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## COMMISSION FOR ELECTRICITY AND GAS REGULATION

# **ANNUAL REPORT 2014**

## **TO THE**

# **EUROPEAN COMMISSION**

## **SYNOPSIS**

October 27<sup>th</sup> 2014

## **I. Unbundling**

### **I.1 Certification of the TSOs**

No legislative amendments occurred in 2013 as regards the rules on unbundling the transmission system operator that were added to the Electricity and Gas Act through the Belgian transposition legislation of 8 January 2012. A limited number of points in those rules were, however, either partly annulled (e.g. Article 9, § 1 of the Electricity Act) or made conditional on the interpretation imposed by the Constitutional Court in its ruling no. 117/2013 of 7 August 2013.

### **I.2 Interconnector (UK) Limited for the Belgium-UK interconnector**

On 14 March 2013, the CREG approved a draft decision on the certification application by Interconnector (UK) Limited on the basis of the full ownership unbundling model submitted to the CREG on 3 December 2012. The draft decision was sent for the European Commission to issue an opinion on 22 March 2013. The European Commission sent its opinion to the CREG on 16 May 2013, in which it stated it had no objections to raise against the transitory period requested by Interconnector (UK) Limited to fully comply, by 3 March 2015 at the latest, with the unbundling requirements stipulated in Article 9 of Directive 2009/73/EC of 13 July 2009. On 11 July 2013, the CREG approved the certification application from Interconnector (UK) Limited and imposed a set of conditions on Interconnector (UK) Limited which need to be met by 3 March 2015 at the latest.

### **I.3 Closed distribution networks**

The act of 26 December 2013 relating to various provisions on energy (Belgian Official Journal of 31 December 2013) amended the Electricity Act on closed industrial networks. The federal legislation applies to closed networks only when their nominal voltage is higher than 70 kV, and thus not to all closed networks connected to the transmission system.

No closed networks were notified to the CREG in 2013 further to the eighteen existing closed networks already reported to it in 2012.

In its judgment of 9 July 2013, the Constitutional Court annulled the provisions of the Gas Act dealing with closed industrial networks, with the exception of those provisions relating to tariffs, inasmuch as these provisions are applicable to closed industrial networks which are in the regional authorities' area of competence. The Court considered that these provisions attempted to govern matters that are under the regions' competence.

For both, electricity and gas, the CREG received no questions or complaints relating to tariffs from closed network users in 2013.

In Flanders, three existing private networks were granted the status of closed distribution network during 2013, in addition to the three networks recognised in 2012. The three are all industrial sites. As regards gas, no gas distribution network was recognised as closed distribution network in Flanders in 2013.

## II. Network regulation

### II.2 Technical functioning

#### II.2.1 Balancing and ancillary services, network security and reliability and the standards and requirements on quality of service and supplies

**Electricity:** In 2013, Elia introduced a proposed change to the market's operating rules regarding the offsetting of 15-minute imbalances, to apply (partly) from 1 October 2013 and in full from 1 January 2014. The CREG approved this proposal from Elia in a decision on 4 July 2013.

Following CREG's intervention, a Coo-Tihange black start test with re-establishment of supply to the Tihange auxiliaries using power generated at Coo was successfully conducted by Elia and Electrabel in January 2013.

In 2013, a tertiary reserve product intended for facilities connected to the distribution system in Wallonia was introduced (R3DP 2014). Following an invitation to tender and a short-listing procedure by the DSOs concerned, 36 access points (four in the Walloon region) signed an ancillary services supply contract with Elia through a flexibility service provider. This product will be extended to 2015.

On average, the electricity supply to Flemish consumers was interrupted 0.47 times over the course of 2013 because of incidents on the medium voltage network, compared with 0.52 times in 2012, and 0.05 times as a result of incidents on the low voltage network. Consequently, medium voltage customers had no electricity for an average of 19 minutes 24 seconds in 2013, and low voltage customers for an average of 7 minutes 23 seconds. The main cause of incidents was broken cables (medium and high voltage). In conclusion, system availability is very high.

Summary quality metrics calculated for the year 2013 for distribution systems in Wallonia are as follows:

- unavailability: 0:53:47
- frequency: 1.16
- service recovery time: 0:46:14

Unavailability in the Brussels-Capital region increased compared with 2012. Sibelga explains this is caused by eight incidents recorded in 2013 on the TSO's system affecting the distribution network. Unavailability excluding service interruptions following failures on third party networks was 00:18:13, the main cause of interruptions being defects on cables.

