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## COMMISSION FOR ELECTRICITY AND GAS REGULATION

# **ANNUAL REPORT 2012**

## **TO THE**

# **EUROPEAN COMMISSION**

## **SYNOPSIS**

31 August 2012

## **I. Unbundling**

- **Elia transmission system for electricity and Fluxys Belgium transmission system for natural gas**

As at 3 March 2011, the transposition period expiry date, Directives 72/2009/EC and 73/2009/EC had not yet been transposed at Belgian federal level. The transmission system operators could not therefore be certified after the entry into force of the Belgian transposition legislation of 2012.

- **Distribution network: electricity and natural gas**

No major events are to be reported in this respect for the year 2011.

- **Closed distribution networks: electricity and natural gas**

As at 3 March 2011, the transposition period expiry date, Directives 72/2009/EC and 73/2009/EC had not yet been transposed at Belgian federal level. The possibility of recognising a closed distribution network had therefore not yet been organised at federal level, but could be shortly in the context of the transposition legislation of 8 January 2012.

Whereas for the Walloon Region, the possibility of recognising a closed distribution network had not yet been organised by law in 2011, the legislator for the Flemish Region has already transposed the European articles on closed distribution networks. No network in Flanders received the status of closed distribution network in 2011. For the Brussels-Capital Region, the legislator has not introduced the concept of closed networks since the private network status that applies here corresponds better to the situation and the specific features of the Brussels-Capital Region.

## II. Network regulation

### ➤ Technical operation

#### *Electricity and natural gas*

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

In 2011, activations to offset imbalances in the control area rose by 23.0 % compared with 2010, to reach 1,110 GWh. The share of secondary reserves in these activations amounted to 67.3 % in 2011, compared with 76.0 % in 2010 and 95.2 % in 2009. This fall is chiefly due to the fact that most of the increase in activations in 2011 must be attributed to incremental and decremental bids, which increased by 76.3 % compared with 2010.

The HHI index relating to offers of secondary and tertiary reserves on generating units amounted to 4,510 in 2011, compared with 3,750 in 2010 and 5,800 in 2009. Activations relating to these resources accounted for 97.3 % of the total energy activated in 2011 to offset imbalances in the control area, whereas they accounted for 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 the entry onto the production reserves market of two new players, RWE and T-Power.

As part of the introduction of a new transmission model, the CREG suggested to Fluxys Belgium that it should adapt and correct the existing balancing model taking into account the comments made by the market players during the consultation process. Together with Fluxys Belgium and the market players, the CREG has set out the principles underlying the new balancing model. The Directorate General for Quality and Security of the Federal Public Service for the Economy is competent with regard to the security and reliability of the network.

- b. Monitoring the time taken for connections and repairs

As at 3 March 2011, the transposition period expiry date, Directives 72/2009/EC and 73/2009/EC had not yet been transposed at Belgian federal level.

In Flanders, grid use was interrupted 0.48 times in 2011 for the low-voltage electricity grid and 0.06 times for the medium-voltage electricity grid. The interruption lasted 7 minutes and 36 seconds for the low-voltage grid and 17 minutes and 55 seconds for the medium-voltage grid. The interruptions are largely due to broken cables and malfunctions in the stations or cabins. A total of 29,885 new connections were established in 2011 (low and medium voltage), an increase of 7.28 % compared with 2010.

On average in Wallonia, non-availability was 1h01 (2011) as against 1h30 (2010) and the restore time was 51 minutes (2011) as against 1h10 (2010).

Finally, for the SIBELGA grid in the Brussels-Capital Region, the overall objective was to keep the non-availability of the cabins connected to the grid to less than 20 minutes, which has been the case since 2007. As regards the regional transmission system, the number of interruptions recorded on the ELIA grid is very small (six in total), enabling ELIA to achieve its objectives in terms of the average annual length of an interruption per user and the average annual frequency of interruptions.

Few complaints were lodged in Flanders concerning the quality of the gas composition. In 2010, two justified complaints were received. The average theoretical non-availability per customer was 7 minutes and 12 seconds in 2011, compared with 5 minutes and 30 seconds in 2010. As regards observance of service provision deadlines, the natural gas system operators dealt with 558 complaints, compared with 406 complaints the year before. As regards the quality of the service provided by the gas DSOs, an increase in the number of complaints may be observed.

For the year 2011 in the Walloon Region, on average delays in processing requests were recorded with regard to 25 % of requests for connections and 34 % of requests for modifications to connections. These figures fall to 7 and 11 % as regards carrying out the work. The figures for different DSOs vary widely. As regards connection delays, only 29 requests for compensation (for electricity and gas together) were submitted to DSOs in this context in 2011. In five dossiers, the DSO acknowledged having established the connection belatedly and paid compensation.

