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## COMMISSION FOR ELECTRICITY AND GAS REGULATION

# **ANNUAL REPORT 2013**

## **TO THE**

# **EUROPEAN COMMISSION**

## **SYNOPSIS**

August 22<sup>nd</sup> 2013

## **I. Unbundling**

- **Elia transmission system for electricity, Fluxys Belgium transmission system for natural gas and Interconnector (UK) Limited for the Belgium-UK interconnector**

ESO submitted its certification application to the CREG based on the transmission network unbundling model by letter on 11 April 2012. On 1 August 2012, the CREG passed its draft decision regarding the application and informed the European Commission of it on 10 August 2012 to obtain its opinion. The European Commission informed the CREG of its opinion on ESO's certification on 9 October 2012 and the CREG took its final decision on 6 December 2012.

S.A. Fluxys Belgium submitted its application for certification to the CREG on 9 March 2012 based on the transmission network unbundling model. The CREG passed its draft decision on the Fluxys Belgium S.A. certification application on 21 June 2012 and informed the European Commission on 4 July 2012 in order to obtain its opinion. The European Commission gave its opinion on 13 August 2012 and the CREG took its final decision on 27 September 2012, approving S.A. Fluxys Belgium's application for certification.

Interconnector (UK) Limited submitted an application for certification based on the transport network unbundling model to the CREG on 3 December 2012.

- **Distribution network**

With regard to the Brussels-Capital Region, Electrabel withdrew from the capital of Sibelga. As a result, the municipalities have had 100% ownership of Sibelga's capital since 31 December 2012.

- **Closed distribution networks**

At the federal level, 18 and 13 existing closed industrial networks in the electricity and gas sectors, respectively, were reported to the Secretary of State for energy and to the CREG in 2012.

Three networks were granted closed distribution network status in Flanders in 2012: Brussels National Airport (Zaventem), one industrial site and one commercial site. The operators of these networks benefited from several exemptions, notably with respect to energy purchases for compensation for losses on the network. No distribution networks were granted closed distribution network status for natural gas in 2012.

A mechanism to establish/recognise closed distribution networks had not yet been created in the Walloon Region in 2012.

Brussels-Capital opted not to introduce the closed network concept as meant in the third European Directive.

## II. Network regulation

### ➤ Technical functioning

- a. Balancing and ancillary services, network security and reliability, the definition or approval of standards and requirements on quality of service and supplies

#### *Electricity:*

In 2012, activations to offset imbalances in the control area rose by 13.0% compared with 2011, to reach 1,254 GWh. The share of secondary reserves in these activations amounted to 56.9% in 2012, compared with 67.3% in 2011, 76.0% in 2010 and 95.2% in 2009. This fall was chiefly due to the fact that most of the increase in activations in 2012 must be attributed to incremental and decremental bids, which increased by 47.7% compared with 2011.

The HHI index relating to offers of secondary and tertiary reserves on generating units amounted to 2,974 in 2012, compared with 4,510 in 2011, 3,750 in 2010 and 5,800 in 2009. Activations relating to these resources accounted for 98.0% of the total energy activated in 2012 to offset imbalances in the control area, whereas they accounted for 97.3% in 2011, 97.9% in 2010 and 99.0% in 2009. The increase in the HHI index can be explained by the rise in the relative participation of Electrabel and the relative fall in the participation of other players, despite Enel's entry onto the production reserves market.

#### *Natural gas:*

On 19 April 2012, the CREG approved new basic principles for the new Fluxys Belgium balancing model adapted to the market.

No notable events occurred in 2012 in terms of the safety and reliability of the transmission network nor in terms of standards and requirements with regard to the quality of service and supply.

Fluxys Belgium submitted an approval application to the CREG on 10 July 2012 for the revised Attachment H2 Electronic data platform to the access code for storage, which is part of the main storage conditions. The CREG approved the application on 20 September 2012. As a result of the decision, the storage data platform is identical to the data platform for transmission.

An average of one correct complaint for gas quality and pressure was recorded per 1,048 consumers in Flanders. There were 143 complaints about the medium-pressure network and 1,739 complaints about the low-pressure network.