**Natural gas:** The basic principles for the new market-based balancing model, in force since 1 October 2012, is accepted by the majority of market participants.

There were no service interruptions or reductions in 2013. The introduction of the new entry/exit model launched on 1 October 2012 made it possible to compile a new portfolio of services which has been carried over into the natural gas transmission programme after consultation with the market stakeholders concerned. The proposed portfolio of services was assessed during 2013 in conjunction with market stakeholders. New natural gas transmission services are likely to be offered on the market over the course of 2014 by the natural gas transmission system operator.

#### II.2.2 Monitoring connection and repair times

**Electricity:** In 2013, 11 customers of the TSO Elia suffered supply interruptions during nine separate incidents, lasting an aggregate time of 7.06 hours. On the federal transmission system, the AIT

(Average Interruption Time) was 2 minutes 45 seconds, and the AID (Average Interruption Duration) was 19 minutes 48 seconds. There were 61 incidents on the transmission system in 2013.

The total number of new connections carried out in Flanders in 2013 (low and medium voltage) is 29,253, being a slight fall compared with the number of actual connections in 2012 (29,971). As in 2012, one in 20 users suffered a power failure in 2013 following a low voltage supply interruption. Average repair time in 2013 was 2 hours 27 minutes (2 hours 2 minutes in 2012). In terms of weighted averages, a distribution system user connected to the Flemish distribution system experienced power failure for 7 minutes 23 seconds in 2013 (7 minutes 24 seconds in 2012).

For Wallonia, TSOs received 143 complaints in 2013 regarding power supply interruptions lasting more than 6 hours, of which 54 were accepted and gave rise to compensation payments totalling €7,644.12. As regards delayed connections, only nine requests for compensation citing this reason were received by TSOs in 2013.

For the Brussels-Capital region in 2013, only two complaints (gas and electricity combined) were received about failing to meet statutory deadlines, which is a very substantial drop from 2012 when 21 complaints were received. According to the TSO's figures, the average time between receiving a complete request for a low voltage connection, payment and power being supplied was 27.51 working days in 2013.

**Natural gas** : In 2013, three new connections were completed, two for end customers (25 and 21 months respectively) and one for public distribution (44 months).

As regards unplanned repairs (post-incident) in 2013, Fluxys Belgium carried out all repairs in one day, with the exception of Antwerp (14 days) and Lier (19 days). All repairs took place after consultation with the end user and/or shipper to prevent any lack of natural gas.

Total annual growth in natural gas distribution system connections in Flanders has remained stable over recent years and is slightly above 2%.

To replace a measuring device, the normal service interruption time is 15 minutes. Eandis and Inter-Energa report average times of two hours, but they also include simultaneous pipe cleaning or connection review work. The average time spent working on networks is 2 hours for Infrac and 4 hours for Eandis.

In 2013, the average service interruption time for unscheduled work for low-voltage end customers in Flanders was 2 hours 10 minutes, and 3,195 customers were affected. The average service interruption time for medium-voltage customers in 2013 was almost 1 hour 53 minutes, and 118 customers were affected.

In 2013, there were 15 incidents during which a number of customers were affected and the natural gas supply had to be cut (six in 2012 and 7 in 2011). Ten incidents were caused by drainage work, two by an explosion, one by damage to a bore hole and one by water leakage. The average service interruption time per customer affected, of which there were 251 in total, was almost 23 hours 24 minutes.

In Wallonia, 14 requests for compensation regarding delayed connections were received by system operators in 2013.

In Brussels-Capital, just two complaints for missing the connection completion deadline (20 working days from receipt of payment in full) were recorded by the DSO in 2013, compared with six in 2012.

### **II.2.3 Monitoring conditions for access to storage facilities**

As it did for the 2012/2013 storage season, Fluxys Belgium organised an auction on 28 November 2012 to allocate annual storage capacity for the 2013/2014 season. On this occasion, Fluxys Belgium failed to allocate the available capacity; it managed to allocate just 48% of the available capacity for annual services, a total of 180 Mm<sup>3</sup>(n) being sold.

Fluxys Belgium prepared a proposal in conjunction with the CREG with a view to selling the unsold capacity. The proposal, submitted for the CREG's approval on 24 January 2013, makes provision for the incorporation of medium-term services within long-term services, and offers more flexibility in the way capacity is offered on the market. The changes proposed by Fluxys Belgium entail the incorporation of medium-term services within long-term services, thereby eliminating the distinction between the two. In addition, the amounts per service duration are not fixed, but determined depending on market conditions and the periods for services already allocated at the time. The available volume is actually split on an ad-hoc basis in conjunction with the market and is determined by the special terms and conditions governing subscription windows and auction windows. Such windows are announced by Fluxys Belgium's publication of an allocation calendar. The CREG felt that the proposed changes offered more possibilities to Fluxys Belgium to sell available storage services and that widening the range of services is also of benefit to storage users. The CREG approved the proposed changes.