Finally, the average total non-availability per customer for the year 2010 in the Brussels-Capital Region is around three minutes (in 2009, it was 2 minutes and 40 seconds).

- c. Monitoring technical cooperation between Community TSOs and the TSOs of third countries

As at 3 March 2011, the transposition period expiry date, Directives 72/2009/EC and 73/2009/EC had not yet been transposed at Belgian federal level.

- d. Monitoring safeguarding measures

Over the course of 2011, the CREG contacted Elia about power supplies during a black-out of the Tihange nuclear power plant. The CREG also asked Elia and Fluxys Belgium to analyse the interdependence risks between the electricity and gas transmission systems.

There is nothing to report for the year 2011 regarding the CREG's monitoring of the safeguarding measures put in place by the Belgian state in application of Article 46 of Directive 73/2009/EC which had not yet been transposed at Belgian federal level.

- e. Monitoring access conditions

### ***Natural gas***

In October 2011, Fluxys Belgium submitted to the CREG an application for approval of a standard storage contract, storage access regulations and the storage programme. This application was rejected, and after the submission by Fluxys Belgium of another application for approval of the standard storage contract, storage access regulations and the storage programme in November 2011, the CREG felt that the model drawn up was sufficient to place natural gas storage services at the disposal of the market in a balanced, transparent manner and therefore approved the documents concerned.

The natural gas TSO does not market linepack separately and the system of negotiated storage access conditions does not apply in Belgium.

➤ **Network connection and access tariffs**

***Electricity***

On 22 December 2011 the CREG approved the tariffs proposal submitted by Elia. Total revenue has increased substantially. This increase can be attributed mainly to the sizeable investment budget (€ 1,077,000,000 over the period 2012-2015) and the financing and operating costs, as well as the costs of the related technical studies necessary. Over the course of 2011, grid access tariffs (borne exclusively by customers) remained identical to those of 2008, 2009 and 2010.

There are no changes for the DSOs upon whom provisional tariffs have been imposed for the 2009-2012 period, given that these are an extension of the tariffs applied for the 2008 operating year. The 2010/2011 trend was similar to that of 2009/2010, but considerably flatter than that between 2008 and 2009 and may be attributed mainly to the application of an indexation mechanism to the manageable costs and to a lesser extent to the trend in other elements, such as depreciation and non-manageable costs (public service obligations, for instance).

Over the course of the 2011 operating year, the DSOs of the operating company Eandis (March 2011) submitted an adapted tariffs proposal. The adaptation of the tariffs proposed resulted entirely from the sharp rise in the costs of the public service obligations (in particular the obligation to purchase green certificates for the DSOs). Iveg and Inter-Energa (April 2011) also submitted a new tariffs proposal for the same reason. All this gave rise to the approval of new tariffs for Eandis as of 1 April 2011 and for Iveg and Inter-Energa as of 1 May 2011 for the remainder of the regulatory period.

***Natural gas***

The transmission and storage tariffs rose between 2010 and 2011, as expected, with the consumer prices index. The tariffs for the use of the natural gas terminal, which are also indexed, remained unchanged. Having rejected the initial application from Fluxys Belgium concerning the tariffs for connection to the transmission network and the use of this network, as well as storage and ancillary services for the financial years 2012 to 2015, the CREG was able to approve the adapted application submitted by Fluxys Belgium.

The provisional tariffs applied by DSOs have not altered as the provisional tariffs for the 2009-2012 period are identical to the tariffs in force for the 2008 operating year. The

2010/2011 trend is similar to the 2009/2010 trend, but considerably flatter than that between 2008 and 2009, which may be attributed mainly to the application of the indexation mechanism to the management costs and to a lesser extent to the trend in other elements, such as depreciation and non-manageable costs (public service obligations, for instance). During the last quarter of 2010, the DSOs of the operating company Infrax (Infrax West, Inter-Energa, Iveg) submitted new tariffs proposals for the 2009-2012 regulatory period. As these new tariffs proposals dealt with all the unresolved contentious issues, the CREG approved the tariffs for 2011 and 2012. In 2011, imposed tariffs were billed by the pure Walloon DSO ALG. These tariffs are based on the most recent corresponding total revenue elements approved, that is the tariffs for the 2008 operating year. The CREG approved an increase in the 2012 tariffs of RESA (formerly ALG).

