


 Febeliec answer to the CREG project of decision 1718 for the modification of CREG Decision (Z)141218-CDC-1109/7  
To  consult.1718;   
Cc  febeliec

Please find below the Febeliec answer to the CREG project of decision 1718 for the modification of CREG Decision (Z)141218-CDC-1109/7 on the tariff methodology for the transport and local transport grids for electricity with respect to the Modular Offshore Grid and the storage of electricity.

In case of questions, please do not hesitate to contact us.

Kind regards,

Michaël

**Febeliec answer to the CREG project of decision 1718 for the modification of CREG Decision (Z)141218-CDC-1109/7 on the tariff methodology for the transport and local transport grids for electricity with respect to the Modular Offshore Grid and the storage of electricity**

Febeliec would like to thank the CREG for this consultation on its project of decision 1718 for the modification of CREG Decision (Z)141218-CDC-1109/7 on the tariff methodology for the transport and local transport grids for electricity, with respect to the regulatory framework for the Modular Offshore Grid (MOG) and the storage of electricity.

With respect to the modifications of the tariff methodology related to the MOG project does Febeliec follow the approach of the CREG to limit the number of risk factors that are retained for the analysis, as indeed a wide range of risk factors can be to a large extent influenced by Elia, e.g. during the contractual negotiations, and as such should not be subject to any additional remuneration. Febeliec takes note of the additional remuneration of €20.057.511 accepted by the CREG for the retained risk factors. Febeliec also takes note of a reduced depreciation period of 30 years for offshore grid elements instead of 33 or even 50 years which is applicable for onshore grid elements. The combination of both results into an additional risk premium of 1,4% for 30 years on the regulated asset base of the MOG project to compensate for the (perceived) increased risk exposure of the MOG. Febeliec can accept aforementioned approach on condition of a monitoring of aforementioned perceived risk exposure and to the extent that this risk profile is validated and consistent throughout this shortened depreciation period, as these costs will have to be borne by the grid users. Febeliec also takes note of the list of non-controllable costs which is to be extended to include a range of elements linked to offshore grid elements and which are thus to be covered by the grid tariffs. This approach is acceptable to Febeliec to the extent that these costs are truly uncontrollable costs and cannot be influenced by actions by the TSO.

With respect to the modification of the tariff methodology with respect to storage of electricity, Febeliec is heavily surprised by the approach taken by the CREG. Indeed, one of the guidelines of art12§5 of the Electricity Law stipulates that the regulator *can* (but does not have to) specify a separate tariff regime for the storage of electricity as an incentive to promote electricity storage on a *non-discriminatory* and *proportional* basis. In point 4.2.2 of this project of decision, the CREG itself stipulates, correctly, that the current tariff methodology already incorporates an incentive for electricity storage facilities, more precisely the tariff for the yearly peak offtake during (winter) working days between 17h and 20h, which can indeed be reduced to zero by operators of storage facilities under a judicial operational regime for these facilities.

Febeliec is thus surprised that the CREG deems necessary to create an additional incentive for owners of such facilities. Febeliec was even more surprised after the analysis of the results of the external study by Deloitte on request by the CREG to benchmark the Belgian situation with a broad range of European Member States, as this study concludes that the Belgian transmission network charges for electricity storage facilities are currently **45% lower** than the average of those in Austria, Denmark, France, Finland, Germany, Great Britain, Luxembourg, the Netherlands, Norway and Sweden! Even when special regimes in only two of those countries, Germany and Austria (only for pump storage), are taken into account, the Belgian grid tariffs are **still 24 to 22% lower** than the average! Febeliec draws from this the same conclusion as Deloitte: *"storage in Belgium does not seem to be disadvantaged regarding the transmission network charges compared to the other studied countries"*. Moreover, Deloitte even states: *"This conclusion is even stronger when the comparison is limited to the countries with pumped storage facilities"*. Febeliec thus, based on this benchmark requested by the CREG, does not see any reason for additional incentives, as such measures cannot be deemed proportional.

