

essencia's answer to the Elia consultation on the key elements of foreseen evolutions included in the tariff proposal for the period 2024-2027

Essencia would like to thank Elia for consulting on the key elements of foreseen evolutions included in the tariff proposal for the period 2024-2027. As energy-intensive sectors, the chemical and life sciences industries require affordable electricity to remain competitive in a global context. While transmission costs represent only a portion of the total electricity bill, transmission tariff differences impact our competitiveness in Europe, where transmission tariffs are increasingly important as commodity prices are converging, and internationally, where Belgium should aim at minimizing the cost gap. It is in this frame that we welcome Elia's consultancy, but wish to raise fundamental concerns about (i) the transparency regarding the proposed cost increase and its justification, (ii) the underlying assumptions on the energy transition path, and (iii) the proposed changes to the tariff structure.

Additional transparency is needed on the massive increase in transmission costs and its justification.

When comparing the current tariff period 2020-2023 with the new tariff period 2024-2027, Elia foresees a massive increase in costs with:

- annual transmission costs almost doubling from 760 MEUR/year to 1350 MEUR/year,
- the regulated asset base almost doubling from 5,8 Billion EUR to 10,3 Billion EUR,
- the system management costs more than quadrupling from 35 MEUR/year to 147 MEUR/year.

These increasing costs are proposed to be translated in higher transmission tariffs, while the electricity product supplied to the grid users remains unchanged.

While we acknowledge that electrification and the development of renewables could require additional transmission investments, we are surprised of the steepness of this increase. The exact energy nor electricity mix is known, composing of both intermittent and dispatchable production. As more dispatchable production necessitates lower network investments, the assumed scenarios are crucial in the investment choices. Given the considerable impact on our competitiveness, we urge Elia to provide more transparency in the consultation note regarding the cost side (e.g., the increase in FTEs from 1500 to 2100, list of investment projects), and the social welfare side (e.g., specific benefits for Belgian grid users per proposed investment).

The choice of the energy transition path should be more balanced, not merely focusing on the electrification of energy, keeping realistic timings, and being validated by grid users.

Elia's cost increase is partly based on a strong electricity offtake growth towards 2027 (+20,3% compared to 2022). We question the steepness of the offtake increase that is projected for multiple reasons. First, while we do consider electrification as one of the important enablers for the energy transition, our industry requires 24/7 baseload for its operations. A mere electrification scenario based on mainly intermittent electricity would not lead to a competitive or workable outcome for baseload energy intensive industries. Therefore, transition paths with low-carbon molecules and carbon capture and storage should be included. Elia's proposed scenario seems to be overenthusiastic in the speed and proportion of the electrification path on the short term without a balanced assessment of the economic feasibility for society as a whole, nor for industrial consumers in particular. Finally, investment decision making and infrastructure deployment take time, particularly in an industrial setting with electrification processes having a substantial impact on costs and on the production process itself. Next to this economic reality, the experience over the last decade shows that also for transmission investment projects, delays of the investment deployment occur. A realistic capital expenditure in time would lead to both more flexibility to take up innovations in energy production (like SMR) or new energy carriers (like hydrogen) requiring other infrastructure than electricity lines and to more competitive electricity transmission costs.



The proposed tariff structure should keep the principle of cost-reflectivity at heart.

We welcome the proposal on a more balanced cost pass through of grid costs to all net users. We therefore support an allocation of 50% of the reservation costs of balancing capacity and black start to generation. Moreover, injections tariffs could further stimulate innovation and flexibility at the generation side in view of an increasing penetration of intermittent renewables. This could decrease total system costs by incentivising local off take.

The current tariff proposal brings in a substantial tariff structure change with the inclusion of a dynamic component in the tariff for offtake. We believe such change deserves a deeper assessment, as it would counteract the drive towards the lowest system cost.

Any proposal regarding dynamic components should fully align with the principle of cost reflectivity, aiming at keeping the total system costs as low as possible. The current proposal with a grid tariff based on a commodity price will not meet this principle. Instead, dynamic tariffs for grid infrastructure will encourage an increasing grid use during moments with high intermittent production, requiring exponential growth of the grid to cover peak production in summer at noon. As this creates unwanted effects on grid operation and investments, it leads to cost burdens on certain grid users without these users causing any additional network cost.



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