➤ **Cross-border issues**

***Electricity and natural gas***

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

After a year when very little electricity was imported, Belgian imports rose again in 2011. In 2011, net physical imports amounted to around 2.62 TWh, having been just 0.55 TWh in 2010. There were no extreme movements in terms of utilisation (nomination) of the interconnection capacity in 2011. Compared with 2010, the average export capacity rose by 9 % in 2011 and the average import capacity by 6 %.

In 2011, the Fluxys Belgium service range for transmission from border to border comprised mainly firm or conditional entry and exit capacities. On the other hand, the gas framework directive 73/2009/EC for the allocation of transmission capacity and the network code proposed by ENTSO-G state that transmission services at the transmission system entry and exit points must be allocated by means of auctions. The natural gas TSOs have to organise regular coordinated auctions on the entry and exit points and offer the same standardised services (length, firm, interruptible, etc.) on both sides of the border. This is not yet the case at the moment, and each natural gas TSO has its own range of products and its own allocation system. A significant initial step has been taken with the announcement of the cooperation between Fluxys Belgium and neighbouring operators with regard to the range of transmission services available via a joint capsquare platform, L4Hub and Trac-X.

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

The CREG issued an opinion in October 2010 on Elia's 2010-2020 draft development plan and noted, in this context, that apart from a few differences that could be attributed to the time discrepancy between the two plans, the development plan corresponded to the ENTSO-E network development plan. After a public consultation organised by Elia from 16 May to 14 July 2011, the final version of the 2010-2020 development plan was approved by the Minister for Energy on 14 November 2011.

As it does every year, in June 2011 Fluxys Belgium drew up a new investment plan for the next ten years until 2021. The CREG can now state that the existing infrastructure and planned investments are sufficient to ensure the transmission of natural gas in accordance with the transmission contracts of network users on the basis of the current outlook. In a study carried out in March 2011, the CREG attempted to clarify the concept of transmission capacity with a view to achieving a more accurate calculation of the quantity of available capacity and following up network operation. A diagram is provided to calculate transmission capacity that aims to fill the gap in the regulations.

- c. Cooperation on cross-border issues with the regulatory authorities of the member states concerned and ACER

In 2011, the CREG worked closely on various dossiers with the regulators in other member states and ACER, as well as with the TSOs and the electricity exchanges. This was in many cases a matter of continuing the work undertaken in previous years. There were two major events relating to electricity market coupling in 2011. On 4 and 5 February 2011, a reduction in commercial interconnection capacity occurred due to a very strong forecast of solar energy in Germany. On 28 March 2011, an implicit market coupling did not take place further to a technical problems with the time change. The CREG is also taking part in the follow-up of the NWE *Day-Ahead* market coupling project. The CREG and the Dutch regulator NMa followed the development of a temporary bilateral intraday mechanism between Belgium and the Netherlands. This mechanism is based on the Elbas system, which is also in place in the Scandinavian countries. The CREG is also taking part in the follow-up of the NWE Intraday project which, in an interim phase, involves an Intraday market based on a model similar to the Elbas model in 2012 and in a final phase meets the criteria of the European regulation



and Capacity Allocation and Congestion Management Framework Guidelines (CACM FG) in 2014.

The two network operators, the Belgian Fluxys, and French GRT-gaz launched a joint open season on 13 December 2011 for the construction of a new gas interconnection between France and Belgium, in Alveringem, which should be operational as of 1 November 2015. In this respect, the CRE and the CREG worked together on this innovative project.

➤ **Compliance**

***Electricity and natural gas***

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

As at 3 March 2011, the transposition period expiry date, Directives 72/2009/EC and 73/2009/EC had not yet been transposed at Belgian federal level. The CREG has nothing to report for the year 2011.

- b. Surveys conducted to ensure that the electricity and natural gas market is operating properly, imposition of proportionate and necessary measures to promote effective competition and obligation for all electricity companies to pass on all necessary information, including the reasons why access has been denied

In March 2011, the CREG decided to impose an administrative fine on Electrabel of € 99,157 per calendar day as of 3 January 2011, the total of which may not, however, exceed 3 % of the turnover it recorded in Belgium during the last financial year closed. The CREG considered that Electrabel had not provided the information requested on several occasions with a view to determining the nuclear rent, contrary to Article 26, §§ 1 and *1bis* of the act of 29 April 1999 on the organisation of the electricity market. Electrabel lodged an appeal against this decision with the Court of Appeal in Brussels.

For 2011, the VREG only imposed administrative fines on various market players for failure to fulfil green public obligations. The CWaPE and BRUGEL did not impose any administrative fines during the course of 2011.