### **II.2.4 Monitoring safeguarding measures**

In 2013, the Belgian government did not implement any safeguarding measures required following a sudden crisis in the energy market.

### **II.2.5 RES: Report on connection, access and dispatching regimes for RES-E, in particular on priority issues. Report on the balancing responsibility for RES-E.**

In 2013, no request for access to Elia's transmission network for electricity generated from renewable energy sources was rejected. In 2013, the total installed capacity of offshore wind turbines increased by 185.7 MW over 2012, reaching a total of 566.1 MW.

A fall of over 87% (in terms of installed capacity) in solar panels entering service was seen in Flanders from 2012 to 2013.

In Brussels-Capital, no power-generating facility using renewable energy sources was refused network access by the DSO in 2013. Sibelga carried out three new medium-voltage connections.

## **II.3 Network tariffs**

**Electricity:** Following the ruling by the Brussels Court of Appeal on 6 February 2013, annulling the CREG's tariff decision of 22 December 2011, Elia has introduced a corrected tariff proposal on 2 April 2013 for the 2012-2015 regulatory period, which the CREG approved on 16 May 2013.

Following the amendment to the Electricity Act by the programme act (I) of 28 June 2013 the CREG was asked to draw up a proposed amendment to the royal decree of 16 July 2002 on the introduction of mechanisms aimed at promoting electricity generated using renewable energy sources. The new royal decree of 17 August 2013 amends the basis on which the offshore surcharge is billed (from gross power offtake from the grid to the net electricity taken by each end customer for its own use). It also makes provision, for a six-month period (from 1 July 2013 to 31 December 2013), for a degressivity and capping mechanism on the surcharge benefiting large industrial consumers, by

means of a partial refund of sums paid out under the offshore surcharge. Given that these reductions are paid for out of the state budget, this amendment has no influence on the surcharge's unit amount. On 5 December 2013, the CREG prepared a proposal for calculation of the surcharge intended to offset the net actual cost borne by the system operator resulting from the obligation to buy and sell green power certificates in 2014. This proposal was prepared on the basis of Elia's 13 September 2013 report and on data collected from offshore wind farms' owners regarding their future investments, their previous actual generation and their projections concerning future generation.

The ministerial decree of 17 December 2013, setting the surcharge to be applied in 2014 by Elia to offset the net actual cost resulting from the obligation to buy and sell green power certificates in 2014 (Belgian Official Journal of 20 December 2013), stipulates the figure for the aforementioned surcharge as €3.9132/MWh, as proposed by the CREG. This figure is €1.70/MWh higher (77%) than the surcharge figure in 2013, €2.2133/MWh. The main reason for this increase is the increase in 2013 and early 2014 in the installed capacity of the Northwind wind farm (+ €0.96/MWh) and the impact of changing the billing basis from limited gross to net power offtake (+ €0.31/MWh).

Through decisions issued on 26 April 2012, the CREG extended application of the 2012 distribution network tariffs until 31 December 2014 inclusive. Distribution network tariffs have consequently been kept at the same level in 2012, 2013 and 2014.

**Natural gas:** The tariffs applied by Fluxys Belgium SA for 2013 for connection to and use of the transmission network as well as for storage services and auxiliary services are identical to those of 2012, excluding the rate of inflation. The Fluxys LNG SA tariffs for 2013 for the use of the Zeebrugge LNG terminal facilities are identical to those of 2012, excluding the rate of inflation.

In April 2012, the CREG extended application of the approved 2012 distribution tariffs until 31 December 2014. As a result, there was no change in distribution systems' tariffs between 2012 and 2013.

## II.4 Cross-border issues

### II.4.1 Access to the cross-border infrastructure, including capacity allocation procedures and congestion management

**Electricity :** Gross electricity imports continued to rise in 2013. Gross physical imports in fact totalled approximately 17.2 TWh in 2013, compared with 16.8 TWh in 2012, and gross physical exports increased to around 7.6 TWh in 2013 compared with 6.9 TWh in 2012. Net physical imports in 2013, in contrast, were down slightly to approximately 9.6 TWh, compared with 9.9 TWh the previous year.