Febeliec is also very surprised that the CREG states that *"it is the purpose of the legislator to stimulate the retention and development of storage of electricity in the framework of the energy transition on a similar basis as the mechanism of incentives that was introduced in Germany"*. Febeliec has no knowledge of the explicit request from the legislator to copy a German special regime and does not see this transposition of a German mechanism reflected in the corresponding article of the Electricity Law nor mentioned in the Explanatory Memorandum. Febeliec remarks that, as the analysis from Deloitte on request of the CREG clearly shows, the position of electricity storage in Belgium with respect to transmission network charges is already very favourable as compared to the average of the broad range of countries analysed. However, Febeliec would also like to point out to the CREG that the Explanatory Memorandum to the modification of the Law clearly mentions a benchmark for the transmission grid tariffs for industrial consumers, and that in light of the creation of a level-playing field, it would be advised to include such benchmark of the transmission grid tariffs for industrial consumers with the neighbouring countries in the tariff methodology, especially as in France, the Netherlands and Germany certain profiles of grid users can obtain up to 90% reduction of their transmission grid tariffs. In any case, as a benchmark already exists for transmission grid tariffs for producers and the CREG now extends this approach to storage, it would be advisable to extend the scope of benchmarking further to all grid users, thus also including the consumers.

Moreover, Febeliec has questions with respect to the non-discriminatory nature of a mechanism which makes a distinction between new facilities, which get a **full exemption of grid tariffs for 10 years** (both injection and offtake, although the grid is extensively and dually used by these storage facilities) on the one hand and existing facilities on the other hand, which can obtain either an exemption for **80%** of the transmission network charges for **5 years** (again both injection and offtake, although the grid will extensively and dually be used by these storage facilities) under condition that the installed capacity and/or stored energy quantity is increased due to extension projects with more than 7,5%, **and this on the entire installation and not only the extension**, or, if this last condition of a mere 7,5% increase is not fulfilled, the existing facility gets no exemption. Despite the fact that, as described above, already implicit incentives exist for electricity storage facilities in Belgium and that the transmission network charges are already substantially lower than the average of the observed countries in the analysis requested by the CREG, Febeliec has major concerns with the very low threshold of 7,5% which is applied to grant a very substantial exemption of grid tariffs on the complete installation as well as the arbitrary distinction the application of such threshold creates between existing installations. This is clearly **not** proportionate, as requested by the Electricity Law. For Febeliec, any incentive, if any would already additionally be required, a condition which is currently not fulfilled according to Febeliec and based on the analysis by Deloitte on request from the CREG, could only be given for major extensions and even then only proportional to the extension itself and not for any existing and already partially or completely depreciated assets. The latter would only create an additional cost for grid users and consumers in particular, without any additional added value for them nor the electricity system as a whole, leading to windfall profits for the operators of these existing electricity storage assets.

Moreover, Febeliec takes note of the different treatment for installations connected to the transport grid and local transport grid on the one hand and the other grids on the other hand. And Febeliec also takes note of the comment from the CREG that the provision of an (according to Deloitte and Febeliec non-warranted incentive) would also create a discriminatory treatment vis-à-vis any potential future offshore storage facilities. Febeliec is surprised from the CREG's position that, even though support measures for offshore storage facilities are explicitly prohibited by the Electricity Law, the CREG does not draw as a conclusion from this that no support should überhaupt be given to storage facilities, but rather uses the non-discrimination argument to argue for an extension of the proposed support measures to these offshore facilities, against the explicit wishes of the legislator, who already received recommendations from the CREG on this matter in an earlier phase and yet decided not to follow those recommendations of the regulator when modifying the Electricity Law.

Based on all the above, Febeliec can only voice its strongest concern of the proposed approach of the CREG, as it strongly believes that the study from Deloitte shows that no incentives are needed to create a level-playing field for Belgian electricity storage facilities as they already enjoy a favourable position with respect to transmission network charges, which would lead to non-proportional support, while at the same time such unwarranted support could also create discrimination between different electricity storage facilities based on their location and/or newly build or extended status. Febeliec does strongly object the proposed changes to the tariff methodology from the CREG on this aspect.

Last but certainly not least, Febeliec likes to underline the need to avoid that exemptions granted to storage facilities would lead to higher grid tariffs for other grid users, in particular those for whom benchmarking already shows a competitive disadvantage.