➤ **Litigation settlement authority**

***Electricity and natural gas***

Given that as at 3 March 2011, the transposition period expiry date, Directives 72/2009/EC and 73/2009/EC had not yet been transposed at Belgian federal level, there is nothing to report for the year 2011.

No requests for the settlement of disputes were submitted to the VREG for the year 2011. For the Walloon Region, no matters were brought before the litigation chamber in 2011. In the Brussels-Capital Region, the litigation service was set up at the end of 2011 and has been operational since 1 November 2011. Two dossiers were submitted at the end of 2011.

### **III. Competition**

➤ **Monitoring wholesale and retail market prices**

***Electricity and natural gas***

In 2011 the CREG carried out several studies on the trend followed by electricity prices on the short- and long-term wholesale market, the supply of electricity to consumers in Belgium with an offtake point whose annual consumption is in excess of 10 GWh, or who require capacity of over 5 MW, electricity price components, the negative electricity price formation mechanism in Germany and an analysis of the concept of *spreads*.

In 2011 the CREG conducted a study that analyses natural gas prices in the various European capitals for an individual heating customer. At the start of 2011, these prices for a Brussels household were average for continental Europe, with a final price of € 1,463 including VAT for consumption of 23,260 kWh/year, or around 6.3 cents/kWh. The price of the distribution network in the Brussels-Capital Region is, however, the highest of the five capitals. The prices in Great Britain, which is a producer country with low VAT rates on energy, are by far the least expensive. This is followed by France, where the tariffs are regulated by the state. The Belgian, Dutch and German prices are fairly similar. However, the Netherlands, a country that produces and exports natural gas, and Germany levy taxes that are clearly higher than those applied in Belgium.

The study on the price components of natural gas analyses the trend in the price of natural gas applied to customers for the period from January 2007 to July 2011, whereby the contributions made by the various components to the price trends are noted. In absolute terms, the price billed to the end user has risen by an average of € 393.95 per year in Flanders, by € 405.30 per year in Wallonia and by € 360.22 per year in the Brussels-Capital Region. On average, the price of energy had risen by € 239.81 per year in July 2011 compared with January 2007. The distribution network tariff has risen by € 82.57 per year in Flanders, by € 49.77 per year in Wallonia and by € 54.43 per year in the Brussels-Capital Region. Public offtake increased by € 8.14 per year in Flanders, by € 50.71 per year in Wallonia and by € 9.30 per year in the Brussels-Capital Region. The price billed to an end user for an SME has risen by an average of € 25,776 per year in Flanders, € 26,583 per year in Wallonia and € 27,314 per year in the Brussels-Capital Region.

The study on the relationship between the costs and the prices of natural gas analyses the prices and costs of importing, reselling and supplying to companies, household customers and electricity power plants. It reveals that the biggest proportion of the prices (import, resale and supply) continues to be determined on the basis of oil prices, but that suppliers that sell and buy their gas on the basis of a gas indexation offer considerably lower prices to their household and SME customers than suppliers using an oil indexation.

- **Monitoring the degree of transparency, the transparency obligations of the electricity companies and the opening up of the wholesale and retail market**

## ***Electricity***

### a. Electrical power demand

According to the statistics passed on to the CREG, the electrical power demanded by Elia's Belgian grid excluding pumping, in other words net consumption plus grid losses, was estimated at 81,622 GWh pour 2011, compared with 84,733 GWh in 2010, which would mean a fall of approximately 3.67 %. Compared with 2009, however, a slight rise of 1.8 % may be observed. The peak capacity demanded is estimated at 13,005 MW<sup>93</sup> for 2011, compared with 13,585 MW in 2010.

#### b. Wholesale generation market share

Electrabel still has a substantial market share (70 %) of total generation, although this market share has been declining over the past few years. The second player in order of size is SPE/EdF, which has a market share of 14 % of the Belgian generation capacity. The third player in terms of size in Belgium is the German company E.ON, which acquired 9 % of the generation capacity via a swap with Electrabel in early November 2009. The fourth player is a newcomer: T-Power's CCGT came into service in mid-2011. With 422 MW, this player holds 3 % of the Belgian generation capacity. The HHI fell in 2011 but remains very high at 5,160.

#### c. Energy exchange

Further to the German decision in March 2011 to close around one third of its nuclear facilities in April and May, and certainly during the summer of 2011, prices in the Netherlands and in Germany were considerably higher than in France and Belgium. Market coupling pushed up prices at the same rate in the Netherlands. Wholesale prices on the short-term market followed an upward trend compared with 2009 and 2010. The average annual price on the Belpex stood at € 49.5/MWh in 2011, compared with 46.3/MWh in 2010 and € 39.4/MWh in 2009.