**Natural gas :** Fluxys Belgium is a founder member of PRISMA and is an active partner. To allow transmission capacity to be offered through PRISMA, amendments were needed in various places in the standard contract for natural gas transmission, the access rules for natural gas transmission and the natural gas transmission programme. After consultation and in the wake of the CREG's remarks, which were backed up by several other regulators, PRISMA modified its general T&C for use of the primary capacity platform, and published the new version on its website on 19 February 2013 (intended to come into force from 1 April 2013). As the new version of the general T&C forms an integral part of the access rules for natural gas transmission and was carried over into the appendix attached to Annex B, entitled "Service Subscription and Allocation" Fluxys Belgium submitted on 6 March 2013 a request to the CREG for approval of amendments to the standard contract for natural gas transmission, Annexes A and B to the access rules for natural gas transmission, and the natural gas transmission programme. The CREG approved the submitted texts in a decision on 11 April 2013.

## **II.4.2 Monitoring technical cooperation between the Community's TSOs and third countries**

**Electricity** : The CREG continues to monitor intraday and day-ahead projects.

**Natural gas** : The CREG has not at this point undertaken any specific monitoring assignments related to these agreements.

## **II.4.3 Analysis of the coherence between the Elia and Fluxys Belgium development plan and the network development plan throughout the Community referred to in Article 8.3, b), of Regulations (EC) No 714/2009 and 715/2009**

**Electricity** : Given that Elia will not write another version of the development plan until 2014, the CREG did not have to give an opinion on a new development plan in 2013.

**Natural gas** : In 2013, Fluxys Belgium prepared an indicative investment plan for 2014-2023, in accordance with Article 15/1, § 5 of the Gas Act. The CREG evaluated this unpublished plan in parallel with the ENTSOG's 10-year European investment plan (TYNDP) and the north-west Europe TSOs' regional investment plan (GRIP) and found no issues.

## **II.4.4 Cooperation on cross-border issues with the regulatory authorities of the Member States involved and ACER**

**Electricity**: The Nemo Link® interconnection will consist of submarine and underground electrical cables between Belgium and the UK, connected in each country to a converter station and high-voltage substation, such that electricity can be carried in either direction between the two countries.

Since 2010, the CREG and Ofgem, the British regulator, have together been developing a new regulatory regime called "Cap & Floor". This regime will seemingly in particular be applied to the Nemo project. In June 2011, the CREG and Ofgem launched a joint consultation on the main features of the regime. In March 2013, Ofgem launched a new consultation aimed at collecting opinions from all affected parties on the details of this regulatory regime. The objective is to determine the principles of the new regime for the first quarter of 2014.

**Natural gas** : The Fluxys Belgium network is connected to the network of Luxembourg's system operator Creos via the Bras (Bastogne) and Athus/Pétange cross-border interconnection points. More than 40% of Luxembourg's demand for natural gas (approximately 13 TWh) is met by exchanges from the Belgian natural gas network. Fluxys Belgium and Creos are conferring on enlarging the interconnection between the two networks to improve both the operation of the market and security of supply in Luxembourg. The CREG is working closely with Luxembourg's regulator, ILR, to ensure the smooth running of the cooperation process between the two TSOs.

## **II.5 Compliance**

### **II.5.1 Legally binding decisions taken by ACER and the European Commission and the guidelines**

There is nothing to report for 2013.

### **II.5.2 Legally binding decisions against Elia, Fluxys Belgium, the DSOs and the electricity and natural gas companies active in the Belgian electricity and natural gas markets with respect to the application of Community legal provisions, including cross-border issues and effective sanctions**

The CREG did not issue any legally binding decisions in 2013.

The VREG did not issue any legally binding decisions in 2013.

The administrative fines issued by the CWaPE in 2013 were limited to infractions committed by suppliers with respect to their obligation to answer written requests from their customers within 10 working days.

BRUGEL did not issue any legally binding decisions in 2013.

### III. Competition

#### III.1 Monitoring wholesale and retail market prices

**Electricity** : The volumes traded on the Belpex DAM market (16.5 TWh) reached record levels in 2012, hitting 20% of the full-year electricity offtake for the Elia network. The price of electricity on the Belpex DAM was €47.1/MWh on average in 2012, compared with €48.1/MWh for the APX Power NL DAM (the Netherlands), €47.1/MWh for the EPEX France Spot market and €42.7/MWh for the EPEX Germany Spot market.