Reports in Wallonia for 2012 show a "business as usual" situation (449 network pipe leaks were repaired). There were no exceptional events.

The Brussels-Capital Region has quite a dense natural gas distribution network. With respect to problems reported for gas quality and pressure, as in previous years, pipe reliability was one of the major concerns voiced in the 2012 quality report. Reliability is continuously monitored with periodic network probes.

b. Monitoring connection and repair times

*Electricity*

No specific data on this subject is available for Elia's transmission network in 2012. The CREG did not receive any related complaints from network users.

In Flanders, grid use was interrupted 0.522 times in 2012 for the low-voltage electricity grid. The weighted average repair time increased slightly in 2012 to reach nearly 39 minutes (00:38:49 compared with 00:36:55 in 2011). A total of 29,971 new connections were established in 2012 (low and medium voltage) compared with 29,885 in 2011. Sixty complaints were recorded for all DSOs about connection times following the contract/offer (complex connection) and 165 complaints were recorded about the time needed for a single connection following the offer.

In Wallonia, 194 complaints were filed with the DSOs in 2012 about interruptions in the electricity supply lasting more than six hours. Thirty-seven of them were accepted. Twenty-one requests for compensation were submitted to DSOs for connection delays in 2012.

The frequency of high/low voltage transformer failures in the Brussels-Capital Region fell in 2012 compared to the previous year (0.4149 compared to 0.4884). The time required to re-establish power following an incident also decreased in 2012 (37 min 38 sec compared to 46 min 21 sec in 2011). Lastly, the monitoring and time required to make connections and repairs showed that in 2012 the average time between receipt of a complete low-voltage connection request, payment for the offer and start-up was 30.3 working days. A total of 693 connections were established in 2012 (low and medium voltage).

*Natural gas*

All but one unscheduled repairs were carried out in a day (4 days) with no impact on shipper services or Fluxys Belgium's end-customers. All repairs carried out as part of the Fluxys Belgium maintenance programme were scheduled and carried out in consultation with the end customer. All repairs were assigned a given amount of time, often one day.

Two new connections were completed in 2012 following submittal of an application file to Fluxys Belgium.

The increase in connections on the natural gas distribution network in 2012 remained very strong (5.6%) at the DSO Inter-Energa in Flanders.

Overall, DSOs reported fewer complaints about meeting the time frames set out in the *Règlement technique de distribution de gaz* (Technical Regulations for Gas Distribution) in 2012 compared to previous years. 143 complaints were received about single connections (398 in 2011) and 45 complaints were received about connections following the offer (123 in 2011).

In 2012, the average outage time was nearly 1 hour 46 minutes per customer on the low-voltage network and 3,407 customers were affected. The average time of service outages per customer on the medium-voltage network was nearly 2 hours and 2 minutes in 2012 and they impacted 147 clients.

There were six incidents in 2012 during which the gas supply for more than one customer had to be cut (compared to seven in 2011 and in 2010).

The average time of service outage per customer affected was nearly 1:37 minutes. Twenty-two clients in all were impacted.

No information about connection and repair times is currently available for the Walloon Region.

Scheduled service outages in the Brussels-Capital Region lasted on average 5 minutes and 18 seconds per customer in 2012 compared to 3 minutes and 4 seconds in 2011. The average time of planned outages per customer in 2012 was 11 seconds compared to 7 seconds in 2011. The average time of unscheduled network outages following an incident was 5 minutes and 18 seconds per customer in 2012 whereas scheduled outages lasted 11 seconds.

The average time from receipt of a complete low-voltage connection request to the payment of the offer and the powering up was 30.3 working days.

c. Monitoring safeguarding measures

In 2012, the Belgian government did not implement any safeguarding measures required following a sudden crisis in the energy market.

➤ **Network tariffs**

*Electricity*

a. Transmission grid

The CREG didn't approve any definitive tariff methodologies in 2012 given the appeals lodged by certain producers both with the Council of State and the Court of appeal in Brussels against its Provisional Tariff Methods.

