAR.
  - The Agency further invites CREG to publish and assess the difference between the forecasted capacity and the realised contracted capacity for each year, starting with the values for the period 2020 to 2023. This information should help improve the future contracted capacity forecast, for which there has been significant deviations in the past, and should be made available for each border, for domestic exit points, and for entry points from and exit points to storage. The data should be provided on yearly basis.
- (12) On the reconciliation of the regulatory account, the Agency recommends that CREG:
- Take the necessary measures to minimise under- and over-recoveries and avoid significant differences between the tariffs of two consecutive tariff periods, as required by Article 17 of the NC TAR. Also for this purpose, the Agency recommends to shorten the tariff period and provide additional information on the reconciliation of the regulatory account. In addition, ACER remarks the importance of CREG ensuring that the reconciliation of the regulatory account stays on track to achieve the proposed target of EUR 50 million by the end of 2027<sup>7</sup>.
  - The Agency additionally invites CREG to expand the details applicable to the regulatory account that are required for publication under in Article 30(1)(b)(vi) and Article 30(1)(b)(vii) until the regulatory account returns to levels comparable to those of other EU TSOs. These data points are detailed in paragraph (106).
  - Finally, the Agency invites CREG to assess the extent to which decreases in transmission tariffs resulting from the reconciliation of the regulatory account are reflected in end-consumers invoices.
- (13) On the recovery and use of the congestion revenue, the Agency recommends that CREG should:
- Continue attributing the congestion revenue amounts to a specific account separate from the regulatory account, as laid out in Article 19(5) of the NC TAR. This should enable tracking the accumulated congestion revenue independently from any other over- or under- recoveries.
  - The Agency invites CREG to follow the publication format for the reconciliation of the regulatory account referred to in the previous paragraph and detailed in paragraph (106). The current publication of the information related to the regulatory account is incomplete and insufficient to track the status of the account and the progress towards the targets set by CREG.
  - On the congestion revenue used to invest in network infrastructure, CREG should identify clearly the projects that will be financed with congestion revenue. The NRA should detail how each project is expected to alleviate congestion. Article 30(1)(b)(vii) of the NC TAR requires the NRA or the TSO to provide information on the intended use of the auction premium.

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<sup>7</sup> See page 12: <https://www.creg.be/sites/default/files/assets/Publications/Decisions/B656G-41FR.pdf>

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- (14) On the compliance of the proposed non-transmission tariffs, CREG should assess the proposed services against the NC TAR requirements under Article 4(4) of the NC TAR with a view to ensuring that the applicable tariffs are cost-reflective, non-discriminatory, objective and transparent, in addition to being charged to the beneficiaries. The Agency already provided this recommendation in its 2019 Tariff Report for Belgium<sup>8</sup>, which Fluxys has not followed in this 2022 tariff consultation.
- (15) On the compliance of the proposed commodity-based transmission tariffs, CREG should provide the energy cost used to forecast the compression costs, as required by Article 4(3)(a). Decreasing the tariff period to, for instance, one year should allow forecasting energy prices yearly instead of every four years, which increases the reliability of the forecast. This should improve the cost-reflectivity of the flow-based charge.
- (16) On the RAB revaluation, the Agency recommends that CREG publish the methodologies used to determine the initial value of the assets and to revalue assets, as required by Article 30(1)(b)(iii)(3)(a)-(b) of the NC TAR. In addition, the Agency invites CREG to provide additional transparency by:
- Describing how the allowed revenue of the TSO resulting from the RAB revaluation is calculated.
  - Providing the yearly allowed revenue amount resulting from the RAB revaluation that is an input to the RPM.
- (17) Finally, on the RPM applicable to the L-gas network, the Agency recommends that CREG should:
- Clarify how the RAB revaluation is applied to the assets that will be used to transport L-gas. This is a requirement under Article 30(1)(b) of the NC TAR.
  - Provide the forecast for the nominations at the L-gas exit to Belgium. This is a requirement according to Article 26(1)(a)(i) and Article 4(4) of the NC TAR, as this service is a non-transmission service. Should the service be offered on firm basis, CREG should set a tariff at the L-gas exit to Belgium based on the RPM. This is a requirement pursuant to Article 6(3) of the NC TAR. In addition, CREG should assess the potential cross-subsidisation between consumers exiting to the Belgian and French networks, including by calculating the CAA. This is a requirement pursuant to Article 26(1)(a)(iv) of the NC TAR.
  - Justify the values and the parameters used as a forecast to for the contracted capacity in addition to providing the details of the methodology used for this purpose. This is required by Article 26(1)(a)(i) of the NC TAR.
  - Apply the transparency requirements on allowed revenue, including for the publication of the CAPEX, OPEX and costs of capital separately for the L-gas network. This is a requirement under Article 30(1)(b) of the NC TAR.
  - Establish a separate regulatory account for the reconciliation of the L-gas revenue from the moment the Belgian network ceases to use the infrastructure dedicated to the transport of L-gas.
  - Finally, the Agency invites CREG to clarify how the split of costs is performed for those costs that are relevant for both networks (e.g. legal services, IT, etc.,) which cannot be easily divided based on the different infrastructure used to transport H and L gas.

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<sup>8</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Belgium.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Belgium.pdf)

## 2. Introduction

- (18) Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas (NC TAR).
- (19) Article 27 of the NC TAR requires the Agency to analyse the consultation documents on the reference price methodologies for all entry-exit systems.<sup>9</sup> This Report presents the analysis of the Agency for the transmission system of Belgium.
- (20) Fluxys launched the tariff consultation on 6 October 2023 and on 7 October 2023, CREG forwarded the consultation documents to the Agency. The consultation remained open until 6 December 2022. On 17 January 2023, the consultation responses and their English summary were published. The Agency has taken these into consideration for this analysis. Within five months following the end of the final consultation, and pursuant to Article 27(4) of the NC TAR, CREG shall take and publish a motivated decision on all the items set out in Article 26(1).

### *Reading guide*

- (21) In chapter 3, this document first presents an analysis on the completeness, namely if all the information in Article 26(1) has been published. Chapter 4 assesses the proposed methodology for the H-gas network. Chapter 5 assesses the proposed methodology for the L-gas network. Chapter 6 focusses on the compliance, namely if the RPMs comply with the requirements set out in Article 7 of the NC TAR, if the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met and if the criteria for setting non-transmission tariffs as set out in Article 4(4) are met. Chapter 7 includes other comments. This document contains two annexes, respectively the legal framework and a list of abbreviations.

## 3. Completeness

### 3.1 Has all the information referred to in Article 26(1) been published?

- (22) Article 27(2)(a) of the NC TAR requires the Agency to analyse whether all the information referred to in Article 26(1) of the NC TAR has been published.
- (23) Article 26(1) of the NC TAR requires that the consultation document should be published in the English language, to the extent possible. The Agency remarks that the consultation document has been published in English.
- (24) Overall, most of the information in Article 26(1) of the NC TAR has been published. The Agency recommends that CREG include in the motivated decision the missing elements that are referred to in Table 1 below.

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<sup>9</sup> With the exception of Article 10(2)(b), when different RPMs may be applied by the TSOs within an entry-exit zone.