In December 2012, the average cost of a year-ahead contract in Belgium was €49/MWh, compared with €51.8/MWh in the Netherlands and €45.6/MWh in Germany.

The price billed to end users increased by €215.45 (+ 42.97%) in Flanders, by €192.18 (+ 31.90%) in Wallonia, and by €124.04 (+ 21.19%) in Brussels for residential customers (type DC customers: 3,500 kWh/year with 1,600 kWh/year standard hours and 1,900 kWh/year off-peak) over the period January 2007 to May 2013.

The distribution system tariff increased by €145.73 (+ 97.65%) in Flanders, by €48.31 (+ 31.73%) in Wallonia, and by €67.49 (+ 47.81%) in Brussels.

The transmission system tariff increased by €3.18 (+ 12.67%) in Flanders, and by €4.78 (+ 18.09%) in Brussels, and dropped by €1.10 (- 3.02%) in Wallonia.

The energy price fell by €5.35 (- 2.83%) in Flanders, and increased by €9.52 (+ 3.63%) in Brussels and Wallonia.

Public levies also saw significant changes, dropping by €2.39 (- 9.53%) in Flanders, and increasing by €69.19 (+ 394.96%) in Wallonia and by €17.55 (+ 45.03%) in Brussels.

The renewable energy and cogeneration component has risen significantly in the wake of the increase in quota obligations, namely €36.62 (+ 179.56%) in Flanders, by €32.89 (+ 141.23%) in Wallonia, and by €3.17 (+ 38.20%) in Brussels. Lastly the VAT and energy levy component rose by €37.67 (+ 40.19%) in Flanders, by €33.35 (+ 30.10%) in Wallonia, and by €21.53 (+ 19.88%) in Brussels.

The price to end users for medium voltage customers (type IC1 customer: 160,000 kWh/year with 135,000 kWh/year standard hours and 25,000 kWh/year off-peak) fell by €1,895.38 (- 8.41%) in Brussels, and increased by €3,140.00 (+ 14.34%) in Wallonia, and by €129.68 (+ 0.60%) in Flanders.

**Natural gas**: A study on the Relationship Between Costs and Prices on the Belgian Natural Gas Market in 2012 of CREG highlights that long-term contract import prices (70% of the volume in 2012) increasingly included indexation based wholly or partly on exchange prices. The use of exchange prices instead of oil prices in supply contracts will increase still further in coming years.



The study on the Price Components of Natural Gas between January 2007 and May 2013, conducted in August 2013, analyses the trend in the price of natural gas billed to customers for the period from January 2007 to May 2013 and gives details of the contributions made by the various components to the price trends. The price billed to the end user has risen by €385.65 (+34.37%) in Flanders, by €480.86 (+42.41%) in Wallonia and by €362.13 (+30.74%) in Brussels for a household customer (standard T2 customer: 23,260 kWh/year).

The price of energy had risen by €226.54 (+36.06%) in May 2013 compared with January 2007.

The distribution network tariff has risen by €87.33 (+37.71%) in Flanders, by €124.10 (+51.51%) in Wallonia and by €59.64 (+23.34%) in Brussels.

The transmission network tariff fell by €2.33 (- 6.25%) in the three regions.

Public levies increased by €7.66 (+92.18%) in Flanders, by €50.21 (+569.85%) in Wallonia and by €16.40 (+54.96%) in Brussels. The VAT and energy tax component rose by €66.44 (+30.63%) in Flanders, by €82.33 (+37.63%) in Wallonia and by €61.87 (+27.24%) in Brussels.

The price for a T4 customer (2,300,000 kWh/year) increased by €27,548.09 (+39.55%) in Flanders, by €30,421.97 (+43.52%) in Wallonia and by €29,924.17 (+41.30%) in Brussels.

The price of energy has increased by €24,005.37 (+40.77%) and follows the same trend as that of a household customer. The increase in the distribution network tariff (+ €1,668.68) (+29.81%) in Flanders, + €3,205.69 (+54.63%) in Wallonia and + €3,383.77 (+53.92%) in Brussels) is, however, less owing to the fact that the costs of public service obligations are charged primarily to household customers.

## III.2 Monitoring the degree of transparency

**Electricity and natural gas** : The REMIT regulation (Regulation on wholesale Energy Market Integrity and Transparency) set out a series of instructions aimed at preventing and punishing market abuse in the wholesale energy sector.

The CREG organised a consultation on 12 April 2013 about certain practical aspects of REMIT. More specifically, attention was drawn to developments in terms of registration of market stakeholders and data collection. A consultation was organised on the appropriateness of a central platform for the publication of inside information. In the consultation report, preference was expressed for the continued implementation of ENTSO transparency platforms.