At the end of December 2011, the CREG approved Elia's tariffs for the entire 2012-2015 regulatory period. These tariffs will remain nominally unchanged between 1 January 2012 and 31 December 2015, unless the CREG finds that they are no longer proportionate or are no longer applied in a non-discriminatory manner.

The CREG approved an Elia tariff adjustment for the public service obligation involving the financing of support measures for renewable energies in Wallonia on 27 September 2012.

It was clear from an adapted tariff proposal by Elia of 16 November 2012 that a further adaptation was necessary as of 1 January 2013. This was the case for the tariff for the application of levies and surcharges in the Walloon Region and in the Brussels-Capital Region and for the tariff for public service obligations in the Walloon region. The CREG approved the adaptation of the three tariffs in its decision of 29 November 2012.

b. Distribution grid

At the end of April 2012 the CREG decided to extend the application of the distribution grid tariffs approved for 2012 until 31 December 2014. The 2011/2012 trend is similar to that of 2010/2011. However, significant increases were noted in the 2012 tariffs for the city of Wavre following approval of its rates by the CREG.

## *Natural gas*

### a. Transmission grid

In 2012, the CREG continued to apply to TSOs and storage the provisional tariff methods it set on 24 November 2011. As a result, Fluxys Belgium's tariffs from 1 January 2012 to 1 October 2012 for the connection to, and use of, the transmission network and for storage and auxiliary services were identical to those in 2011, excluding the rate of inflation.

In September 2012, the CREG decided to approve new tariffs for the period from 1 October 2012 to 31 December 2015 inclusive that coincided with the introduction of a new Entry/Exit operating system enabling the reservation of entry capacity independently of exit capacity.

Fluxys LNG tariffs for 2012 for the use of the Zeebrugge LNG terminal facilities were also identical to those of 2011, excluding the rate of inflation.

Fluxys LNG submitted an updated tariff proposal to the CREG in October 2012, particularly following the decision to invest in a second pier. At the end of November 2012, the CREG approved all of the tariffs proposed including, in particular, those for slots and services related to LNG cargo and tanker truck loading. The new tariffs came into effect on 1 January 2013.

### b. Distribution grid

At the end of April 2012, the CREG decided to extend the application of the distribution grid tariffs approved for 2012 until 31 December 2014. The evolution for 2011/2012 was similar to that for 2010/2011. A significant increase was, however, noted in the 2012 tariffs of the DSO RESA Gaz (ex-ALG) on which provisional tariffs have been imposed since 2008. They were revised upwards in 2012 to re-establish a better match with its costs.

## ➤ **Cross-border issues**

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

## *Electricity*

Since capacity is calculated on an annual and on a monthly basis, the CREG took a decision in September 2011, against which Elia lodged an appeal, both before the court of appeal and before the Council of State. The court of appeal pronounced judgement during a public hearing on 12 September 2012. The court declared the request admissible but unfounded, thereby validating the initial decision taken by the CREG on 15 September 2011.

On 15 November 2012, the CREG at last approved Elia's capacity allocation method proposal for the different time horizons on the link between Belgium and France and the link between Belgium and the Netherlands.

## *Natural gas*

The current rules governing access to the natural gas transmission network in Belgium are uniform and therefore also valid for cross-border transmission. Current Belgian legislation does not include a separate definition of cross-border infrastructure. It also doesn't currently raise the issue of the definition of cross-border infrastructure from the standpoint of the

topology of the transmission network for regulated natural gas. The same holds true for procedure rules and congestion management.

- b. Monitoring technical cooperation between the Community's transmission DSOs and third countries

#### *Electricity*

The CREG noted in 2012 that coordination between the TSOs of the CWE region had been refined from the standpoint of capacity calculations during spring 2012 thanks to adjustments made to the TSO Common System.

- c. 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 2012.

#### *Natural gas*

In 2012, as it does every year, Fluxys Belgium updated its indicative investment programme for the next ten years, that is, through 2022. The TSO Fluxys Belgium investment programme was adapted to the new transmission model that came into effect on 1 October 2012.

