

ERGEG Gas Focus Group / Storage & Balancing TF

Guidelines for Good Practice for Gas Storage System Operators (GGPSSO)

Storage National Reports – BELGIUM / CREG

March 2006

1 Background information on storage in your country

1.1. Update of the information already presented in the 2005 Regulators' national reports, especially in case of further developments regarding the storage in market (or anything else affecting the storage market) in your country

There has been no development of the storage infrastructure. Belgium still has 2 storages: one aquifer (600.000.000 m³(n) storage volume, 500.000m³(n)/h maximal deliverability, 250.000m³(n)/h maximal injection capacity) and one LNG peak-shaving storage (55.000.000 m³(n) storage volume, 500.000m³(n)/h maximal deliverability, injection through unloading LNG trucks).

The allocation rule is designed by the SSO (Fluxys) within the tight framework set by national legislation, which gives priority to grid users delivering gas to distribution grids. As a consequence, there were only 2 users (in addition to Fluxys itself) in 2005. A third one is expected to come in 2006, as the market slowly develops on the distribution level.

GGPSSO are still not fully implemented, in particular with respect to secondary markets and short term services. However, Fluxys is in the process of developing those aspects, giving priority to the introduction of short term services, which is planned later this year.

1.2. Description of your competences in the area of storage and of the role of any other bodies/entities involved (where applicable examples of the decision making process would be helpful, i.e. for tariff/price setting or capacity allocation mechanisms).

CREG has the competence to approve ex ante the tariffs submitted by the SSO (Fluxys). This used to be done on yearly basis, though a new gas act published in june 2005 plans the introduction of multi-annual tariffs (based on 4-years tariff periods). The introduction of the first multi-annual tariffs is currently expected to be 1 january 2007.

CREG has the competence to approve ex ante the allocation rules submitted by the SSO (Fluxys).

Other bodies (various parts of the ministry) are involved with the safety and permitting aspects for developing and operating storage facilities.

2 Effective implementation of the GGPSSO

2.1 Roles & responsibilities of Storage System Operators

2.2.1. Existence of a document setting out all terms and conditions for the use of storage by affiliates under GGPSSO § 1.3 and overall assessment:

- *is such document in line with the general requirements of non discrimination contained in the GGPSSO?*

Fluxys uses a standard storage contract, which is currently under review by CREG. The same standard terms apply to all users, including the affiliate company. Fluxys is also in the process of developing a storage code which will apply to all users, including the affiliate company.

2.2 Necessary TPA services

2.2.1. Institutional arrangements surrounding exclusion of capacity from TPA:

- *what entities are responsible for making decisions on this matter;*
- *what role does each of them play in the overall process?*

No facility is entirely excluded from TPA. Fluxys (TSO) uses some storage capacity to cover its operational needs. The portion used by Fluxys is approved by CREG through its approval of the tariffs submitted by Fluxys (tariffs are based on costs, including the costs of booking own capacity). The storage volume booked by Fluxys is entirely and exclusively reserved for Fluxys. The injection and deliverability capacities booked by Fluxys are offered to the market as interruptible capacities.

2.2.2. Role of your regulatory authority (and any other bodies/entities involved) in designing the menu of services offered by the SSO:

- *is it completely up to the SSO to design services offered or is a relevant national regulatory authority consulted or in charge of approving this offering?*

The SSO has the responsibility to design a menu of services which is submitted for approval to the regulator. CREG cannot impose Fluxys to offer any service but can reject submissions which are not satisfactory. In practice, Fluxys consults on a regular and informal basis with both storage users and CREG. CREG also consults both on formal and informal basis with the storage users.

2.2.3. Storage services tariffs/pricing methodologies:

- *is your regulatory authority (or any relevant national regulatory authority) involved (e.g. by benchmarking storage tariffs, by regulating tariffs)?*

See question 1.2: CREG has the competence to approve ex ante the tariffs submitted by the SSO (Fluxys). This used to be done on yearly basis, though a new gas act published in june 2005 plans the introduction of multi-annual tariffs (based on 4-years tariff periods). The introduction of the first multi-annual tariffs is currently expected to be 1 january 2007.

CREG participates in various benchmarking exercises, but hasn't yet organised its own. However, please note that CREG cannot benchmark Belgian storages among themselves, as there are only 2, of very different types.