On 28 March 2011, the short-term markets in the CWE region, and therefore also on the Belpex DAM, decoupled. The isolated clearing of the Belpex DAM gave rise to an average a price of € 206.1/MWh for the supply of the baseload on 28 March 2011, with a peak price of € 2,999/MWh for supplies in the 8th hour (i.e. between 7.00 am and 8.00 am) that day. Consequently, the CREG conducted a study on this price peak and in particular examined the dispatching and offering behaviour of the three largest producers in the Elia control area: Electrabel, E.ON and SPE. The CREG concluded that the capacity proposed on the Day-Ahead market was sufficient to avoid the price peak.

In the Flemish Region, the number of switches amounted to 8.16 % for 2011, compared with 6.68 % in 2010. Compared with 2010, the VREG notes that the number of visitors to its website has doubled, and use of the tariffs simulator has increased. For electricity, the weighted average price of suppliers, the weighted average price of offers on the market and the cheapest weighted average price are up 20% compared with 2010. The ratio between the commodity and the distribution cost of the energy price has changed compared with 2010. The reason for this lies in the increase in the tariffs applied by DSOs linked to the

financial support for energy production using renewable sources. As for previous years, an improvement may be seen with regard to the degree of concentration (HHI in 2011: 4,326 compared with 4,782 in 2010).

The analysis of the price trend for household customers in 2011 (based on the annual average bills of designated suppliers) for the Walloon Region reveals an increase in the total price of electricity between 2010 and 2011. Dc1 standard customers (3.500 kWh) saw their bill rise from € 780 to € 841. The reason for this rise lies in the increase in both the energy component and the components of the regulated part (distribution tariffs and surcharges). On the electricity market, as at 31 December 2011, three out of four customers were active in the Walloon Region. Finally, the degree of concentration fell slightly (HHI in 2011: 4,792 compared with 4,912 in 2010).

The figures collected and processed by BRUGEL show a steady erosion in the market share of the so-called "historical" supplier and default supplier in the Brussels-Capital Region. A total of 62.7 % of consumers in Brussels are active on the electricity market. Compared with 2009, BRUGEL notes an increase of 5.56% of contracted suppliers for electricity, taking all customers together. The degree of concentration for 2011 is 7,477.

### ***Natural gas***

In its decision of 8 September 2011, the CREG was already able to approve the relevant points of the transmission network of Fluxys Belgium and Interconnector (UK) to which the transparency obligations apply.

In the Flemish Region, the number of switches amounts to 9.22 % for 2011, compared with 7.06 % in 2010. The weighted average price of suppliers, the weighted average price of offers on the market and the cheapest weighted average price were higher at the end of 2011 than at the end of 2010. For a family recording average consumption (that heats using natural gas), increases of 19 %, 17 % and 15 % respectively may be seen. The price level at the end of 2011 was nevertheless lower than at the end of 2009. As for previous years, an improvement may be seen in the degree of concentration (HHI in 2011: 3,761 compared with 4,110 in 2010).

The analysis of the price trend for household customers in the Walloon Region over the year 2011 reveals an increase in the total price between 2010 and 2011. For gas, the rise in the total bill (+ € 319 in 2011) is due to the increase in both the energy component and the regulated component (distribution tariffs and federal contributions). On the gas market, as at

31 December 2011, four out of five customers were active. Finally, the degree of concentration fell slightly (HHI in 2011: 3,501 compared with 3,652 in 2010).

The figures collected and processed by BRUGEL show a steady erosion in the market shares of the so-called “historical” supplier and default supplier in the Brussels-Capital Region. A total of 65.3 % of consumers in Brussels are active on the gas market. Compared with 2009, an increase of 5.15 % may be seen in contracted suppliers for gas, taking all customers together.

➤ **Recommendations on the compliance of supply prices**

***Electricity and natural gas***

The CREG did not issue any recommendations on the compliance of supply prices for the year 2011.

During the course of 2011, the Mediation Service for Energy issued two opinions on the subject of the compliance of supply prices (*Regulation of indexation formulas and Informing the consumer of the most advantageous tariff*).

➤ **Monitoring with a view to promoting effective competition**

***Electricity and natural gas***

In 2011 the CREG carried out a number of studies on the nuclear rent, resulting in an examination of bills concerning the nuclear tax, carried out at the request of the Economic Commission of the Chamber. These involved bills (and amendments) concerning the corrective measures regarding the nuclear profit.