- d. Cooperation on cross-border issues with the regulatory authorities of the Member States involved and ACER

#### *Electricity*

For the calculation of capacities on the Belgium-Netherlands interconnection, the Dutch regulator NMa and the CREG cooperated intensively with a view to improving the calculation method on the link in question. Thanks to this, in December 2012 the TSOs increased the interconnection capacity at the Belgian-Dutch border both in day ahead and in intraday.

No cooperation agreements were reached in 2012 between the CREG and another European regulator. According to the electricity act, the CREG is not authorised to sign cooperation agreements with ACER.

#### *Natural gas*

At the end of March 2012, Fluxys Belgium and GRTgaz, in close cooperation with the CREG and the CRE, closed a common market consultation (open season) for a new French-Belgian interconnection point.

In addition, the CREG and the CRE worked together closely to inject non-odorised natural gas from France into the Belgian transmission network via the new interconnection at Alveringem.

In order to follow the anticipated growth in demand for natural gas in the Grand Duchy of Luxembourg, the existing pipeline in the Fluxys Belgium network which is linked to the network of the Luxembourg operator, Creos, via the Bras (Bastogne) and Athus/Petange

interconnection points has been reinforced. The CREG and ILR are providing joint support to this project.

➤ **Compliance**

- a. Legally binding decisions taken by ACER and the European Commission and the guidelines

There is nothing to report for 2012.

- b. 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 2012.

The VREG issued two administrative fines to suppliers in 2012: one fine related to the execution of green public service obligations and the other to the reporting on the implementation of public service obligations (PSO).

The administrative fines issued by the CWaPE in 2012 were limited to infractions committed by suppliers with respect to their obligation to answer written requests from their customers within 10 working days.

BRUGEL took no binding decisions in 2012.

### **III. Competition**

➤ **Monitoring wholesale and retail market prices**

*Electricity*

Wholesale prices on the short-term market fell by a few euros/MWh in Belgium, France and the Netherlands and by almost €9/MWh in Germany. The average annual price on Belpex stood at €47.1/MWh in 2012, compared with €49.4/MWh in 2011.

Over the period from January 2007 to July 2012 the price billed to end users rose by €198.35 (+ 39.55%) in Flanders, €136.65 (+ 22.68%) in Wallonia and €131.57 (+ 22.48%) in Brussels for household customers (standard Dc customers: 3,500 kWh/year with 1,600 kWh/year in normal hours and 1,900 kWh/year in off-peak hours).

The distribution system tariff rose by an average of €145.73 (+ 97.65%) in Flanders, €60.76 (+ 39.90%) in Wallonia and €67.49 (+ 47.81%) in Brussels. The transmission system tariff rose by €3.09 (+ 12.31%) in Flanders and by €5.24 (+ 19.83%) in Brussels and fell by €10.14 (- 27.83%) in Wallonia. The price of energy fell by €2.95 (- 1.56%) in Flanders, and increased by €15.07 (+ 5.75%) in Brussels and Wallonia. Public levies also changed significantly. They fell by €2.87 (- 11.41%) in Flanders and increased by €18.08 (+ 103.19%)



in Wallonia and by €18.43 (+ 47.28%) in Brussels. The renewable energy and cogeneration component also increased significantly following the rise in quota obligations, that is, by €20.65 (+ 101.24%) in Flanders, by €29.17 (+ 125.26%) in Wallonia and by €2.51 (+ 30.20%) in Brussels. Lastly, the VAT and energy tax component increased by €34.70 (+ 37.03%) in Flanders, by €23.71 (+ 21.40%) in Wallonia and by €22.83 (+ 21.09%) in Brussels.

#### *Natural gas*

Prices on the short-term North West European market rose to approximately €25/MWh in 2012 compared with €23/MWh in 2011.

The price billed to end users rose by €408.08 (+ 36.34%) in Flanders, by €503.32 (+ 44.39%) in Wallonia and by €386.43 (+ 32.80%) in Brussels for a household customer (standard T2 customer: 23,260 kWh/year).