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Table 1 Checklist information Article 26(1)

Article	Information	Published: Y/N/NA
<b>26(1)(a)</b>	the description of the proposed reference price methodology	Yes
<b>26(1)(a)(i)</b> <b>26(1)(a)(i)(1)</b> <b>26(1)(a)(i)(2)</b>	the indicative information set out in Article 30(1)(a), including: <ul style="list-style-type: none"> <li>• the justification of the parameters used that are related to the technical characteristics of the system</li> <li>• the corresponding information on the respective values of such parameters and the assumptions applied</li> </ul>	Incomplete. The assumptions and the methodology used to forecast tariffs are incomplete as published in the consultation document. The details on the allowed revenue for the L-gas networks are limited.
<b>26(1)(a)(ii)</b>	the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9	Yes
<b>26(1)(a)(iii)</b>	the indicative reference prices subject to consultation	Yes
<b>26(1)(a)(iv)</b>	the results, the components and the details of these components for the cost allocation assessments set out in Article 5	Yes
<b>26(1)(a)(v)</b>	the assessment of the proposed reference price methodology in accordance with Article 7	Yes
<b>26(1)(a)(vi)</b>	where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii)	Yes
<b>26(1)(b)</b>	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes.
<b>26(1)(c)(i)</b> <b>26(1)(c)(i)(1)</b> <b>26(1)(c)(i)(2)</b> <b>26(1)(c)(i)(3)</b>	where commodity-based transmission tariffs referred to in Article 4(3) are proposed <ul style="list-style-type: none"> <li>• the manner in which they are set</li> <li>• the share of the allowed or target revenue forecasted to be recovered from such tariffs</li> <li>• the indicative commodity-based transmission tariffs</li> </ul>	Incomplete. Fluxys does not provide the energy prices that are used to forecast the revenue to be recovered from commodity tariffs.
<b>26(1)(c)(ii)</b> <b>26(1)(c)(ii)(1)</b> <b>26(1)(c)(ii)(2)</b> <b>26(1)(c)(ii)(3)</b> <b>26(1)(c)(ii)(4)</b>	where non-transmission services provided to network users are proposed: <ul style="list-style-type: none"> <li>• the non-transmission service tariff methodology therefor</li> <li>• the share of the allowed or target revenue forecasted to be recovered from such tariffs</li> <li>• the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3)</li> <li>• the indicative non-transmission tariffs for non-transmission services provided to network users</li> </ul>	Incomplete. Fluxys does not provide a description of the non-transmission services in the consultation document (nor any link to this information), nor an analysis of their compliance with the NC TAR requirements. This assessment should include the methodology, the parameters and the values to calculate the applicable non-transmission tariffs.
<b>26(1)(d)</b>	the indicative information set out in Article 30(2);	Yes
<b>26(1)(e)</b> <b>26(1)(e)(i)</b> <b>26(1)(e)(ii)</b> <b>26(1)(e)(iii)</b> <b>26(1)(e)(iv)</b>	where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity: <ul style="list-style-type: none"> <li>• the proposed index;</li> <li>• the proposed calculation and how the revenue derived from the risk premium is used</li> <li>• at which interconnection point(s) and for which tariff period(s) such approach is proposed</li> </ul>	Not applicable

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed</li></ul> |  |
|--|--|

## 4. Assessment of the proposed reference price methodology applicable to the H-gas network

- (25) The following chapter assesses the proposed CWD methodology taking into account the input parameters of the methodology and the cost allocation assessment. The chapters starts by assessing the proposed tariff period, which has a significant impact on the tariff levels resulting from the RPM calculation.
- (26) This chapter should be further read together with chapter 7 which provides an assessment of the regulatory account, the congestion revenue and the TSO RAB revaluation. These elements impact the allowed revenue that is allocated using the RPM to calculate transmission tariffs.

### 4.1 Duration of the tariff period

- (27) The proposed methodology is applicable for the tariff period lasting from 2024 to 2027, with a duration of four years. Tariffs are calculated based on the input parameters for this period (contracted capacity and allowed revenue). In addition, the reconciliation of the regulatory account, is an input to the methodology that is netted with the allowed revenue. Fluxys proposes to correct tariffs according to inflation as published every year by the Belgian Ministry of Finance. This means that tariffs will change each year between 2025 and 2027 based on the applicable inflation.
- (28) CREG explained to the Agency that the decision to move from a one year tariff period to a longer tariff period followed the requests made by stakeholders' in the past. The objective of this approach is to provide stability and predictability, and to avoid large tariff changes between tariff periods. By aggregating the forecast for the allowed revenue and the contracted capacity, tariff changes could, in principle, be smoothed over time.
- (29) The Agency acknowledges this objective, which is partly reflected in the NC TAR; recital 7 refers to the objective of maintaining tariff stability. At the same time, the Agency points out at a number of drawbacks related to the legal basis supporting this approach and to the impact on the cost-reflectivity of tariffs.

#### 4.1.1 Legal basis

- (30) The approach adapted by Fluxys requires that reference prices are applied for the duration of the tariff period. The Agency notes that the tariffs proposed by Fluxys are updated yearly to reflect inflation. In addition, in the on-going tariff period (extending from 2020 to 2023), tariffs have been modified to return revenue over-recoveries to network users. The NC TAR does not allow for neither of these changes within the tariff period.

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- (31) First, according to Article 3(23) of the NC TAR, “*tariff period*’ means the time period during which a particular level of reference price is applicable, which minimum duration is one year and maximum duration is the duration of the regulatory period’. Based on the application of the NC TAR, the tariff period should be set for the time during which tariffs remain unchanged.
- (32) Second, the NC TAR allows modifying reference prices within the tariff period. According to Article 12(3)(a) of the NC TAR reference prices can be “*recalculated within the tariff period due to exceptional circumstances [...] which would jeopardise the operation of the transmission system operator*”. The Agency notes that the article is intended for exceptional circumstances and should not be used to solve circumstances that can be handled with the standard application of the NC TAR provisions, for example, with the application of a shorter tariff period.

### 4.1.2 Trade-offs of applying a longer tariff period

- (33) Regarding cost-reflectivity, the Agency observes various draw backs related to the application of a longer tariff period.
- (34) First, the Agency observes that there are a number of parameters to be forecasted for the four year duration of the tariff period. These parameters are an input to the RPM and impact the calculation of tariffs. In the current volatile market conditions, capacities are more difficult to forecast than was the case historically. Moreover, over a longer period of time any forecast will have a lower accuracy. The forecasted parameters are the contracted capacity, the energy costs related to the compression costs and the revenue resulting from congestion and other factors that is logged into the regulatory account. The differences between the forecasted values of these parameters and the realised values shall lead to over- or under- recoveries that need to be reconciled later on. It should be noted that the deviations leading to these under- and over- recoveries can potentially increase more for a longer period than for a shorter one. This report further assesses the reliability of the contracted capacity forecast under section 4.3 below.
- (35) Second, while the regulatory account is intended to reconcile such differences, a shorter tariff period (closer to a yearly duration) offers better outcomes. The Agency notes that Fluxys’ regulatory account in the past recorded significant over-recoveries in addition to selling more capacity than forecasted in 2022. The accumulated amounts over the past and the new concerns on the use of the congestion revenue (see discussed under sections 7.2 and 7.3), point to the need to consider a shorter tariff period. Such approach will make the regulatory account more manageable (i.e. decreasing the potential under- and over- recoveries) by allowing more accurate forecasts.
- (36) The Agency notes that the accumulation of under- and over- recoveries deteriorates the cost-reflectivity of tariffs and can lead to cross-subsidies between the different users of the network in addition to cross-subsidies between users of the network at different points in time. According to Article 17 of the NC TAR, under- and over-recoveries should be minimised.
- (37) Following this argumentation, and based on the applicable obligation under Article 3(23) the NC TAR the Agency recommends that CREG shorten the duration of the tariff period, for instance, to a period of one or two years (the former being the standard across EU gas TSOs). The Agency recommends CREG to follow this recommendation until the regulatory account returns to levels

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comparable to those of other EU TSOs. Additionally, the Agency assesses and draws conclusions concerning the reliability of the contracted capacity and the compression cost forecast under section 4.3. The reconciliation of the regulatory account, including the revenue on congestion, is assessed under Sections 7.1 and 7.3. A shorter tariff period is intended to facilitate the reconciliation of the large amounts logged in the regulatory account resulting from over-recoveries, and from the recent congestion revenue.

### 4.2 Proposed capacity weighted distance methodology

- (38) The proposed methodology is a capacity weighted distance ('CWD') methodology. It is applicable for a period of four years. Its input parameters, the forecasted capacity and TSO allowed revenue, are aggregated to calculate tariffs for this period. Entry points to the network are equalised to the same tariff, as shown in the two tables below (Table 2 and Table 3). Fluxys proposes the same entry-exit split of 33/67 that is currently applicable.
- (39) Fluxys proposes to equalise tariff at all entry points. The NC TAR foresees this option under Article 6(4)(b). ACER observes that Fluxys calculates the entry tariffs using a postage stamp methodology and not based on the CWD methodology. While both approaches lead to the same result, the use of a postage stamp methodology does not fully allow users to understand the calculation steps and the tariffs resulting from the proposed CWD methodology.
- (40) The following adjustments are applied to the methodology:
- Entry tariffs are equalised.
  - Discounts to points at entry points from and exit points to storage facilities of 100% are applied. Loenhout is the only storage facility in the network.
  - Tariffs are rescaled to recover the missing revenue resulting from the application of discounts to points at entry points from and exit points to storage facilities. The same rescaling factor is applied to all points of the network.
  - No discounts to entry points from LNG are proposed.

