

# PROCEDURES RELATED TO TRANSMISSION AND DISTRIBUTION TARIFFS: FEBEG'S 5 BEST PRACTICES

Brussels, 24<sup>th</sup> of March, 2015

Transmission and distribution tariffs for electricity and gas are of utmost importance in the energy sector: tariffs are an important policy tool, but at the same time they have a huge impact on the businesses and operational processes of the energy companies. Therefore, FEBEG calls all regulators to implement best practices with regard to the approval process, publication, implementation and follow-up of transmission and distribution tariffs<sup>\*</sup>.

## 1. INCREASED TRANSPARENCY



FEBEG would welcome more insight in the tariff agreements with system operators – including their evaluation and follow-up - as well as improved quality of the existing tariff publications.

OBJECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> <li>Compliance with principles and rules of open government</li> <li>Public control on monopolistic – and thus regulated - activities of system operators</li> <li>Allow stakeholders to have a better view on the expected evolution of the tariffs</li> </ul>	<ul style="list-style-type: none"> <li>Publication of and consultation on bilateral agreements (timings, incentives (boni/mali), consultation process, ...) between regulators and system operators</li> <li>Publication of evaluation reports with regard to incentives (boni/mali) applied to the system operators</li> <li>Improved annual reporting on the regulatory accounts of the system operators</li> <li>Information sessions for stakeholders</li> <li>Transparency on approval and publication dates of all relevant documents</li> <li>Simultaneous publication on website and notification to all stakeholders</li> </ul>

## 2. PROPER BENCHMARKING



FEBEG considers a properly carried out benchmarking with neighboring countries as a necessary tool to allow regulators to set tariffs ensuring a level playing field for power plants in Belgium compared to power plants in other countries.

OBJECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> <li>Avoid market distortions</li> <li>Contribute to security of supply by removing cost handicaps that would incentivize power plants to be shut down in Belgium</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking as a general principle to be applied to all tariff components (including gas tariffs)</li> <li>Involvement of stakeholders in the definition of the scope and methodology of benchmarking</li> <li>Full transparency on results of benchmarking</li> </ul>

\* Including tariffs for storage and LNG facilities as well as surcharges, taxes and contributions for public service obligations and applicable on tariff proposals for a new tariff period as well as proposals for modification of tariffs within a tariff period.



### 3. DETAILED TARIFF PROPOSAL



FEBEG is of the opinion that a real dialogue with stakeholders – with the intention of creating broad support - is not possible without publishing the complete tariff proposal and all the substantial elements that contributed to it.

OBJECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> <li>Compliance with principles and rules of open government</li> <li>Public control on monopolistic – and thus regulated - activities of system operators</li> <li>Allow stakeholders to assess the impact on their businesses and operations</li> <li>Inform suppliers so they can prepare and inform their customers as well</li> <li>Allow stakeholders to challenge the applied distribution keys and principles (level playing, non-discrimination, cost reflectivity, no cross subsidies, ...)</li> </ul>	<ul style="list-style-type: none"> <li>Publication of the complete list of proposed tariffs</li> <li>Include information on all substantial elements that contributed to the tariff proposal, including but not limited to:               <ul style="list-style-type: none"> <li>results of benchmarks,</li> <li>estimated sales volumes,</li> <li>distribution keys and principles (e.g. client segments, tariff carriers, entry/exit, ...),</li> <li>allowed margin,</li> <li>estimated efficiency gains,</li> <li>estimated OLO,</li> <li>estimated controllable, influenceable and non-controllable costs,</li> <li>estimated results incentives (boni/mali),</li> <li>estimated dismantling costs,</li> <li>status depreciation assets and RAB,</li> <li>...</li> </ul> </li> </ul>

### 4. EFFECTIVE CONSULTATION PROCESS



As tariffs impact the businesses and operations of energy companies, FEBEG is convinced that market parties should be able to effectively participate in the decision making process in order to defend their legitimate interests.

OBJECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> <li>Participation of stakeholders in the decision making process</li> <li>Real check and balances by gathering reactions of all interested stakeholders</li> <li>Creating awareness and broader support for certain policy options</li> </ul>	<ul style="list-style-type: none"> <li>Timely consultation, i.e. at least two months before system operator submits tariff proposal to regulator, as this allows:               <ul style="list-style-type: none"> <li>1 month consultation period,</li> <li>1 month for system operators to evaluate comments</li> </ul> </li> <li>Publication final tariff proposal and detailed consultation report including the evaluation of all comments</li> <li>Information sessions for stakeholders and consultation meetings</li> <li>Transparency, e.g. via website, on milestones in the approval process</li> </ul>

### 5. SUFFICIENT IMPLEMENTATION TIME



Needless to say that retroactive implementation of new tariffs or modifications to tariffs is unacceptable. Even more, FEBEG really urges regulators to organize the approval process in such a way that a reasonable implementation time can be respected.

OBJECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> <li>Sufficient time for system operators and market parties to implement the changes in the operational, IT and administrative processes</li> <li>Allow suppliers to inform their customers</li> <li>Sufficient time to recalculate final invoices or – to keep them in line with the final invoice - intermediate invoices</li> </ul>	<ul style="list-style-type: none"> <li>Coordination and streamlining between federal and regional regulators</li> <li>Implementation period of 6 months when the tariff proposal for new or modified tariffs implies changes to the tariff structure</li> <li>Implementation period of 3 months when the tariff proposal for new or modified tariffs only includes changes to the tariff parameters (values)</li> </ul>