Still in 2013, the CREG invited market stakeholders to conduct a test using ACER's CEREMP (Central European Registry for Energy Market Participants) module.

## III.3 Monitoring the level of effectiveness reached in terms of market openness and competition in the wholesale and retail markets

**Electricity** : Electrabel still holds a significant market share (67%) of total generation. The second player in order of size is EdF Luminus which holds a 15% market share in terms of generation capacity. The third player is the German company E.ON which acquired 7% of generation capacity. The fourth and fifth players are T-Power and Enel, each of which has a CCGT with capacity of just over 400 MW (3% each).

The HHI index decreased slightly in 2013, but was still very high at 4700.

At 31 December 2013, 3,298,894 access points (EANs) were connected to the Flemish electricity distribution system. The HHI index decreased from 3667 to 3089, in Flanders resulting in the C3 moving from 81.16% to 76.32%. The proportion of access points that made a conscious switch to another supplier was 15.58% for 2013 as a whole (17.16% in 2012).

On the electricity market, 81% of the customer base (1,779,508 customers) was active as at 31 December 2013. The HHI index in Wallonia went from 3587 to 3334, resulting in the C3 moving from 87.5% to 86.4%. The switch level recorded, more or less stable in previous years, rose in 2013 and held at around 4%.

As at 31 December 2013, 78.5% of residential customers in Brussels were actively demanding electricity, a 4.6% increase over year-end 2012. The HHI index dropped from 6605 in 2012 to 5902 in 2013. The switch rate for electricity, all customers combined, rose 4% between the end of 2012 and the end of 2013, reaching 14.3%.

**Natural gas** : In 2013, a total of twenty natural gas supply companies were operating on the Belgian market. GDF Suez (33%) and ENI S.p.A. (31%) together account for 64% of natural gas supplies to wholesale consumers directly connected to the transmission and distribution networks. The third largest supplier is EDF Luminus, with a share of 11%. The remaining seventeen supply companies (together accounting for a market share of 25%), each hold a market share of less than 10%, and ten of these do not even reach 1%.

At 31 December 2013, 1,996,310 access points (EANs) were connected to the Flemish natural gas distribution system. At year-end 2012, the figure was 1,946,463. The HHI index decreased from 3086 to 2190, in Flanders resulting in the C3 moving from 76,01% to 70.78%. The proportion of access points that made a conscious switch to another supplier was 19.1% for 2013 as a whole (20.9% in 2012).

On the natural gas market in Wallonia, 83% of the customer base (611,506 customers) was active as at 31 December 2013. The HHI index in Wallonia is 2447, resulting in a C3 of 77.5%. The switch level recorded, more or less stable in previous years, rose in 2013 and held at around 5.3%.

In 2013, 26,936 customers in Brussels, residential and business combined, changed gas supplier, compared with 22,682 in 2012. The HHI index dropped from 6476 in 2012 to 5721 in 2013. The switch rate for natural gas, all customers combined, rose 5.4% between the end of 2012 and the end of 2013, reaching 18.3%.

### **III.4 Recommendations on the compliance of supply prices, studies of energy market operation and the publication of measures promoting effective competition**

In its press release on 1 March 2013, the CREG warned consumers to watch out for certain advertising by electricity and natural gas suppliers. In its press release of 14 June 2013, the CREG once again drew consumers' attention to the price difference (ranging up to 32%) between the cheapest and most expensive deal from the same electricity and natural gas supplier.

In 2013, the CREG did not conduct any specific surveys on the operation of the electricity retail market.

As in previous years, the VREG did conduct a survey on residential and business customer attitudes and experiences on the Flemish energy market. The results of the most recent surveys can be seen in the following reports: <http://www.vreg.be/rapp-2013-16> (residential customers) and <http://www.vreg.be/rapp-2013-17> (business customers).

In 2013, Brugel conducted research into changes in electricity and natural gas prices for business customers in the Brussels-Capital region from 2009 to 2012. The study showed that, for all categories of consumption combined, the price per MWh of electricity dropped from €105.79 in 2009 to €102.39 in 2010. The price then climbed slightly to €102.53 in 2011. The most striking increase occurred in 2012, when the price rose to €106.65. The price per MWh of natural gas for business customers in the Brussels-Capital region increased from €37.54 in 2009 to €44.21 in 2012.