Table 2: Fluxys allowed revenue for the period 2024-27. Source: Fluxys tariff consultation document.

	2024	2025	2026	2027	2024-2027
Transmission revenue	245.346.123€	252.973.864€	258.803.715€	263.733.162€	1.020.856.864€
Transmission revenue H-gas	228.064.617€	235.601.026€	241.352.185€	246.166.360€	951.184.189€
Transmission revenue L-gas	17.281.505€	17.372.837€	17.451.530€	17.566.802€	69.672.675€

Table 3 Forecasted contracted capacity for the 2024-27 tariff period. Source: Fluxys tariff consultation document.

Exit and OCUC Capacities	2024	2025	2026	2027
Exit L capacity	2,29	1,71	1,16	0,62
Exit H capacity	46,26	43,06	39,83	33,97
OCUC	16,37	15,11	14,26	14,26

Forecasted contracted Exit and OCUC capacities at IPs – 10<sup>6</sup> kWh/h – rounded to 2 decimals

Dom. Exit Capacity	2024	2025	2026	2027
H capacity	65,72	73,78	73,78	73,78

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<b>L capacity</b>	4,89	0	0	0
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Forecasted contracted domestic Exit capacities - 10<sup>6</sup> kWh/h – rounded to 2 decimals

Entry - Firm	2024	2025	2026	2027
<b>Total</b>	76,46	78,11	76,12	74,10

Forecasted contracted domestic Exit capacities - 10<sup>6</sup> kWh/h – rounded to 2 decimals

- (41) The proposed RPM leads to tariff changes summarised in Table 4. Compared to the previous tariff period and as a consequence of the Russian war in Ukraine, flows have shifted from an East to West direction to a West to East direction. This change leads to an increase in contracted capacity for most IPs, in particular at the LNG terminal's entry point and at the BE-DE interconnection point. Entry tariffs and exit tariffs at domestic exits remain relatively stable as shown in Table 4 below.

Table 4: Change in tariffs between 2023 and 2024 (the latter resulting from the proposed CWD RPM). Source: FLuxys tariff consultation document.

ENTRY		Tariffs in €/kWh/h/year		2024 tariff vs 2023 inflated
Border with	Interconnection point	2023	2024	
France	Virtualys	0,766	0,855	+8,6%
Germany	VIP THE-ZTP	0,766	0,855	+8,6%
The Netherlands	VIP BENE	0,766	0,855	+8,6%
	Hilvarenbeek L	0,851	0,950*	+8,6%
United Kingdom	IZT	0,766	0,855	+8,6%
Zeebrugge Area	Zeebrugge	0,766	0,855	+8,6%
Norway	ZPT	0,766	0,855	+8,6%
LNG Terminal	Dunkirk LNG Terminal	0,766	0,855	+8,6%
	Zeebrugge LNG	0,766	0,855	+8,6%
Storage	Loenhout	0,383	0,000	-100%

Comparison of Entry tariffs in current and next tariff period

EXIT		Tariffs in €/kWh/h/year		2024 tariff vs 2023 inflated
Border with	Interconnection point	2023	2024	
France	Virtualys	1,254	1,388	+7,7%
	Blaregnies L	1,387	5,063	+262%
Germany	VIP THE-ZTP	1,451	2,253	+52,3%
The Netherlands	VIP BENE	0,935	1,410	+47,8%
United Kingdom	IZT	0,778	0,359	-50,9%
Zeebrugge Area	Zeebrugge	0,778	0,359	-50,9%
Storage	Loenhout	0,000	0,000	-

Comparison of Entry tariffs in current and next tariff period

OTHER TRANSMISSION SERVICES	Tariffs in €/kWh/h/year		2024 tariff vs 2023 inflated
	2023	2024	
Domestic HP H-grid	1,040	1,187	+11,1%
Domestic HP L-grid	1,154	1,317	+11,1%

Comparison of other transmission services tariffs in current and next tariff period

### 4.3 Contracted forecasted capacity

- (42) The proposed CWD methodology uses as an input the forecasted capacity aggregated for the four years of the tariff period. The Agency notes that the accuracy of the proposed forecast can be impaired by using longer forecast periods. This, next to the changes in gas market conditions, characterised by high volatility and changes in flows, makes the forecast of capacity more uncertain. The tariff period applicable across the EU is one year, with the exception of Austria, Croatia and Slovakia, which under the current market conditions seems to be a preferable approach.

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- (43) The Agency notes that, in the consultation document, Fluxys does not assess the accuracy of the capacity forecast that was used for the on-going tariff period. Fluxys nevertheless provided a preliminary version of this analysis to ACER comparing the contracted capacity forecast with the actual contracted capacity. Excluding the year 2022, where significant market changes occurred, the comparison shows important differences for both entry and exit points. As tariffs to entries are equalised, deviations here are less relevant, however differences at exits (systematically amounting to a 300% or 30-40% at specific points) question the reliability of the forecast used. This concern should be greater the longer the period for which tariffs are forecasted. For the year 2022, the differences between the forecast and the realised contracted capacity are even larger at most points. These differences are shown in Table 5 below.

Table 5: Comparison between the forecasted contracted capacity and the realised contracted capacity in the period 2020-22. Source: Fluxys calculations provided to ACER:

	Percentage change: Forecasted contracted capacity vs contracted capacity		
	2020	2021	2022
<b>Entry</b>	<b>-3%</b>	<b>-6%</b>	<b>23%</b>
Virtualys	6%	21%	117%
Dunkerque LNG	416%	346%	299%
VIP THE-ZTP	-36%	-35%	-51%
Zeebrugge	-2%	-13%	43%
Storage	14%	6%	182%
VIP BENE	-21%	-29%	-31%
Hilvarenbeek L	-9%	3%	13%
<b>Exit IP</b>	<b>5%</b>	<b>8%</b>	<b>73%</b>
Blaregnies L	-12%	-9%	-13%
Virtualys	-1%	-6%	-12%
VIP THE-ZTP	-28%	-40%	474%
Storage			
Zeebrugge	348%	292%	269%
VIP BENE	-31%	60%	265%
<b>Total</b>	<b>0%</b>	<b>-1%</b>	<b>40%</b>

Note: Positive values indicate that the actual contracted capacity was higher than the forecast. Percentages above 10% are marked in red. Percentages above 100% are additionally marked in bold.

- (44) The Agency concludes that the forecasted capacity values for such a long period can potentially affect the cost-reflectivity of tariffs at the various points of the network. Under a postage stamp methodology, a deviation in network utilisation compared to the forecast would not affect the cost-reflectivity of tariffs applicable to individual points, which is the case under the CWD methodology.
- (45) Beyond the duration of the tariff period, the Agency notes that Fluxys does not provide sufficient transparency and information on the forecasted contracted capacity values and on the methodology used to calculate them.
- Regarding the forecasted contracted capacity values, Fluxys does not provide the values applicable for each IP border and for domestic exits calculated for each year.
  - Regarding the methodology used to forecast contracted capacity, Fluxys provides some general information related to the expected flows and the capacity patterns per point (entries, IP exits and domestic exits)<sup>10</sup>. This information is not sufficient to explain the possible deviations

<sup>10</sup> See pages 11-12 of the consultation document.

observed in the previous tariff period and does not draw lessons to prevent such deviations. These deviations are shown in Table 5 above.