The distribution network tariff rose by €87.33 (+ 37.71%) in Flanders, by €124.10 (+ 51.51%) in Wallonia and by €59.64 (+ 23.34%) in Brussels. Public levies increased by €11.64 (+ 140.03%) in Flanders, by €54.19 (+ 614.99%) in Wallonia and by €21.95 (+ 73.16%) in Brussels. Lastly, the VAT and energy tax component rose by €69.54 (+ 32.06%) in Flanders, €85.46 (+ 39.06%) in Wallonia and €65.27 (+ 28.74%) in Brussels. The end user price for a small industrial customer (standard T4 customer: 2,300,000 kWh/year) increased by €31,698.48 (+ 45.51%) in Flanders, by €34,588.58 (+ 49.48%) in Wallonia and by €34,162.56 (+ 47.15%) in Brussels. The supplier tariff (€27,828.01) (+ 47.26%) followed the same trend as that of household customers. 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) was less due to the fact that the costs of public service obligations are primarily charged to household customers.

#### ➤ **Monitoring the degree of transparency**

##### *Electricity*

During the course of 2012, the CREG carried out three studies on the supply of electricity to consumers with an off-take point in Belgium whose annual consumption is in excess of 10 GWh or who require capacity over 5 MW. The CREG noted that the vast majority of contracts use a “clicks” mechanism on the prices of the Power BE market of the APS-Endex electricity exchange.

The CREG also noted that the provisions of EDF Luminus’ general terms and conditions for the supply of energy to its industrial and professional customers were clearly in violation of the rules of competition law and the provisions of Article 15, Paragraph 3 of the Electricity Act.

##### *Electricity and natural gas*

In September 2012 the CREG introduced a new, monthly publication which takes the form of a score board. This publication is intended to inform market players of major developments on the natural gas market.

➤ **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 SPE/EdF which holds a 14% market share in terms of generation capacity. The third player is the German company E.ON which acquired 9% of generation capacity via a swap with Electrabel in early November 2009. The fourth and fifth players are T-Power and Enel, each of which has a CCGT with capacity of just over 400 MW. A gas-steam turbine of this size represents approximately 2.5% of capacity in Belgium.

The HHI index decreased slightly in 2012, but was still very high at 4723.

On 1/12/2012, the number of 'standard electricity customers' – that is, customers who had not yet subscribed to a supply contract since the liberalisation of the energy market in Flanders and who, through the end of 2012, were still supplied at 'standard conditions' by the supplier they were assigned to at the time by the DSO (= their "standard supplier") - was of 292,041, or 8.94% of the total number of access points (= 3,265,856) in Flanders. A year earlier, on 1/12/2011, the number was still 345,394, or 10.68% of the total number of access points (= 3,232,952).

The HHI index decreased from 4326 to 3667, in Flanders resulting in the C3 moving from 90.38% to 81.16%.

The HHI index in Wallonia went from 3886 to 3587, resulting in the C3 moving from 95.1 to 87.5%.

The HHI index for all customers in the Brussels market fell by nearly 2% in one year, from 96.6% in 2011 to 94.7% in 2012. The fall in the index was most noticeable with large professional clients (AMR customers): - 5.3% in 2012. The drop was only 0.9% for small MMR professional customers. The small professional clients (YMR) and household customers market also experienced a fall in the HHI index, but it was much smaller: - 1.7% for small professionals and -1.2% for households. At the end of 2012, the HHI index was 1.63% higher for the small professional market and household customers than for medium and large professionals.

*Natural gas*

Eni gas & power (41%) and GDF Suez (28%) together accounted for 69% of natural gas supplies to wholesale consumers directly connected to the transmission and distribution networks. The third largest supplier was EDF Luminus, with a share of 10%. The remaining fifteen supply companies (together accounting for a market share of 21%) each held a market share of less than 10%; nine of them did not reach 1%.

The HHI index remained above 2,500, indicating that the transmission network market was still concentrated in 2012.

On 1/12/2012, the number of 'standard gas customers' – that is, customers who had not yet subscribed to a supply contract since the liberalisation of the energy market in Flanders and who, through the end of 2012 were supplied at 'standard conditions' by the supplier they

were assigned to at the time by the distribution system operator (= their "standard supplier") - was 129,599, or 6.68% of the total number of access points (= 1,940,025) in Flanders. A year earlier, on 1/12/2011, the number was still 159,978, or 8.47% of the total number of access points (= 1,888,349).