On the basis of the studies and monitoring carried out, in 2011 the VREG issued opinions which could be used to take legislative measures aimed at promoting effective competition. In 2011, the CWaPE and BRUGEL did not carry out any monitoring aimed at promoting effective competition.

## IV. Consumer protection

### *Electricity and natural gas*

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

a. Supply contract conditions

On 6 April 2011, the Federal Public Service for the Economy, the federal administration, launched an on-line platform for the settlement of consumer disputes ([www.belmed.fgov.be](http://www.belmed.fgov.be)). This platform provides both information on what is being done with regard to the out-of-court settlement of disputes in Belgium and a secured and confidential area for attempted mediation with a neutral third party. Over 25,000 Internet surfers have already visited the information section (which includes FAQs, tips, actual cases and standard letters, etc.).

As regards the CREG, in conjunction with the other competent bodies, it monitors the proper fulfilment of the consumers' agreement and compliance with the legislation in force with regard to the conditions governing supply contracts.

For 2011, the VREG did not pass on any complaints to the Directorate General for Monitoring and Mediation regarding infringements of the agreement "The consumer in the liberalised electricity and gas market" and the code of conduct for "sales outside the company" and "distance selling".

Over the course of the year 2010, the Socio-Economic Directorate of the CWaPE carried out monitoring at suppliers operating in the Walloon Region (currently: Belpower, Electrabel Customer Solutions, Energie 2030, Essent, Lampiris, Nuon, SPE Luminus) on these points in particular. In 2011, the Socio-Economic Directorate of the CWaPE ensured that suppliers were following up on comments that had been made after these checks in 2010.

There is nothing to report by BRUGEL for 2011.

b. Complaints handling

The Federal Mediation Service for Energy continued its activity in 2011, serving as the sole contact point for the entire country in accordance with the protocol signed by the various institutions in charge of energy both at regional and federal level. The Federal Mediation

Service for Energy received a total of 8,736 complaints during 2011, its second year of operation (compared with 3,936 complaints in 2010), 4,036 of which were declared admissible. As in 2010, the complaints received in 2011 related mainly to disputes concerning:

- metering problems (21 % of all types of complaints);
- price and tariff transparency (20 % of all complaints);
- payment problems (15 % of all complaints);
- change of supplier (14 % of all complaints);
- regional competence other than metering problems (9 % of all complaints) (social and environmental PSOs, quality of supply, connection and drop);
- disconnection/drop (5 % of all complaints);
- billing process (6 % of all les complaints);
- market practices (4 % of all complaints);
- customer service (4 % of all complaints).

Over the course of 2011, the VREG received 414 complaints against suppliers or DSOs. Most of these complaints dealt with by the VREG concern the free kWh (32 %), metering data (6 % + 16 %) and connections (19 %). Finally, 50.91 % of these grievances concerned a DSO and 49.09 % concerned suppliers.

In the Walloon Region, the Regional Mediation Service for Energy recorded a slight fall of 15 % in the number of requests for mediation in 2011. In the Brussels-Capital Region, an increase in the number of complaints was observed compared with 2010 (131 as against 115 in 2010).

Most of the complaints received by BRUGEL concern metering (45), which was also the case in 2010 (42). The number of complaints about the supply contract fell (1 compared with 7 in 2010).

➤ **Access to customer consumption data**

For the year 2011, the CREG has not received any complaints from end consumers that they have not had access to their consumption data with a view to optional use.



## ➤ **Public service obligations**

At federal level, a system for the protection of vulnerable electricity and natural gas consumers applies in the form of social tariffs. In 2011, the number of customers benefiting from a (maximum) social tariff rose compared with 2010, although the eligibility criteria remained unchanged. This increase is mainly due to automatic granting which began in mid-2009, the effect of which is to take into consideration as many as possible if not all of those eligible for social tariffs.

In Flanders, approximately 7,000 consumers had their power supply cut off in 2011. This figure includes not only customers who followed the entire procedure (commercial market – non-payment – reimbursement plan – drop from commercial market – social supplier GRD – non-payment – budget meter – reimbursement plan – social service advice – supply cut off) but also access points where there is no longer a supply contract (e.g. further to a change of address) and so the supply is cut off. Every year, the VREG also publishes a report on public service obligations.