- (46) The Agency recommends that CREG:
- Provide additional information on the calculation of the forecasted capacity that is an input to the RPM. For this purpose, CREG should publish the expected gas volumes to be transported by the Belgian transmission network and the forecasted contracted capacity. This information should be published for each border, for domestic exit points, and for entry points from and exit points to storage, on yearly basis, pursuant to Articles 26(1)(a)(i) and 30(1)(a) of the NC TAR.
  - Publish the methodology concerning the forecast of contracted capacity pursuant to Articles 26(1)(a)(i) and 30(1)(a) of the NC TAR.
- (47) In addition, the Agency invites CREG to publish and assess the difference between the forecasted capacity and the realised contracted capacity for each year, starting with the values for the period 2020 to 23. This information should help improve the future contracted capacity forecast, for which there has been significant deviations in the past, and should be made available for each border, for domestic exit points, and for entry points from and exit points to storage. The assessment should review the impact that these differences have on tariffs.

#### 4.4 Cost allocation assessment

- (48) Fluxys provides several results for the CAA calculation. The result of the CAA for the tariffs applicable for four years is 6.3%. The results calculated for the tariffs that would be applicable for each of the individual years are: 7.4% (2024), 6.1% (2025), 4.6% (2026) and 4% (2027).
- (49) Since the CAA values for the proposed RPM are within the 10% threshold laid out in Article 5(6) of the NC TAR and they do not need further justification.

#### 4.5 Comparison with the CWD methodology

- (50) Fluxys provides a comparison with the CWD methodology which differs with the proposed methodology in the entry-exit split and on the equalisation of the entry points. The comparison supports the choice of the proposed CWD methodology to set tariffs for the Belgian network.

## 5. Assessment of the proposed reference price methodology applicable to the L-gas network

### 5.1 Description of the L-gas network

- (51) As from 2024, the BE market will complete the phase out of L-gas imported from the Netherlands. Fluxys plans to continue transporting L-gas from the Netherlands to France. For this purpose, Fluxys will continue the use its infrastructure to transport this gas across the Belgian network.

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- (52) The consultation document states that L-gas will only flow from the Netherlands to France, without exiting into Belgium<sup>11</sup>. The consultation document provides a zero forecast for the contracted capacity at the exit to Belgium.
- (53) The Agency notes that, as communicated by Fluxys, there is a non-transmission service to exit L-gas to Belgium. The Agency understands that this service is not offered on the basis of firm capacity as it depends on multiple factors such as the compared L-gas and H-gas pressures in the respective networks. The Agency further understands that the volumes nominated at this point are marginal (approximated by Fluxys to 1-2% of the total L-gas flows).
- (54) The Agency recommends that Fluxys:
- Provide the forecast for the nominations at the L-gas exit to Belgium. This is a requirement according to Article 26(1)(a)(i) and Article 4(4) of the NC TAR, as this service is a non-transmission service.
  - Should the service be offered on firm basis, CREG should set a tariff at the L-gas exit to Belgium based on the RPM. This is a requirement pursuant to Article 6(3) of the NC TAR. In addition, CREG should assess the potential cross-subsidisation between consumers exiting to the Belgian and French networks, including by calculating the CAA. This is a requirement pursuant to Article 26(1)(a)(iv) of the NC TAR.

### 5.2 Proposed postage stamp methodology

- (55) Fluxys proposes to set tariffs for these points based on a postage stamp methodology, with the same entry-exit split as the one proposed for the CWD methodology for the H-gas network. The resulting tariffs are based on the forecasted contracted capacity and the allowed revenue of the L-gas network. They result in a significant increase of tariffs for the period between 2024 and 2027, partly resulting from the decrease in capacity utilisation. The resulting tariff would be multiplied by a factor of 10 at the entry point Hilvarenbeek L (from €0.851/kWh/h/year to €9.366/kWh/h/year) and by a factor of almost 13 at the exit point Blaregnies L (from €1.387/kWh/h/year to €19.016/kWh/h/year).
- (56) The Agency points out that a complete analysis of the methodology is not possible as the information provided on the parameters that are an input to the methodology - the forecasted contracted capacity and the allowed revenue -, is insufficient.

### 5.3 L-gas contracted capacity forecast

- (57) Fluxys provides the forecasted capacity values to be used for the calculation of the tariffs applicable for L-gas. These values are shown in Table 3 above. The Agency notes that a number of stakeholders responding to the consultation<sup>12</sup> have expressed concerns about these values being lower than the expected L-gas contracted capacity. Such an approach could potentially result in a revenue over-recovery.

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<sup>11</sup> See, for example, the forecasted exit capacity at Belgian L-gas domestic exits in page 12 of the consultation document.

<sup>12</sup> See stakeholder responses from CRE and Engie

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- (58) The Agency notes that Fluxys does not discuss the methodology nor the supporting data used to forecast the L-gas contracted capacity. Fluxys clarified to the Agency that the forecasted contracted capacity for the L-gas network is based on the Market Conversion Review Report<sup>13</sup> and on the same seasonality and booking patterns used for forecasting capacity in the H-gas.
- (59) The Agency recommends CREG to justify the values and the parameters used as a forecast to for the contracted capacity in addition to providing the details of the methodology used for this purpose. This is required by Article 26(1)(a)(i) of the NC TAR.
- (60) The Agency further notes that the impact that the capacity forecast can have on L-gas tariffs can be minimised by establishing a dedicated regulatory account for L-gas. This is discussed in the next section.

### 5.4 L-gas regulatory account and revenue reconciliation

- (61) Fluxys does not clarify in the consultation how the revenue from the L-gas infrastructure will be reconciled.
- (62) While the infrastructure dedicated to the H- gas and L-gas networks is subject to the same allowed revenue methodology applied for Fluxys, tariffs are calculated separately for each of these networks using different RPMs and different cost baskets. The separate treatment of the L-gas infrastructure as well as its specific group of network users justifies a separate reconciliation of the revenue recovered through tariffs applicable to the L-gas network.
- (63) From the moment the L-gas network will solely transport gas to France, expected to take place from 2024 onwards, the reconciliation of the L-gas revenue should be based on a separate regulatory account.

### 5.5 Transparency requirements applicable to the allowed revenue of the L-gas network

- (64) In the consultation document, Fluxys provides the yearly allowed revenue to be allocated via tariffs. This values are presented in Table 6 below:

Table 6: Fluxys' transmission revenue for H-gas and L-gas, 2024-27. Source: Fluxys tariff consultation.

	2024	2025	2026	2027	2024-2027
Transmission revenue	245.346.123€	252.973.864€	258.803.715€	263.733.162€	1.020.856.864€
Transmission revenue H-gas	228.064.617€	235.601.026€	241.352.185€	246.166.360€	951.184.189€
Transmission revenue L-gas	17.281.505€	17.372.837€	17.451.530€	17.566.802€	69.672.675€

- (65) The Agency notes that this approach is based on a split of assets, where the tariffs for L-gas are calculated based on a separate basket of costs that are allocated using a separate methodology. As such, the Agency remarks that the transparency requirements that are, by default, applicable to

<sup>13</sup> The report is commissioned by the IEA, ENTSOG and the Dutch Ministry of Economic Affairs and Climate Change. It can be found in the following link: <https://open.overheid.nl/repository/ronl-799bf1135fd9e757adda54e34f9147975d92802/1/pdf/l-gas-market-conversion-review.pdf>

the allowed revenue of the TSO, should also be applied separately to the L-gas assets. The purpose of the allowed revenue transparency requirements is to allow users to understand the costs that are allocated through tariffs. The transparency requirements proposed in Article 30(1)(b)(iii) of the NC TAR should therefore be applied individually to the allowed revenue used for the transport of L-gas transport.

- (66) Fluxys provides limited information to allow users understanding how the costs of the L-gas network are established. Normally, the costs of the TSO are established on an NRA decision where the RAB is set. In the case of the L-gas infrastructure, there is no similar decision providing transparency on these assets. Stakeholders have expressed their concerns about this information being insufficient to adequately explain how the costs to be allocated through tariffs are established<sup>14</sup>.
- (67) The Agency recommends that CREG:
- Apply the transparency requirements on allowed revenue including for the publication of the CAPEX, OPEX and costs of capital for the L-gas network infrastructure. This is a requirement under Article 30(1)(b) of the NC TAR.
  - Clarify how the RAB revaluation is applied to the assets that will be used to transport L-gas. This is a requirement under Article 30(1)(b) of the NC TAR.
- (68) Finally, in relation to the costs that are relevant for both networks (e.g. legal services, etc.), the Agency invites CREG to clarify how the split of revenue between the L-gas and H-gas network is performed in the future.