The HHI index decreased in Flanders from 3761 to 3068, resulting in the C3 moving from 91.26% to 76.01%.

The number of supply points still supplied by the default supplier was 24% for all customers in the Brussels-Capital Region on 31 December 2012. This was a decrease of 5.73% compared with 2011. The HHI index fell from 7402 to 6476, resulting in the C3 moving from 96.9% to 93.2%.

➤ **Recommendations on the compliance of supply prices, studies of energy market operation and the publication of measures promoting effective competition**

The CREG submitted to the government an exhaustive list of criteria admitted to enable each of the suppliers to develop electricity and natural gas indexing parameters. Based on this proposal, the variable energy prices billed to household customers and SMEs can only change in line with electricity and gas exchange prices. On its own initiative and in order to promote energy price comparability and transparency, this proposal was supplemented by the recommendation of various measures to be taken concerning tariff simulators and the content of bills.

The CREG did not carry out any specific studies on the functioning of the retail electricity market in 2012. This did not change from previous years.

The VREG did a study on the behaviour and experiences of household and professional customers on the Flemish energy market. No studies were carried out in Wallonia. BRUGEL initiated a study during the second half of 2012 on supplier compliance with public service obligations.

In December 2012, the CREG drew up a draft decision on a charter of good practices for gas and electricity price comparison websites for household users and SMEs. The VREG, for its part, launched a campaign intended for poor people and vulnerable target groups. It also launched a new instrument intended to enable households in Flanders to compare the services of energy suppliers, that is, a 'service check' and in October 2012, it launched the 'groencheck' on its website. During the federal government's "Dare to Compare" campaign, BRUGEL provided the Brussels municipalities taking part in the operation and inviting citizens to make comparisons of supplier with free brochures, notably about its new simulator. BRUGEL launched its new comparison application Brusim ([www.brusim.be](http://www.brusim.be)) in September 2012.

## IV. Security of supply

### ➤ Monitoring the balance between supply and demand

#### *Electricity*

The demand for electrical power, that is, net consumption plus pumping power and grid losses, amounted to 90.2 TWh in 2010, 87.5 TWh in 2011 and 86.8 TWh in 2012, i.e. a decrease of 0.9% between 2011 and 2012.

In 2012, the electricity off-take in Elia's control area was 81.7 TWh, that is, a decrease of 2% compared with 2011.

The composition of the Belgian generation facilities connected to the Elia grid underwent a number of changes in 2012: 452 MW of generation capacity were taken out of service (the Ruien 3 and 4 units, the Harelbeke power plant and the BP Chembel cogeneration plant in Geel) and 719 MW of additional generation capacity were brought into service (the Duferco CCGT plant in Marcinelle (405 MW)). Moreover, C-Power brought 30 offshore wind turbines into service, each with a capacity of 6.15 MW. As a result, the total installed capacity in offshore wind turbines accounts for 380.4 MW (164 MW for Belwind and 251.4 MW for C-Power).

Total production in Elia's control area in 2012 was 69.7 TWh compared with 77.8 TWh in 2011 and 83.7 TWh in 2010. This was a decrease of 10.4% compared with 2011 and of 16.5% compared with 2010. Nuclear power plants produced 38.7 TWh in 2012, a decrease of 7.3 TWh compared with 2011.

#### *Natural gas*

Total natural gas consumption was of 185.6 TWh in 2012, a slight increase (+ 1.2%) compared to the consumption in 2011 (183.4 TWh).

In 2012, the share of H-gas fell slightly to 72.3 % (- 2.1 %) of the quantity of energy supplied, while the share of L-gas accounted for the remainder (27.7 %). This trend is chiefly linked to the increase in consumption on the distribution networks in 2012 (+ 11.5 %), where the share of L-gas was virtually the same as that of H-gas.

Natural gas customers who use L-gas are supplied directly from the Netherlands or indirectly, in backhaul, via the Blaregnies interconnection point with France.