2.2.4. Overall assessment of the menu of services offered by the SSO(s):

- *are storage services offered in a way that facilitates competitive, non-discriminatory, and efficient access to best meet storage users' needs (in accordance with the requirements of the GGPSSO 3.3)?*

See question 2.2.2: Fluxys consults on a regular and informal basis with both storage users and CREG. CREG also consults both on formal and informal basis with the storage users. The menu of services offered is currently satisfactory, and is still evolving. The main barrier to access, however, lies with the allocation rule (see question 1.1). As there is only limited storage capacity, storage is permanently congested, and capacity is solely allocated to grid users delivering gas to distribution grids.

2.3 Capacity allocation and congestion management

2.3.1. Capacity allocation procedures and congestion management mechanisms, and the development of competition:

- *are these arrangements likely to create undue barriers to market entry and not prevent market participants, including new market entrants and companies with a small market share, from competing effectively (in accordance with the requirements of the GGPSSO 4.1.a&c) ?*

See question 2.2.4. The SSO (Fluxys) is currently in the process of developing its offer of short term (interruptible) services, based on the temporarily unused capacity, in order to lower access barriers and grant access to any user to the storage services.

2.3.1. Description of the relationship between storage contract durations and capacity allocation procedures / congestion management

The yearly storage capacity is allocated on a yearly basis, which means that no booking can last longer than one year.

There are anti-hoarding mechanisms in place in the case that storage capacity would remain unused, but it has not been necessary to use them hitherto.

2.3.3. Description of the relationship between PSO (Public Service Obligations) and capacity allocation procedures/congestion management

See question 2.2.4.

2.4 Confidentiality

2.4.1. Overall assessment of the arrangements in place to ensure that no information available to the SSO concerning its storage business is passed to other parts of the any affiliate (e.g. databases related to storage operations kept separate, new IT systems being developed in vertically integrated undertakings developed separately for the storage business, separate buildings for the SSO and for the supply business):

- *have these arrangements been monitored and by whom?*
- *are these arrangements effective?*

SSO and TSO are integrated within Fluxys, but Fluxys is fully separate from other affiliates (legal and operational unbundling, though no ownership unbundling). Fluxys offices are physically located in another building than affiliates, and Fluxys has its own IT and databases.

2.4.2. Overview of the content of the code of conduct/compliance programme with main strengths/weaknesses highlighted

Fluxys has drafted a code of conduct, which is mandatory under the prevailing legislation. According to that legislation, part of the code of conduct only should be published, which is the case. The CREG has reviewed the whole document. The content is in line with the legal prescriptions:

Art. 42. §1. The transmission company shall pursue an active internal and external policy of anti-discrimination and transparency.

To this end, the transmission company shall draw up a compliance programme containing adequate internal and external policy rules.

§2. The internal policy rules contain in particular:

1° the procedures to be respected by the employees of the transmission company in their contacts with network users;

2° the standing rules, drawn up in implementation of Article 39;

3° the rules pertaining to the treatment of questions and files of network users.

The internal rules may differ according to the category of employees they apply to.

§3. The external policy rules contain the principles of non-discrimination and transparency applied by the transmission company in its relations with suppliers, contractors and subcontractors, other service providers and network users.

2.4.3. *If compliance to the confidentiality requirements of the GGPSSO is poor:*

- *is it an issue for the development of the market for the storage capacity?*

As far as CREG is aware, confidentiality issues are not hampering the development of the storage market.

2.5 Transparency

2.5.1. *Description, where applicable, of the process followed in case some of the information required by the GGPSSO is not published by the SSO(s) in your jurisdiction (e.g. notification to national regulator)*

The SSO has not published some data because there are at the moment only 2 users (outside Fluxys himself as TSO for his own operational purposes) and one user requested Fluxys not to publish. Fluxys' decision not to publish has been discussed with CREG.

2.5.2. *Description, where applicable, of the process followed in case a storage user has made a request to a SSO so that the information about the aggregate use of storage is not published (e.g. review of the decision made by to national regulator).*

CREG has been notified of non-publication (together with underlying reasons) and this has been discussed with Fluxys, though this has not lead to any formal review.

2.6 Secondary markets

2.6.1. *General assessment of the extent to which secondary markets are developed or undeveloped in your jurisdiction*

Secondary markets for storage are underdeveloped. In 2005 there has been one trade of gas in store, and no capacity trade. This is due in part to the allocation rule (see above).

3 Need for other measures beyond the GGPSSO

3.1. *Proposal of additional measures, at European level, if indeed the GGPSSO are not sufficient to ensure fair, transparent and non discriminatory conditions for access to storage, in the light and in the spirit of Directive 2003/55.*

- Introduce anti-hoarding measures into historical contracts, when the capacity is unused.
- Increase mandatory transparency on available capacity and historical flows and volume in store, regardless of the number of storage users.