## 6. Compliance

### 6.1 Does the RPM comply with the requirements set out in Article 7?

- (69) Article 27(2)(b)(1) of the NC TAR requires the Agency to analyse whether the proposed reference price methodology complies with the requirements set out in Article 7 of the NC TAR. This article refers to Article 13 of Regulation (EC) 715/2009 and lists a number of requirements to take into account when setting the RPM. As these overlap, in the remainder of this chapter, the Agency will take a closer look at the five elements listed in Article 7 of the NC TAR.

#### 6.1.1 Transparency

- (70) **Article 7(a)** of the NC TAR requires that the RPM aims at ensuring that network users can reproduce the calculation of reference prices and their accurate forecast.
- (71) The Agency finds that the simplified tariff model for the H-gas and L-gas networks allows to reproduce and forecast tariffs.
- (72) The Agency remarks that setting a longer tariff period aims at ensuring the predictability of tariffs and at limiting volatility. Overall, this facilitates transparency for the forecast of tariffs. The Agency

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<sup>14</sup> See consultation responses from CRE, Engie, FEBEG, GRTGaz, Luminus.

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observes that under the current market conditions, and in view of the accumulated over-recovery, such a long tariff period could require changes in tariffs not foreseen at the beginning of the tariff period.

- (73) The Agency concludes that the proposed RPMs, together with the simplified model, are compliant with Article 7(a) of the NC TAR. At the same time, the Agency remarks that the longer duration of the tariff period, under the current market conditions, and in the context of a significant accumulated over-recovery, can potentially difficult the compliance with the requirement under this Article.

### 6.1.2 Cost-reflectivity

- (74) **Article 7(b)** of the NC TAR requires the RPM to take into account the actual costs incurred for the provision of transmission services, considering the level of complexity of the transmission network.
- (75) Regarding the proposed CWD methodology for the H-gas network, and based on the analysis in chapters 4 and 7, the Agency concludes that the proposed CWD methodology is appropriate for the Belgian network based on its technical characteristics. At the same time, the information included in the consultation document, and made available bilaterally by Fluxys and CREG, does not allow concluding that the input parameters to the RPM, in the context of a four year tariff period, ensure the compliance with the principle of cost-reflectivity. This applies in particular to the proposed contracted capacity forecast and the allowed revenue, the latter being affected by the reconciliation of the regulatory account accumulating a significant over-recovery. ACER provides in this document the relevant analysis and recommendations on these topics that CREG should take into account when publishing its motivated decision pursuant to Article 27(4) of the NC TAR. The Agency notes that a shorter tariff period, set for a duration of, for example 1 year, would significantly improve the visibility over the calculation of tariffs and, as a result, its cost-reflectivity, ensuring the compliance of the proposed methodology with this requirement.
- (76) Regarding the proposed postage stamp methodology for the L-gas network, and based on the analysis in chapters 5 and 7, the Agency cannot conclude that the proposed RPM is compliant with the requirement on cost-reflectivity. Fluxys does not provide sufficient information to assess the input parameters to the RPM, namely the forecasted contracted capacity and the allowed revenue. These issues are assessed above under chapter 5. The compliance of the proposed RPM with the requirement on cost-reflectivity is subject to CREG sufficiently taking into account the recommendations made in that chapter that are related to the duration of the tariff period, the capacity forecast, the separate reconciliation for the L-gas network and the additional clarity on the established allowed revenue.

### 6.1.3 Cross-subsidisation

- (77) **Article 7(c)** of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation.
- (78) Regarding the proposed CWD methodology for the H-gas network, the Agency notes that the CAA results are within the 10% threshold laid out in Article 5(6) of the NC TAR and does not require further justification. At the same time, the Agency remarks that the compliance with this requirement

is also subject to an accurate forecast of the contracted capacity. The Agency refers in section 4.3 to the significant deviation in the contracted capacity forecast used by Fluxys in the current tariff period. The existence of systematic deviations across the forecast used for different borders can result in cross-subsidies between these points. This is further aggravated if the forecast has to be provided for a longer tariff period in the current market conditions. An inaccurate capacity forecast can furthermore raise concerns about the use of a methodology, such as the CWD, which sets the tariffs at individual points based on the capacity forecast established per point. The compliance with the requirement on cross-subsidisation rests on the capacity of the TSO to establish an accurate forecast for the contracted capacity. The Agency refers to its recommendation to establish a shorter tariff period as a way to ensure the compliance with the requirement with cross-subsidisation and to the review of the contracted capacity forecast that is referred to under paragraph (47).

- (79) Regarding the proposed postage stamp methodology for the L-gas network, the Agency concludes that the proposed RPM is compliant with the requirement of preventing undue cross-subsidisation. The L-gas network is used to transport gas from the Netherlands to France so cross-subsidies between the intra-system and cross-system use of the network are not possible. At the same time, the Agency refers to paragraph (54) of this report for CREG to provide further information on the volumes and the firmness of the capacity used to exit L-gas to Belgium.
- (80) The Agency concludes that both methodologies are compliant with the requirement of ensuring non-discrimination.

### 6.1.4 Volume risk

- (81) **Article 7(d)** of the NC TAR requires that the RPM ensures that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system.
- (82) The Agency concludes that the methodologies for H-gas and L-gas are both compliant with the requirement on volume risk. At the same time, the Agency recommends that CREG consider the assessment made in the recently study commissioned by ACER on the *Future Regulatory Decisions on Natural Gas: Repurposing, Decommissioning and Reinvestments*<sup>15</sup>. In particular, Chapter 3 on the *Decommissioning of natural gas assets*, assesses the risk and regulatory instruments that can be used for network infrastructure in a context of decreasing demand. This is precisely the context that the L-gas infrastructure faces in Belgium.

### 6.1.5 Cross-border trade

- (83) **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade.
- (84) Regarding the proposed postage stamp methodology for the H-gas network, the compliance with the requirement on cost-reflectivity is subject to the proposed methodology complying with the

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<https://www.acer.europa.eu/sites/default/files/documents/Media/News/Documents/Future%20Regulation%20of%20Natural%20Gas%20Networks%20-%20Final%20Report%20DNV.pdf>

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requirement on cost-reflectivity. The considerations made on the input parameters to the RPM and on the duration of the tariff period should be addressed to ensure that the compliance with the requirement on the non-distortion of cross-border trade is met.

- (85) Regarding the proposed postage stamp methodology for the L-gas network, the Agency concludes that the proposed RPM is compliant with the requirement of not distorting cross-border trade.

### 6.2 Are the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) met?

- (86) Article 27(2)(b)(2) of the NC TAR requires the Agency to analyse whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met.
- (87) The use of commodity-based transmission tariffs is an exception. Only part of the transmission services revenue may be recovered by commodity-based transmission tariffs. Fluxys proposes to apply commodity-based transmission tariffs, more specifically a flow-based charge.
- (88) The Agency notes that Fluxys does not provide, in the consultation document, a forecast for the energy prices (gas and electricity), nor a forecast of the gas quantities to be transported in the network. This is a requirement for the consultation document pursuant to Article 26(1)(c)(ii) of the NC TAR. In the absence of this information The Agency cannot assess the compliance with the criteria criteria set in Article 4(3).

Table 7 Criteria Article 4(3a)

Criteria	Y/N?
Levied for the purpose of covering the costs mainly driven by the quantity of the gas flow	Can't be assessed
Calculated on the basis of forecasted or historical flows, or both, and	Can't be assessed
Set in such a way that it is the same at all entry points and the same at all exit points	Yes
Expressed in monetary terms or in kind	Yes

### 6.3 Are the criteria for setting non-transmission tariffs as set out in Article 4(4) met?

- (89) Article 27(2)(b)(3) of the NC TAR requires the Agency to analyse whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.
- (90) In the consultation document it is proposed to make use of non-transmission tariffs. The following services are recovered via non-transmission tariffs:
- Pressure Service;
  - Odourisation;
  - Quality Conversion;
  - Zeeplatform;
  - Hub services.