LNG imports, mainly from Qatar via the Zeebrugge terminal, accounted for 5.7% of the average import portfolio in 2012. With a share of 45.0%, Zeebrugge once again consolidated its position as the main gateway to the Belgian natural gas network. Physical imports of natural gas from France have not yet been possible owing to the odorisation of natural gas which, in France, is carried out as soon as it enters the country.

The share of long-term contracts signed directly with natural gas producers with a remaining duration in excess of five years was stable (61.9% in 2012 compared with 61.2% in 2011) and still constituted the main component. Total supplies via supply contracts signed directly

with natural gas producers amounted to 64.4% in 2012, compared with 73.4% in 2011 (limited share of contracts with less than five years to run). Net supplies on the wholesale market rose sharply in 2012 as a result of short-term contracts of less than one year accounting for a 33.9% share (22.3% in 2011).

➤ **Monitoring investments in electricity production capacity and additional natural gas capacity**

*Electricity*

As of 31 December 2012, three types of investment projects were seen at Belgian production units (planned projects = 84.2 MW, authorised projects = 6,131 MW, of which 1,521 MW in offshore wind turbines, and projects under construction = 327 MW in offshore wind turbines).

Discussions between CREG-OFGEM regulators and developers about the NEMO project continued over the course of 2012.

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.

The North Sea meshed network project continued in 2012.

*Natural gas*

The joint offer resulting from the consultation of the French and Belgian DSO markets for the new French-Belgian interconnection point resulted in a total of over 219 GWh/day (807,522 m<sup>3</sup>(n)/h) in firm commitments with network users for a period of 20 years. These commitments are sufficient to proceed with the construction of a new interconnection point at Alveringem. This interconnection will make it possible for the first time to inject non-odorised natural gas from France into the Belgian transmission network, up to an anticipated maximum volume will be 8 billion cubic metres annually as of 1 November 2015, at the same time as the LNG terminal at Dunkirk will come into service.

The existing LNG terminal in Zeebrugge is to be given a second landing stage for both loading and unloading LNG tankers. This investment decision will make it possible to berth tanks with a capacity of 217,000 m<sup>3</sup> of LNG (over 1.5 TWh). This capacity extension at the Zeebrugge LNG terminal is scheduled to come into service on 1 May 2015.

Moreover, if there is sufficient market demand to pass the economic test, current prospective studies are likely to result in an investment decision on the construction of a fifth storage tank with a capacity of 180,000 m<sup>3</sup> of LNG (over 1.2 TWh) and related regasification facilities with an emission capacity of 450,000 m<sup>3</sup>(n)/h (5.2 GWh/h).

A new compressor station is being built on the rTr/VTN pipeline in Winksele in order to increase the network entry capacity both in the east and in the west and enable transition towards an entry/exit transmission model. Implementation of this investment has been delayed until the second quarter of 2013.

Moreover, additional compression capacity is planned in Berneau at the intersection of the rTr/VTN pipeline and the SEGEO pipeline near the 's-Gravenvoeren entry point. This new facility will come into service early in 2013.

To ensure a permanent flow of natural gas through the Belgian network to Great Britain and to comply with the bandwidth set for natural gas quality, Fluxys Belgium occasionally adjusts natural gas quality by adding nitrogen when applicable. For this purpose, the former liquid nitrogen (LIN) storage tank on the former LNG Peak Shaving Plant in Dudzele will be brought back into operation during the second half of 2013 with the construction of a new LIN blending facility.

In order to follow the anticipated growth in demand for natural gas in the Grand Duchy of Luxembourg, the existing pipeline in the Fluxys Belgium network which is linked to the network of the Luxembourg operator, Creos, via the Bras (Bastogne) and Athus/Petange interconnection points will be reinforced.

## **v. Consumer protection**

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

As part of its regular dialogue with the federal energy mediator, the CREG made an active contribution in 2012 to the process of drawing up proposals for the revision of the sector agreement "*the consumer on the liberalised electricity and gas market*", which led to policy opinion 12,004 of the energy mediation service on the outcome of "*the consumer on the liberalised electricity and gas market*" sector agreement. The proposed amendments follow on the adoption of the electricity and gas acts by the law of 25 August 2012 which introduces a number of energy-related provisions that include reviewing the above-mentioned law before 1 January 2013.