## IV. Security of supply

### IV.1 Monitoring the balance between supply and demand

**Electricity** : The load on the Elia network was 80.6 TWh in 2013, compared with 81.7 TWh in 2012, equal to a 1.4% drop from 2012 to 2013.

During the year 2013, the installed capacity connected to the Elia grid declined compared with 2012, from 16,030 MW to 15,325 MW.

946 MW of capacity was taken out of service (mainly Awirs 5 and the Ruien plant).

**Natural gas** : LNG imports, mainly from Qatar via the Zeebrugge terminal, accounted for a share of 4.6% of the average import portfolio in 2013. With a share of 37.0% (45.0% in 2012), Zeebrugge maintains its position as the main gateway to the Belgian natural gas network but a significant shift in imports via 's Gravenvoeren (19.4% compared with 11.1% in 2012) is nonetheless seen in 2013. Physical imports of natural gas from France have so far not been possible owing to the odourisation of natural gas which, in France, is carried out as soon as the natural gas enters the country.

The share of long-term contracts concluded directly with natural gas producers with a remaining duration in excess of five years decreases (55.5% in 2013 compared to 61.9% in 2012) but still constitutes the main component. Total supplies made via supply contracts concluded directly with natural gas producers amounted to 60.5% in 2013, compared with 64.4% in 2012. Net supplies on the wholesale market rose sharply in 2013, owing to short-term contracts of less than one year which account for 37.9% (33.9% in 2012).

In 2013, total natural gas consumption amounted to 183.2TWh, which represents a slight decrease (-1.3%) compared with consumption in 2012 (185.6 TWh).

Demand for natural gas from small consumers rose 6.5%, and is very sensitive to variations in outside temperatures as far as the heating of premises is concerned. Estimated heating requirements in 2013 were 9% higher than those in 2012. The striking fall in demand for natural gas for the generation of electricity intensified in 2013 (-11.7%) and the demand for industrial natural gas continued to drop (5.9%). In these circumstances, natural gas offtake on distribution networks accounts for a higher share of total natural gas consumption and reaches 53.4% (49.5% in 2012).

## IV.2 Monitoring investments in electricity production capacity and additional natural gas capacity

**Electricity** : At 31 December 2013, the following investment projects were planned within generation units in Belgium:

- scheduled projects (for which a permit request or request for a domain concession is still in progress): 38 MW;
- approved projects on which construction has not yet started: 6,175 MW, including 1,521 MW on offshore wind farms;
- projects under construction: 141 MW in offshore wind farms.

Discussions between CREG-OFGEM regulators and developers about the NEMO project continued over the course of 2013. The ALEGRO project involves developing a continuous current link between Belgium and Germany. Amprion, the German TSO concerned, and Elia are jointly developing this regulated interconnection between the Aachen region and the Liege region. The interconnection capacity will amount to approximately 1,000 MW in both directions. The final decision on capacity will depend on technological developments and may reach 1,600 MW. Work is due to start by mid-2016, and will last for some two years, from the construction of the converter station to the laying of underground cables along the interconnector route. The interconnection is scheduled to enter service in late 2018. Discussions on developing a meshed network in the North Sea (BOG project) continued in 2013.

**Natural gas**: In 2013, Fluxys Belgium prepared an indicative investment plan for 2014-2023. The CREG evaluated this unpublished plan in parallel with the ENTSOG's 10-year European investment plan (TYNDP) and the north-west Europe TSOs' regional investment plan (GRIP) and found no issues.

A first investment project is the connection of the future LNG terminal in Dunkerque with Zeebrugge via a new cross-border point at Alveringem. In Belgium, this entails the construction of a new, 72 km natural gas pipeline between Alveringem and Maldegem with offshoots for local natural gas supplies.

A second project is the Zeebrugge LNG terminal where a second landing stage will be built by the end of 2015, enabling LNG tanker vessels of capacities from 3,500 to 217,000 cubic metres to dock.

A third investment project is intended to offset peak consumption requirements on the Belgian market. Alternative solutions could be: (1) the Wilsele-Herentals-Loenhout pipeline which could connect the RTR/VTN pipelines to the Loenhout underground storage site and in so doing enable major opening up of the Campine region, mainly located in an L-gas zone. (2) The extension of the pipeline between Tessenderlo and Diest as far as Glabbeek, served by RTR/VTN pipelines. (3) An offshoot of the RTR/VTN pipelines could be added to the east, at Oupeye, towards Lanaken.

## V. Consumer protection

### V.1 Compliance with consumer protection measures, including those set out in Annex 1 of Directives 72/2009/EC and 73/2009/EC

The CREG continued to stress the consumer protection aspect to its work in 2013.