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- (91) Fluxys explains in the consultation document (p. 22-23) that “*the applied tariff methodology is a costs based methodology and is the identical to the one that applies for current tariffs: each service receives its relevant part of each types of the regulated costs*”.
- (92) Fluxys refers in the consultation to the share of revenue that non-transmission represents as part of the total allowed revenue. This share is aggregated for all non-transmission tariffs without specifying the revenue related to each individual service. This is shown in Table 8 below.

Table 8: Allowed revenue for non-transmission revenue and share of the total allowed revenue. Source: Fluxys consultation.

	2024	2025	2026	2027	2024-2027
<b>Non-transmission revenue</b>	63.290.945€	64.010.936€	65.087.063€	66.128.456€	258.517.400€
<b>Share of allowed revenue</b>	21%	20%	20%	20%	20%

- (93) During this assessment, the TSO provided to ACER the details of the allowed revenue set for the proposed non-transmission services. These are summarised in Table 9 below.

Table 9: Fluxys allowed revenue for non-transmission services 2024-27. Source: FLuxys.

	2024	2025	2026	2027
<b>Domestic services (pressure service + odourisation)</b>	39.035.888	39.331.145	39.999.775	40.639.771
<b>Hub services</b>	4.471.997	4.552.493	4.629.885	4.703.963
<b>Other small services</b>	7.926.067	8.068.736	8.205.905	8.337.199
<b>Cross border delivery with GRTgaz</b>	11.856.993	12.058.561	12.251.498	12.447.522
<b>Total</b>	63.290.945	64.010.936	65.087.063	66.128.456

- (94) The non-transmission revenue is reconciled as set out in Article 17(3) of the NC TAR. The over- and under- recoveries of non-transmission revenue are reconciled using the regulatory account together with the reconciliation of the rest of the transmission revenue.
- (95) The Agency notes that the consultation document gives only a high-level and partial view of the non-transmission tariffs in Belgium that does not allow the Agency to assess compliance with the criteria referred to in Article 4(4) of the NC TAR.
- (96) This same shortcoming was already part of the tariff consultation carried out by Fluxys in 2018. The ACER report already then pointed out the need to amend this point to ensure compliance with the requirements of the NC TAR. The Agency notes that the same type of incompliance remains unsolved with regard to non-transmission services.
- (97) The Agency concludes that the consultation is incompliant with the requirement laid out in Article 26(1)(c)(i) of the NC TAR. As a result, the Agency cannot assess the compliance of the proposed non-transmission tariffs with the requirements under Article 4(4) of the NC TAR.
- (98) The Agency recommends CREG to take the necessary steps to comply with the requirements laid out in Article 4(4) of the NC TAR with a view to ensuring that the applicable tariffs are cost-reflective, non-discriminatory, objective and transparent in addition to being charged to the beneficiaries. This assessment should include:

- The non-transmission services provided by the TSO.
- The methodology used to calculate the non-transmission tariffs for each service.
- The parameters and the values of the parameters (e.g. allowed revenue, cost drivers) used to calculate the applicable non-transmission services.

## 7. Other comments

### 7.1 Belgian Solidarity Contribution Law

- (99) The Belgian Government passed a law on 26 December establishing a solidarity contribution<sup>16</sup> payable by Fluxys to the Belgian state (Solidarity Contribution Law). The Agency does not assess this legislative act as it is outside the scope of this report, which is set under Article 27(2) of the NC TAR.
- (100) The solidarity contribution consists of a one off payment of EUR 300 million, which has been paid by Fluxys on 13 January 2023. The Agency understands that CREG will take a decision on the approval of these costs. The Agency remarks that Articles 19(5) and 20 of the NC TAR might be applicable.
- (101) The Agency acknowledges the extraordinary market circumstances taking place. In the regulation applicable to electricity markets<sup>17</sup>, a response to this context is reflected in Article 9(1) of Council Regulation (EU) 2022/1854<sup>18</sup> which foresees “*by way of derogation from Union rules on congestion income, [that] Member States may use the surplus congestion income revenues resulting from the allocation of cross-zonal capacity to finance measures in support of final electricity customers*”.

### 7.2 Regulatory account

- (102) Fluxys’ regulatory account accumulated an over-recovery of EUR 393 million by 31 December 2018<sup>19</sup>. In 2019, CREG proposed to reconcile this revenue with the aim of decreasing the accumulated over-recovery to EUR 100 million by 2023<sup>20</sup>.
- (103) The Agency notes that Fluxys and CREG already publish information on the reconciliation of the regulatory account as part of several documents<sup>21</sup>. However, this data is not sufficiently clear as it

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<sup>16</sup> The law can be consulted in the following link:  
[https://www.ejustice.just.fgov.be/mopdf/2022/12/30\\_1.pdf#Page17](https://www.ejustice.just.fgov.be/mopdf/2022/12/30_1.pdf#Page17).

<sup>17</sup> The Agency refers to a relevant reference applicable to natural gas networks in recital 40 of the Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases

<sup>18</sup> Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices applicable to electricity markets

<sup>19</sup> See page 12: <https://www.creg.be/sites/default/files/assets/Publications/Decisions/B656G-41FR.pdf>

<sup>20</sup> See footnote 19.

<sup>21</sup> See the publication requirements pursuant to Article 30 of the NC TAR (<https://www.fluxys.com/-/media/project/fluxys/public/corporate/fluxyscom/documents/fluxys-belgium/commercial/tariffs/transmission/before-2022/20211231---publication-article-30-for-2022---dec-2021.pdf>), and CREG’s 2022 decision: <https://www.creg.be/sites/default/files/assets/Publications/Others/Z1110-12FR.pdf>

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does not allow establishing a complete overview of the different costs involved and the progress made to achieve the targets set.

- (104) According to the information provided to ACER by Fluxys, EUR 94 million were returned to users in 2022 and EUR 109 million are being returned in 2023. This plan approximated the EUR 100 million target to be achieved in 2023. However, Fluxys communicated to the Agency that during 2022 more capacity was sold than it had been forecasted. CREG will establish the final value of the regulatory account in 2023. This evolution is summarised in Table 10 below.

Table 10: Fluxys' regulatory account and revenue reconciliation, 2018-23. Source: Fluxys.

	2018	2019	2020	2021	2022	2023
Revenue reconciliation	-22,939,907	-22,363,850	-70,901,111	-49,980,625	not available	not available
Accumulated over-recovery in the regulatory account	393,285,503	370,921,652	300,020,541	250,039,916	not available	not available

- (105) Based on the publically available information, and based on the reconciliation trajectory in the last years, including the substantial increase in sold capacity in 2022, the Agency recommends that CREG ensure that the under- and over-recoveries are minimised and that significant differences between the tariffs of two consecutive tariff periods are avoided. This is a requirement pursuant to Article 17 of the NC TAR. For this purpose, the Agency refers to its recommendation of applying a shorter tariff period with the aim of increasing transparency on the regulatory account, facilitating the reconciliation of the regulatory account, and minimising future under- and over- recoveries. In addition, ACER remarks the importance of CREG ensuring that the reconciliation of the regulatory account stays on track to achieve the target of EUR 50 million by the end of 2027<sup>22</sup>.
- (106) The Agency further invites CREG to expand the details applicable to the regulatory account that are required for publication under in Article 30(1)(b)(vi) and Article 30(1)(b)(vii). For this purpose, the Agency invites CREG, as part of the publication under Article 30 of the NC TAR, to gather in a single table the following data points, since 2018 and up to the day of publication date. This should enable users tracking the progress made since the 2019 commitment to reduce the regulatory account and should allow tracking the progress made to achieve the targets proposed by CREG. The Agency invites CREG to provide transparency on these points until the regulatory account returns to levels comparable to those of other EU TSOs. The data points include:
- Yearly under- and over- recoveries that are attributed to the regulatory account distinguishing the revenue resulting from congestion.
  - Yearly under- and over- recoveries, not related to congestion, which are reconciled with the allowed revenue. CREG can provide the value and the percentage these amounts represent as part of the allowed revenue.
  - Yearly congestion revenue returned to network users via network tariffs. CREG can provide the value and the percentage these amounts represent as part of the allowed revenue.