The same law also governs the fact that household customers and SMEs are entitled to terminate a continuous energy supply contract at any time, regardless if it is for a set or an indefinite period, on condition that they comply with the notification period of one month. No compensation can be demanded.

The social tariff for electricity (single tariff) excluding VAT was 13.993 €/kWh on average in 2011. It fell to 13.155 €/kWh in 2012. The social tariff for gas (single tariff) excluding VAT was 3.474 €/kWh on average in 2011. It increased to 3.763 €/kWh in 2012. The number of customers benefiting from social tariffs (maximum) remained stable compared to 2011. There were 400,000 electricity customers and 230,000 gas customers. There is also a system of maximum prices at the federal level for electricity and gas consumers who have been dropped by their supplier.

There were approximately 7,931 electricity supply outages in Flanders in 2012. This was an improvement compared with 2011 (9,344 electricity outages). This number includes both customers who followed the entire procedure (981 customers) and access points where there was no longer a supply contract and, therefore, a supply outage (6,950 customers). On the other hand, the number of gas supply outages increased in 2012: 9,300 outages

compared to 8,639 in 2011. This number also included customers who followed the entire procedure (1,809 customers) and the access points where there was no longer a supply contract (7,491 customers).

In 2012, the Flemish government decree of 19 November 2010 added several measures to promote the return to the commercial market of customers supplied by the DSO. Suppliers are now only allowed to refuse customers in five special cases.

In 2012, the Flemish government decided not to deploy smart meters in Flanders for the time being due to the great uncertainty surrounding the final outcome of the project. The Eandis and Infrax DSOs started installing new smart gas and electricity meters on 1 October 2012. 50,000 meters will be installed in different areas of Flanders over about ten months.

The deployment scenario (Full Roll Out scenario) recommended for the Walloon Region in the European Directive 2009/72 has resulted in a net loss of €186 million. The scenario also involves costs of close to €2.2 billion paid primarily by the DSO. As a result, the CWaPE has offered to waive the Walloon government's requirement to meet the commitment made to the Member States to achieve an 80% installed base of smart meters by 2020.

Based on the conclusions of its studies, BRUGEL also recommended in the government opinion of 20 April 2012, that the option of equipping at least 80% of Brussels consumers with a smart meter by 2020 be waived.

#### ➤ **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.

#### ➤ **Handling of complaints**

The Federal Mediation Service for Energy received 8,331 complaints during 2012 (compared to 8,736 complaints in 2011). Of these complaints, 50% were deemed admissible. The Mediation Service was not competent for 1,559 of the complaints (18.7%). Of the 3,370 admissible complaints closed out in 2012, the Mediation Service deemed:

- 1,889 founded (56.1%)
- 622 partially founded (18.5%)
- 855 unfounded (25.4%).

The CREG has continued to deal on a voluntary basis with the questions and complaints sent to it in French, Dutch and English. The CREG answered 794 written questions (including 224 complaints within its area of competence) in 2012. These were from consumers, businesses in the sector, lawyers, researchers and government offices. Reception also handled about 10 calls a day.

Only one complaint was submitted to the CREG for re-examination in 2012. It was subsequently rejected.

The Litigation Chamber was not able to operate in 2012 due to missing implementation decrees.

The VREG received 288 end customer complaints about energy suppliers or DSOs in 2012, compared with 414 in 2011.

Only two requests for dispute settlement were filed with the VREG in 2012. One was a complaint about a meter reading and the other challenged an invoice.

No cases were submitted to the CWaPE Litigation Chamber in 2012.

The CWaPE's Regional Mediation Service for Energy was contacted 1,583 times in 2012 for matters within its remit (questions and complaints). 506 complaints were deemed admissible in 2012.

The number of complaints received by BRUGEL decreased from 131 complaints in 2011 to 115 complaints in 2012.