It actively contributed to producing the new industry agreement on "The consumer in the liberalised electricity and gas market", approved on 16 October 2013. The CREG also finalised its Charter of

good practices for electricity and gas price comparison websites in 2013. It includes a number of recommendations based on criteria that a good quality price comparison website should meet. The “I. Price transparency” section of the new industry agreement also refers to this charter for the price calculation method used in suppliers’ tariff simulators.

The maximum prices that can be charged by DSOs to unprotected customers whose supply contract has been cancelled (also called “dropped customers”) are calculated using the formula energy price + transmission + distribution + margin. It is incumbent on the CREG to decide how the margin is calculated.

The CREG reviewed the method for calculating the margin in May 2013 to make the tariff less disadvantageous for the customers concerned. It is no longer based on the weighted average of the highest tariff plans from suppliers in the area, but on the plan most often taken out by customers. In this way, the tariff charged to dropped customers is broadly the average tariff.

The social tariff for electricity (simple tariff) excluding VAT was €0.13155/kWh on average in 2012; this rose to €0.13646 in 2013.

The social tariff for gas (simple tariff) excluding VAT was €0.03763/kWh on average in 2012; this fell to €0.03706 in 2013.

In 2013, the number of customers charged a social tariff (maximum) stayed steady compared to 2012, with 402,500 electricity customers and 233,000 gas customers.

In Flanders, the number of electricity customers cut off totalled 1,150 in 2013, an increase from 2012’s figure of 981. In contrast, the number of gas customers cut off in 2013 was 1,695, which is an improvement of 2012’s figure of 1,809.

In Wallonia in 2013, 10.08% of residential electricity customers and 12.38% of residential gas customers were recognised as protected customers in the sense described by the region’s legislation.

In the Brussels-Capital region, the number of Brussels consumers under the region’s protection in 2013 cut off after the court granted permission was 178 in gas and 231 in electricity. These figures are down relative to 2012 and remain very low in comparison to the number of supply points in Brussels and despite difficult economic conditions.

## **V.2 Access to customer consumption data**

Technical regulations in Flanders state that all consumers are entitled to receive free consumption information for the previous three years from their DSO once a year.

The basic principle promoted by the CWaPE is that customers have a choice as to their metering and billing method and that the choice is binary and reversible from the beginning.

Brussels legislation stipulates that end-customers retain ownership of their meter data and can request access to them at any time.

## **V.3 Handling of complaints**

In 2013, the energy mediation service received 6,657 complaints about the functioning of the electricity and gas markets (compared with 8,736 complaints in 2011 and 8,331 in 2012), of which 2,445 complaints were admissible, meaning 45% of them fell under the mediation service’s remit. The other 3,024 complaints (55%) were not admissible. The ombudsman department managed to

successfully deal with and close a total of 2,659 admissible complaint files in 2013, of which 47 concerned complaints received in 2010, 155 were complaints made in 2011, 1,183 complaints submitted in 2012, and 1,274 files closed on complaints received in 2013 itself.

Of the 2,659 admissible complaints closed in 2013, the mediation department took the view that:

- 1,232 were justified (46.3%);
- 651 were partly justified (24.5%);
- 776 were not justified (29.2%);

In 2013, the CREG answered 918 written questions (312 of which were complaints) from consumers, businesses in the energy industry, lawyers, researchers and government departments, to say nothing of the dozen or so daily telephone calls taken by reception. No appeals to re-examine an issue were submitted to the CREG in 2013. The dispute resolution panel was unable to operate in 2013 for lack of any implementation order enabling it to do so.

In 2013, the VREG received 177 complaints from end customers against their energy supplier or DSO, whereas in 2012 this figure was 288. Most complaints were about data (meter readings/estimated consumption). DSOs were the subject of 52% of these complaints, and 48% were about suppliers. In some cases, the complaint was against both the DSO and the supplier. In 2013, the VREG received 22 complaints sent by the federal energy mediation service. Two dispute settlement requests were submitted to the VREG in 2013. One concerned a correction to an energy volume figure, about which the VREG had “communicated” in 2012, and the other the application of a public service obligation by the natural gas DSO, in particular reducing the cost of connecting to the natural gas distribution network.

The regional energy mediation service for Wallonia received a total of 1,424 written requests in 2013.

The Disputes Service set up in Brugel handled 73 cases in 2013, very similar to the number in 2012, and 20 rulings setting precedents were published on the Brugel website.