

12/1/2023 - Febeliec response

Federal Development Plan for the Belgian transmission system (110 kV to 380 kV) over the period 2024-2034

Febeliec would like to thank Elia for this consultation on the Federal Development Plan for the Belgian transmission system (110 kV to 380 kV) over the period 2024-2034.

As a general introduction, Febeliec would like to underline the importance to strive for a balance between two major societal concerns:

- on the one hand, the availability of a mazed, well developed and robust transmission system, not only for contributing to security of supply (by guaranteeing n-1 redundancy for the grid elements) but also as a means to facilitate EU market integration by offering sufficient transmission capacity both within the Belgian control area and over interconnectors with other bidding zones;
- the impact of grid investments, maintenance and operations on grid users' invoices and competitiveness, as they bear the costs of the grid.

As the TSO has been granted the privilege to benefit from a (natural) monopoly for its regulated activities, it is vital that the relevant regulatory authority disposes of the necessary resources and powers to guarantee that a balance is found between the rightful needs of the electricity system and the natural tendency of the TSO (a fortiori when it is a commercial private company) to invest in additional assets in order to increase its RAB.

Febeliec welcomes the 2024-2034 draft grid development plan, as it looks ahead over a sufficiently long period to allow a match between the system needs and the extremely long time lags between investments decisions and realizations, due to different factors in the decision process. In that respect, Febeliec would like to underline the following issues:

- The complexity and length of the permitting procedures strongly reduces flexibility to adapt grid investment plans to ever evolving needs, linked to choices in generation technologies and location, load evolution (including flexibility or lack of it) and location, and storage developments and location. Elia and all other relevant stakeholders should therefore continue to invest heavily in improvements and shortening in permitting procedures in order to allow investments plans to react more accurately to new evolutions.
- Febeliec fully recognises the need to plan grid investments sufficiently in advance in order to guarantee that additional assets or improvements are available in time for evolutions in generation, demand and storage. On the other hand, Febeliec also insists on the need to maintain sufficient flexibility in the execution of the plan, as internal and external evolutions might (and most probably will !) lead to changing needs and priorities for the grid and for system integrity. Febeliec would like to mention just a few recent examples of unexpected evolutions that clearly impacted on grid needs, even over a period as long as 10 years:
 - The covid crisis and the energy crisis caused by the war in Ukraine, with a partly temporary but unfortunately also partly structural impact on energy availability, load evolution and system flexibility (e.g. demand response);
 - Ever evolving (European and Belgian) climate targets and energy market design evolutions;
 - Fast evolutions in generation technologies, grid technologies (smart meters and smart grids), flexibility sources and volumes (batteries, demand side management,...)
- The transition towards a climate-neutral energy system is gaining momentum and will lead to fundamental system changes in the next years and decades. Febeliec appreciates the efforts by Elia to look beyond the grid and electricity related aspects and analyse the energy system as a whole in this and other recent publications. Febeliec would like to underline, though, that Elia is not a neutral player in this respect, and has its own, specific interests to defend. Febeliec therefore calls for the need for public and regulatory authorities, but also for all other stakeholders, to also consider other elements and analyses (e. g. the EnergyVille Paths 2050 Study, see <https://perspective2050.energyville.be/>) in order to find a balance between energy system cost, security of supply and environmental/climate aspects, based on full technology neutrality.
- As a general rule, Febeliec has always supported grid investments insofar they lead to higher net social welfare for the grid users. It is therefore of vital importance that major investments in regulated assets are evaluated beforehand by an in-depth and detailed cost/benefit analysis (CBA). Investments are only justified if the societal benefits linked to the project are larger than the total costs.

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 42 companies (Air Liquide, Air Products, Aluminium Duffel, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Beaulieu International Group, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Etex, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infabel, Inovyn Belgium, Janssen Pharmaceutica, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Pfizer, Proxiums, Sol, Solvay, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

Specific comments

- As Febeliec has expressed several times at the occasion of public consultations or Task Force meetings on the strategic reserves or CRM, it is of crucial importance that adequate and realistic estimates are made on the evolution of grid load over the horizon of the development plan. The capacity needs will, in the following decade, increase by new investments or capacity extensions in generation and in load, but also by electrification of processes in industry, buildings and transports. On the other hand, increased auto-production, higher energy-efficiency and more system flexibility, and (unfortunately) divestments in some economic activities will reduce the grid needs. Febeliec invites Elia in its adequacy analyses to equally consider each of these evolutions and their impact on the future grid needs. Overinvestments will lead to unnecessary high grid tariffs for users and thus loss of competitiveness for industrial consumers.
- Febeliec regrets that Elia does not publish all elements of the CBAs (based on the methodology described in section 1.4.5.) for the different projects, more in particular for the investments linked to the interconnectors. It is therefore not possible to judge the quality of the assessment of the net social welfare of each of these projects. For TRITON more in particular, the estimated net social welfare seems very (too?) low (see section, 4.2.3.). Febeliec invites Elia to provide more detail on the assumptions and results of these CBAs in order to prove that social net welfare is positive in all reasonable scenarios. Moreover, for some projects, net social welfare is largely flowing to other countries, which would require a debate on the financing of the concerned project.
- The investments listed in the draft plan will lead to a substantially higher regulated asset base (RAB) for Elia , and thus to significantly higher tariffs for grid users. According to the CREG, the transmission tariffs might double over the next decade compared to their present level. Febeliec invites Elia to start a discussion with stakeholders on how to make sure its tariffs remain competitive for its customers.

Febeliec thanks Elia in advance for its reactions on our comments and suggestions, and looks forward to be involved in the further steps in the approval process of the development plan.