<sup>22</sup> See page 21 of the consultation document.

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- Net congestion revenue attributed to a specific account separate from the regulatory account as laid out under Article 19(5) of the NC TAR.
- Net position of the regulatory account by the end of the year not including congestion revenue.
- Net position of the regulatory account by the end of the year including congestion revenue.
- Value of the yearly allowed revenue pre- and post- reconciliation of the regulatory account.

(107) Finally, the Agency invites CREG to assess the extent to which decreases in transmission tariffs resulting from the reconciliation of the regulatory account are reflected in end-consumers invoices.

### 7.3 Congestion revenue

(108) The gas crisis of 2022 and in particular the significant decrease in Russian pipeline flows to the EU has led to a change in the flows of gas imports to the EU. Russian imports diminished significantly and the EU gas infrastructure designed to transport gas from East to West was used to flow gas in the opposite direction, replacing Russian gas as much as possible with LNG. These imports have led to significant infrastructure congestion and hence have generated large and unprecedented congestion revenues. The borders most significantly concerned are in Belgium, the Netherlands, France and Germany, in addition to LNG terminals in North West EU.

(109) In the case of Belgium, the premia resulting from congestion amounted to EUR 515 million in 2022, compared to much lower amounts in the previous years (e.g. EUR 1.6 million in 2021). CREG has communicated to ACER an estimated amount of EUR 320 million of congestion revenue expected for 2023. This totals EUR 835 million of congestion revenue to be logged in the regulatory account for these two years.

#### 7.3.1 Proposed use of the congestion revenue

(110) The NC TAR provides rules to deal with the revenue resulting from congestion revenue. According to Article 19 of the NC TAR: *“The national regulatory authority may decide to use this auction premium for reducing physical congestion or, where the transmission system operator functions only under a non-price cap regime, to decrease the transmission tariffs for the next tariff period(s) as set out in Article 20”*.

(111) Fluxys explains in the consultation its plan to return to users EUR 460 million of congestion revenue. Fluxys additionally communicated to the Agency its plan to invest EUR 240 million to reinforce the Belgian network and reduce its internal bottlenecks.

(112) In addition, Fluxys has paid a solidarity contribution of EUR 300 million decreasing its regulatory account with that same amount.

(113) Based on the information made available in the consultation and in bilateral exchanges on the revenue resulting from congestion and based on the proposed use of this revenue, the Agency provides the following recommendations to CREG:

(114) First, provide additional transparency on the accumulated congestion revenue and on its use. The Agency recommends that CREG continue attributing the congestion revenue amounts to a specific account separate from the regulatory account, as laid out in Article 19(5) of the NC TAR.

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- (115) Second, on the congestion revenue that is returned to users via tariffs, the Agency invites CREG to follow the publication format described in paragraph (106) above.
- (116) Third, on the congestion revenue used to invest in network infrastructure, CREG should identify clearly the projects that will be financed with congestion revenue. The NRA should detail how each project is expected to alleviate congestion. Article 30(1)(b)(vii) of the NC TAR requires to provide information on the intended use of the auction premium.

### 7.4 Fluxys RAB revaluation

- (117) The Agency remarks that Fluxys' allowed revenue methodology, set by CREG, includes a revaluation that increases the value of the RAB from EUR 1128 million to EUR 2078 million. RAB revaluations are rare as part of the allowed revenue methodologies of EU gas TSOs and are subject to an NRA justification, as required by Article 41(1)(6) and Article 41(1)(16) of Directive 2009/73/EC. The DNV study *Future Regulatory Decisions on Natural Gas: Repurposing, Decommissioning and Reinvestments*<sup>23</sup> refers to revaluations in the cases of Belgium, Hungary, Slovakia, and Finland. The Agency remarks that the allowed revenue methodology can impact the cost-reflectivity of tariffs and falls under the scope of Article 27(2) of the NC TAR.
- (118) ACER refers to Fluxys' RAB revaluation in the report as Fluxys does not comply with the publication requirements of Article 30 of the NC TAR<sup>24</sup>. Articles Article 30(1)(b)(iii)(3)(a)-(b) of the NC TAR require describing the methodologies to determine the initial value of the assets and the methodologies used to re-evaluate the assets. Fluxys solely states that "*revaluations of the assets were calculated based on the difference with the booked value when the initial RABs were approved by the CREG*" without providing any additional information. The publication of this information is not required to be made part of the consultation. However, the information required by Article 30 of the NC TAR related to the revaluations of the RAB should be published at the time of launching the consultation. The incompliance with the publication requirements under Article 30 of the NC TAR therefore limits the information available to stakeholders on allowed revenue as part of the tariff consultation pursuant to Article 26 of the NC TAR. The Agency does not assess the compliance of this revaluation in this Report.
- (119) Upon request, CREG has provided to the Agency a reference of the 2003 decision<sup>25</sup> establishing the revaluation of the RAB and a later reference to the revaluation in the allowed revenue methodology dating from 2022<sup>26</sup>, where the value of the revaluation is mentioned.

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<sup>23</sup><https://www.acer.europa.eu/sites/default/files/documents/Media/News/Documents/Future%20Regulation%20of%20Natural%20Gas%20Networks%20-%20Final%20Report%20DNV.pdf>

<sup>24</sup> <https://www.fluxys.com/-/media/project/fluxys/public/corporate/fluxyscom/documents/fluxys-belgium/commercial/tariffs/transmission/2023-january/20221130---publication-article-30-for-2023---1-dec-2022-vf.pdf>

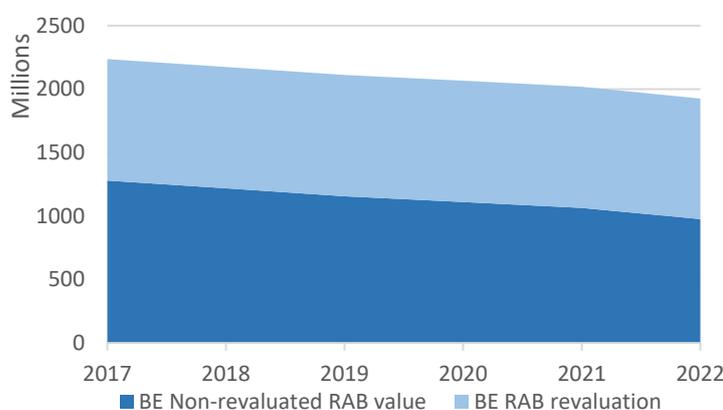
<sup>25</sup> <https://www.creg.be/sites/default/files/assets/Publications/Guidelines/Div-R219FR.pdf>

<sup>26</sup> <https://www.creg.be/sites/default/files/assets/Publications/Others/Z1110-12FR.pdf>

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- (120) Based on this information, the Agency has only been able to build a minimum understanding of the role that the revaluation plays in the broader allowed revenue methodology. To the understanding of the Agency, the revaluation was approved as a modification of the opening value of the RAB in 2003. This opening value results in a revaluation that remains constant until 2050 at a level of EUR 950 million increasing the value of the RAB to EUR 2.079 million<sup>27</sup>. This is shown in Figure 1 below over the 2017-22 period. The revenue that the TSO is allowed to recover on the revaluation is calculated multiplying the costs of capital (calculated as the weighted average cost of capital – WACC-) times the value of the revaluation. On the basis of the 4.79% WACC approved for the 2024-27 period, this results in EUR 45 million per year, which over 4 years results in EUR 182 million. Fluxys nevertheless communicated to the Agency, that this value has to be further adjusted based on the applicable gearing ratio. Fluxys and CREG did not provide the exact amount that is allocated to tariffs on a yearly basis but estimated it at around EUR 25 million/year, which amounts to EUR 100m for the next four years.