In the Walloon Region, supply was cut off in 6,191 cases in 2011 (out of a total of 1,518,259 household access points) when, in the context of a non-payment procedure, the customer refused to have a budget meter fitted. The specific 2011 report on the fulfilment of public service obligations is available on the CWaPE website. A Socio-Economic Directorate at the CWaPE is responsible for monitoring the application of and compliance with public service obligations. Over the course of the year 2011, CWaPE concentrated its monitoring on network operators. The main comments made by the CWaPE concerned:

- the organisation of the various stages in the procedure for fitting a budget meter;
- bringing bills and correspondence sent in the context of fulfilling public service obligations into line with the law;
- putting in place reporting tools to objectivise the volumes of customer requests and their handling periods.

Finally, in 2010 CWaPE carried out an in-depth study of the social measures put in place in the Walloon Region aimed at assessing these social measures in terms of the objectives of guaranteeing access to energy for household customers, keeping consumption under control, fighting against indebtedness, the competitive market and keeping the costs of public service obligations under control.

A steady increase in the number of capacity limiters installed in the Brussels-Capital Region may be observed in 2011. This increase is significant in particular in the segment of 4,600 W

capacity limiters fitted for protected household customers. Every year BRUGEL publishes an opinion on its website on the report from network operator concerning the fulfilment of its public service missions in the field of electricity and gas. For natural gas, in 2010 SIBELGA cut off supplies in 335 cases authorised by a justice of the peace, compared with 540 in 2009.

➤ **Introduction of smart grids**

The VREG has prepared a study that highlights smart grids. The first stage in drawing up a “*smart grid action plan*” was taken in 2011 at the request of the Flemish parliament. This study will also be the subject of a parliamentary debate during the course of 2012. The VREG has also been asked to give its opinion.

In 2011, the CWaPE defined what a Sustainable and Smart Electricity Grid should be and set out its visions in recommendations intended for the political authorities and practical provisions regarding its implementation by the network operators.

For its part, BRUGEL asked CAPGEMINI to carry out a study comprising a technical and economic assessment of the widespread introduction of smart meters in the Brussels-Capital Region. The study began in the third quarter of 2010. The results were presented in March 2012.

➤ **Definition of protected consumers**

There is nothing to report with regard to protected consumers.

## **v. Security of supply**

➤ **Monitoring the balance between supply and demand**

### ***Electricity and natural gas***

The demand for electrical power, that is net consumption plus pumping power and grid losses, amounted to 90.1 TWh in 2007, 90.2 TWh in 2008, 85.9 TWh in 2009, 90.2 TWh in 2010 and 87.5 TWh in 2011, i.e. a fall of 3.0 % between 2010 and 2011. Peak demand fell by 8.5 % between 2010 and 2011. The composition of the Belgian generation facilities connected to Elia’s grid underwent a number of changes in 2011: 365 MW of generation capacity was taken out of service and 423 MW of additional generation capacity was brought

into service. As regards the volume of electricity generated, net electricity generation amounted to 80,600 GWh in 2011, whereas the figure for 2009 was 84,724 GWh and that for 2010 was 85,800 GWh. On 31 December 2011, the following investment projects were scheduled in generating units:

- planned projects (for which a permit or domain concession application is still being processed): 731 MW, including 710 MW offshore;
- projects authorised but for which construction has not yet begun: 6,779 MW, of which 1,025 MW in offshore wind farms;
- projects under construction: 304 MW, including 295 MW in offshore wind farms.

In 2011, total natural gas consumption amounted to 183.4 TWh, which is considerably down (- 14.8 %) on consumption in 2010 (215.3 TWh). This fall is the result of a considerable drop in demand for natural gas both for generating electricity (- 19.6 %) and on the distribution networks (- 18.5 %), while demand for industrial natural gas rose very slightly (+ 0.2 %). The fall in natural gas consumption amongst small consumers is due to the mild weather conditions in 2011. It should be pointed out, moreover, that Belgium recorded a slightly negative balance in 2011 in terms of electricity as well: the country was also a net importer of electricity in 2011. The level of industrial demand for natural gas in 2011 was more or less identical to the level prior to the crisis but is stagnating, which is consistent with the economic situation. In 2011, the share of H-gas rose slightly to 74.4 % of the quantity of energy supplied, while the share of L-gas accounted for the remainder (25.6 %). This trend is chiefly linked to the fall in consumption on the distribution networks in 2011 (- 18.5 %), where the share of L-gas is virtually the same as that of H-gas. Natural gas supplies to industrial customers, where H-gas has a high market share, on the other hand, saw limited growth (+ 0.2 %).

