

## Febeliec answer to the CREG consultation on the definitive modalities for the determination of the incentives for Elia in the regulatory period 2024-2027

Febeliec would like to thank CREG for this consultation on the definitive modalities for the determination of the incentives for Elia in the regulatory period 2024-2027. As already indicated during many previous consultations, Febeliec does in principle not agree with an approach under which Elia gets incentives for tasks that are according to Febeliec mostly part of the core business of this regulated monopolist. However, from a pragmatical point of view, Febeliec has observed that some of these incentives seem to have the desired effect and as such Febeliec will not oppose the application by the CREG of certain incentives, insofar that they lead to clear and unambiguous improvements of the situation for Belgian grid users.

On the consultation itself, Febeliec wants to make following comments to the proposed incentives:

- Incentive for the improvement of energy-efficiency of the sub station buildings of Elia: While Febeliec has no objection against improving the energy efficiency of Elia's substation buildings, it wonders whether an additional incentive should be given to Elia for installing solar panels and/or systems to control heating from distance as Febeliec considers these part of the normal operation of a transmission system operator as a "good housefather", while such improvements would also lead to lower energy costs and thus in themselves create an incentive for the TSO to do them as it would create additional cost reduction margin compared to the agreed ex ante tariff proposal, part of which would then already be attributed to Elia shareholders.
- Incentive for the improvement of market integration and security of supply (Cf. art 24 of the tariff methodology): Febeliec strongly supports the CREG in selecting such an incentive, as the accomplishment of the incentive as described by CREG would clearly improve the situation for Belgian grid users and even more general grid users in all Member States as this would also be beneficial towards the creation of a truly integrated European electricity market. On the exact parameters, as Febeliec has not conducted the analyses done by CREG, it is difficult to say whether the selection of Elia grid load as proxy as well as the concrete formulas are the most optimal choice, but Febeliec has all confidence that CREG has conducted a thorough and in-depth analysis, building on many other analyses from the CREG on market integration and market functioning and historic experiences. On the proposal itself, Febeliec can agree with an allocation of 75% to the day-ahead timeframe, but would like to see more specifically specified that the remaining 25% should be allocated to the intraday but also balancing timeframe, as Febeliec is of the opinion that TSOs can take additional measures to ensure that between the (beginning of the) intraday timeframe and the real-time balancing timeframe additional capacity is allocated to the market functioning, as more detailed and short term data becomes available and uncertainties reduce. Especially in light of the on-going integration of the Belgian balancing market in the European market (through a.o. MARI and PICASSO), having as much as possible cross-border capacity available in the balancing timeframe will have an important dampening impact on the costs for grid users of the reservation of balancing capacity. As such, Febeliec strongly insist that sufficient attention is also given to ensure that Elia has the right incentives to ensure that this cross-border capacity is increased as much as possible by its actions (e.g. increase/decrease process, real-time recalculation of capacity, ...). Taken into account the above, Febeliec can agree with the CREG on the proposed approach with four components, insofar the proposed components cover all elements relevant for Belgian grid users, while also aligning the actions of Elia with those of the Belgian grid users, also in their interaction with other actors in other control areas. Febeliec also agrees with the proposed approach of the CREG to make some parameters and thus objectives more stringent over time and insists that this is for example also applied to the day-ahead timeframe as on-going action plans in certain Member States should be finalized during the new tariff period and thus minRAMs improve, meaning that objectives can and should be sharpened to ensure that these result in a continuous extra strive for Elia to perform better.
- Incentive for timely realisation of important infrastructure projects: This incentive is according to Febeliec superfluous, as this is for Febeliec a core task for the TSO (Cf. above-mentioned comment on this), but Febeliec pragmatically can accept the proposal from the CREG under the condition that the attribution of this incentive is indeed as proposed, being 100% if all projects for a specific year are realised in time, 80% if only maximum one project is not delivered on time and 0% if this threshold is not met. Febeliec however wants to reiterate a comment it has also already previously made on this point, as it wonders what approach CREG will apply if a

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*Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 39 companies (Air Liquide, Air Products, Aluminium Duffel, Aperam, ArcelorMittal, Arlanxco Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Beaulieu International Group, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Etex, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Janssen Pharmaceutica, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyxstar Belgium, Oleon, Pfizer, Proxiums, Sol, Solvay, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.*

project is not realized in a timely fashion, as planned, after which a perverse effect could occur where Elia could lose focus on the continuation of the (already delayed) project, thus maybe pushing final delivery even further out on the time horizon. A solution for this could be to include non-timely delivered important infrastructure projects in the list of the next year (possibly with already a malus applied), thus also including them under the methodology for the attribution of the incentive and in any case limiting further delays with a maximum of one year or the application of the built-in penalty in the incentive.

- Incentive for the improvement of the quality of the service (Cf. art 25 of the tariff methodology): Febeliec approves the approach from CREG of including customer satisfaction for existing connections as well as the functioning of the Users' Group and its different sub-groups. As Elia takes an ever more central place in the discussion on the Belgian electricity landscape, whether because of legal and regulatory obligations or its own volition, it is according to Febeliec ever more important that Belgian grid users can indicate how they evaluate the functioning of the Users' Group and the collaboration with Elia. Febeliec also is satisfied that all existing connections are taken into scope for customer satisfaction.
- Incentive on the quality of data provided to the market: For Febeliec, this is again a core task of Elia and should not be subject to an incentive. This taken into account, Febeliec can live with such an incentive if the attribution of the incentive to Elia is indeed a reflection of a significant improvement in the data provisioning, both in timeliness and exactness of data, as data is crucial to all market actors for fulfilling their tasks and only Elia has access to and can provide a large part of the required data for this.
- Incentive on innovation: Febeliec takes note of this incentive, which resembles previous incentives on this point. Febeliec can only approve such incentive insofar (cumulatively) this incentive leads to new projects with new subsidies, the topics and projects are clearly innovative and useful for Belgian grid users, and that it is only applicable to the regulated activities of Elia. Innovation for which the benefits are (partially or totally) applicable to non-regulated activities should not (partially or totally) fall under this incentive.
- Incentive on the improvement of the continuity of supply: Febeliec has no comments to this incentive, but insists on the importance of continuous supply for industrial consumers, as interruptions can have very negative effects, both financially and from a safety perspective, and should thus as much as possible be avoided.
- Incentive on the availability of the Modular Offshore Grid (MOG): Febeliec takes note of this incentive, but cannot give any appreciation as the document does not state how the described planned and unplanned interruptions will be taken into account in the calculation of the incentive. For Febeliec, it is clear that real force majeure events can, to a certain extent (for example with respect to the duration of the issue), be excluded in the determination of this incentive, but issues with maintenance, protections, cable issues, platform issues etc cannot be so easily discounted for the calculation of the incentive and should be included in the scope of the determination as here there is a clear impact from Elia actions. For Febeliec it is important that the MOG is as much available as possible. Hence, this incentive should be a real incentive for Elia to go the extra mile, as for Febeliec it would otherwise just be part of a core task of the TSO and thus not need to be subject to an incentive. Febeliec asks CREG to provide a better insight in the method for the determination of this incentive, which was already requested for the current tariff period but which has not yet been provided.

Febeliec strongly urges CREG to indicate the amounts it intends to allocate to these incentives, as it is important for Febeliec that Elia is not underfinanced (and thus maybe unable to fulfil its regulated duties) nor overfinanced (and thus creating windfall profits for the shareholders). For Febeliec such incentive schemes should in any case not become a major part of the remuneration of Elia and should, as already earlier indicated, only be used for exceptional purposes and only when they lead to clear and unambiguous improvements of the situation for Belgian grid users.