Figure 1 Re-valued RAB as part of the total RAB for Belgium 2017 - 2022



- (121) The Agency emphasizes the importance of providing transparency on the allowed revenue methodologies, including on the parameters and the values. ACER proposed in its 2018 Allowed Revenue Report<sup>28</sup> a revision of the allowed revenue publication requirements with a view to providing greater clarity to stakeholders.
- (122) The Agency recommends that CREG publish the methodologies used to determine the initial value of the assets and to revalue assets, as required by Article 30(1)(b)(iii)(3)(a)-(b) of the NC TAR. This information is currently not included by Fluxys under the publication requirements pursuant to Article 30.
- (123) In addition, the Agency invites CREG to provide additional transparency on the revaluation by publishing, as part of the Article 30 requirements of the NC TAR, the following elements:
- Description of how the allowed revenue of the TSO resulting from the RAB revaluation is calculated.
  - Yearly allowed revenue amount resulting from the RAB revaluation that is an input to the RPM.

<sup>27</sup> See page 29. <https://www.creg.be/sites/default/files/assets/Publications/Others/Z1110-12FR.pdf>

<sup>28</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/ACER%20Report%20Methodologies%20Target%20Revenue%20of%20Gas%20TSOs.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20Methodologies%20Target%20Revenue%20of%20Gas%20TSOs.pdf)

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- (124) Finally, the Agency recommends that CREG publish the details on the application of the revaluation to the infrastructure to transport L-gas. This recommendation can be found in paragraph (67).

## Annex 1: Legal framework

(125) Article 27 of the NC TAR reads:

1. *Upon launching the final consultation pursuant to Article 26 prior to the decision referred to in Article 27(4), the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority, shall forward the consultation documents to the Agency.*

2. *The Agency shall analyse the following aspects of the consultation document:*

*(a) whether all the information referred to in Article 26(1) has been published;*

*(b) whether the elements consulted on in accordance with Article 26 comply with the following requirements:*

*(1) whether the proposed reference price methodology complies with the requirements set out in Article 7;*

*(2) whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met;*

*(3) whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.*

3. *Within two months following the end of the consultation referred to in paragraph 1, the Agency shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document, and the Commission the conclusion of its analysis in accordance with paragraph 2 in English.*

*The Agency shall preserve the confidentiality of any commercially sensitive information.*

4. *Within five months following the end of the final consultation, the national regulatory authority, acting in accordance with Article 41(6)(a) of Directive 2009/73/EC, shall take and publish a motivated decision on all items set out in Article 26(1). Upon publication, the national regulatory authority shall send to the Agency and the Commission its decision.*

5. *The procedure consisting of the final consultation on the reference price methodology in accordance with Article 26, the decision by the national regulatory authority in accordance with paragraph 4, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII may be initiated as from the entry into force of this Regulation and shall be concluded no later than 31 May 2019. The requirements set out in Chapters II, III and IV shall be taken into account in this procedure. The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2019.*

(126) Article 26(1) of the NC TAR reads:

1. *One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:*

*(a) the description of the proposed reference price methodology as well as the following items:*

*(i) the indicative information set out in Article 30(1)(a), including:*

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- (1) *the justification of the parameters used that are related to the technical characteristics of the system;*
  - (2) *the corresponding information on the respective values of such parameters and the assumptions applied.*
- (ii) *the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;*
- (iii) *the indicative reference prices subject to consultation;*
- (iv) *the results, the components and the details of these components for the cost allocation assessments set out in Article 5;*
- (v) *the assessment of the proposed reference price methodology in accordance with Article 7;*
- (vi) *where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii);*
- (b) *the indicative information set out in Article 30(1)(b)(i), (iv), (v);*
- (c) *the following information on transmission and non-transmission tariffs:*
  - (i) *where commodity-based transmission tariffs referred to in Article 4(3) are proposed:*
    - (1) *the manner in which they are set;*
    - (2) *the share of the allowed or target revenue forecasted to be recovered from such tariffs;*
    - (3) *the indicative commodity-based transmission tariffs;*
  - (ii) *where non-transmission services provided to network users are proposed:*
    - (1) *the non-transmission service tariff methodology therefor;*
    - (2) *the share of the allowed or target revenue forecasted to be recovered from such tariffs;*
    - (3) *the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);*
    - (4) *the indicative non-transmission tariffs for non-transmission services provided to network users;*
- (d) *the indicative information set out in Article 30(2);*
- (e) *where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity:*
  - (i) *the proposed index;*
  - (ii) *the proposed calculation and how the revenue derived from the risk premium is used;*
  - (iii) *at which interconnection point(s) and for which tariff period(s) such approach is proposed;*
  - (iv) *the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.*

(127) Article 7 of the NC TAR reads:

*The reference price methodology shall comply with Article 13 of Regulation (EC) No 715/2009 and with the following requirements. It shall aim at:*

- a) *enabling network users to reproduce the calculation of reference prices and their accurate forecast;*
- (b) *taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;*
- (c) *ensuring non-discrimination and prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5;*

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*(d) ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;*

*(e) ensuring that the resulting reference prices do not distort cross-border trade.*

(128) Article 13 of Regulation (EC) No 715/2009 reads:

*1. Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(1) of that Directive, shall be transparent, take into account the need for system integrity and its improvement and reflect the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including an appropriate return on investments, and, where appropriate, taking account of the benchmarking of tariffs by the regulatory authorities. Tariffs, or the methodologies used to calculate them, shall be applied in a nondiscriminatory manner.*

*Member States may decide that tariffs may also be determined through market-based arrangements, such as auctions, provided that such arrangements and the revenues arising therefrom are approved by the regulatory authority.*

*Tariffs, or the methodologies used to calculate them, shall facilitate efficient gas trade and competition, while at the same time avoiding cross-subsidies between network users and providing incentives for investment and maintaining or creating interoperability for transmission networks.*

*Tariffs for network users shall be non-discriminatory and set separately for every entry point into or exit point out of the transmission system. Cost-allocation mechanisms and rate setting methodology regarding entry points and exit points shall be approved by the national regulatory authorities. By 3 September 2011, the Member States shall ensure that, after a transitional period, network charges shall not be calculated on the basis of contract paths.*

*2. Tariffs for network access shall neither restrict market liquidity nor distort trade across borders of different transmission systems. Where differences in tariff structures or balancing mechanisms would hamper trade across transmission systems, and notwithstanding Article 41(6) of Directive 2009/73/EC, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles, including in relation to balancing.*

(129) Article 4(3) of the NC TAR reads:

*3. The transmission services revenue shall be recovered by capacity-based transmission tariffs. As an exception, subject to the approval of the national regulatory authority, a part of the transmission services revenue may be recovered only by the following commodity-based transmission tariffs which are set separately from each other:*

*(a) a flow-based charge, which shall comply with all of the following criteria:*

- (i) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;*
- (ii) calculated on the basis of forecasted or historical flows, or both, and set in such a way that it is the same at all entry points and the same at all exit points;*
- (iii) expressed in monetary terms or in kind.*

*(b) a complementary revenue recovery charge, which shall comply with all of the following criteria:*

- (i) levied for the purpose of managing revenue under- and over-recovery;*
- (ii) calculated on the basis of forecasted or historical capacity allocations and flows, or both;*

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*(iii) applied at points other than interconnection points;*

*(iv) applied after the national regulatory authority has made an assessment of its cost-reflectivity and its impact on cross-subsidisation between interconnection points and points other than interconnection points.*

(130) Article 4(4) of the NC TAR reads:

*4. The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given nontransmission service. Such tariffs shall be as follows:*

*(a) cost-reflective, non-discriminatory, objective and transparent;*

*(b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both.*

*Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.*

## Annex 2: List of abbreviations

Acronym	Definition
<b>ACER</b>	Agency for the Cooperation of Energy Regulators
<b>ENTSOG</b>	European Network of Transmission System Operators for Gas
<b>NRA</b>	National Regulatory Authority
<b>TSO</b>	Transmission System Operator
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>MS</b>	Member State
<b>NC TAR</b>	Network code on harmonised transmission tariff structures for gas
<b>IP</b>	Interconnection Point
<b>VIP</b>	Virtual Interconnection Point
<b>RPM</b>	Reference Price Methodology
<b>CWD</b>	Capacity Weighted Distance
<b>CAA</b>	Cost Allocation Assessment
<b>RAB</b>	Regulated Asset Base
<b>OPEX</b>	Operational Expenditures
<b>CAPEX</b>	Capital Expenditures