In 2011, the high level of interconnection for H gas was reinforced as the Zelzate entry point at the border with the Netherlands came into operation. 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 supplies, mainly from Qatar via the Zeebrugge terminal, accounted for a share of 7.5 % of Belgian natural gas consumption in 2011, compared with 6.2 % in 2010. With a share of 41.2 %, Zeebrugge has once again consolidated its position as the main gateway to the Belgian market. For the L-gas market, the CREG has observed substantial supplies in backhaul from Blaregnies (6.7 % in 2011 compared with 4.9 % in 2010) on the transit flows initially intended for the French market. This reflects the issue of capacity availability and allocation at the Hilvarenbeek/Poppel interconnection point on both the Dutch and the Belgian side.

The share of long-term contracts concluded directly with natural gas producers with a remaining duration in excess of five years has risen slightly from 60.3 % in 2010 to 61.2 % in 2011 and still constitutes the main component. Total supplies made via supply contracts concluded directly with natural gas producers amounted to 73.4 % in 2011 compared with 66.0 % in 2010. Net supplies on the wholesale market fell sharply in 2011. Whereas in 2010, 34.1 % of supplies still involved wholesale contracts, these supply contracts concluded directly amongst suppliers fell to 26.6 % in 2011. This supply situation may be explained by the combination of the sharp decline in demand for natural gas and a substantial basic series of long-term contracts concluded with natural gas producers in the portfolios of the main suppliers on the Belgian market.

## ***Electricity***

### **➤ Monitoring investments in generating capacity**

Apart from projects with a cross-border impact, the following projects are worth mentioning: the STEVIN project, which consists of extending the 380 kV grid between Zomergem and Zeebrugge on the one hand and the BRABO project, which involves creating a 380 kV loop around the port of Antwerp on the other.

There is nothing new to report for the regions for 2011.

### **➤ Operating security of the network**

According to Elia, physical transits amounted to almost 7.6 TWh in 2011, which represents a slight increase of 0.4 TWh compared with 2010. The year 2011 was a pivotal year for non-nominated flows. Following the sudden closure of eight nuclear power plants in Germany, Elia noted an upward trend in transit flows from south to north in the spring and summer. The highest values for these flows in 2011 were 1,738 MW from north to south and 1,731 MW from south to north.

### **➤ Investment in cross-border coupling capacity**

Various projects are worth mentioning: *Interconnection between Belgium and the United Kingdom (the NEMO project)*, *Interconnection between Belgium and Germany (the ALEGRO project)*. Elia is planning various additional investments to cope with flows by 2020. These

investments supplement the implementation of the BRABO project. Other major projects worth mentioning include *interconnections at the southern border and the interconnection between Belgium and Luxembourg*.

➤ **Measures to cover peaks in demand and cope with supply shortfalls affecting one or more suppliers**

In June 2011, the CREG published a study on its own initiative on the electricity generation capacity needs in Belgium over the period 2011-2020. In this study, the CREG stresses, amongst other things, the ageing of the generation facilities in Belgium and the lack of investment in new generating units. On the basis of the assumptions adopted in the study, simulations indicate that Belgium will experience a lack of generation capacity in the years to come (2012-2014) and consequently it runs an increased risk of being unable to satisfy its own electricity needs. The CREG also makes a series of recommendations, including taking a number of measures, some of which are exceptional and hence temporary, in order to cover the period until the year 2015, which is likely to be a difficult time.

### ***Natural gas***

➤ **Forecasts on future demand, available reserves and additional capacity**

According to the reference scenario, demand for natural gas in Belgium will rise to 243,174 GWh. Without any action in terms of the possible conversion of L-gas customers to H-gas, the outlook indicates that demand for H-gas will account for 183,516 GWh (75.5 % of the market) and that for L-gas will account for 59,659 GWh (24.5 % of the market) in 2020.

➤ **Supply**

The number of H-gas importers for the Belgian market is increasing and currently stands at 17. Importers operating in Belgium, such as Wingas and GDF SUEZ, obtain 50 % and 15 % of their natural gas respectively from Russia. The role played by LNG is difficult to determine as the rise seen amongst various importers is correlated to the additional investments made in the LNG terminals. The outlook indicates that supplies brought in via Germany (Eynatten) and the Netherlands (Zelzate and 's Gravenvoeren) are increasing without prompting a fall in the use of other supply routes. As for L-gas supplies, ten suppliers are appointed almost exclusively, for the time being, to the Poppel/Hilvarenbeek interconnection point for supplies from the Netherlands.

➤ **Additional capacities planned or under construction**

Various projects are worth mentioning: *extension of storage capacity, opening up of Loenhout, rTr2/VTN2, extension of compression capacity, natural gas quality, Open Season on transmission capacity from France to Belgium and the LNG terminal.*