

Drop procedure on the transmission grid

Presentation Elia WG 'Belgian grid'

Evaluation new 198 of Federal Grid Code

- Text of article 198 is **unclear** and can be misinterpreted
- ‘Payment default’
 - What is the precise definition of ‘payment default’ (e.g. one month, two months, ...)?
 - Between which parties should the payment default have occurred (between grid user and access holder/supplier, between supplier and BRP, between Elia and access holder/BRP, ...)?
 - Who will evaluate the payment default (Elia ≠ judge)?
- ‘May ultimately lead to de-activation of concerned access points’
 - So it is possible to develop a drop-procedure that doesn’t lead to a drop

Difficult to come to a **balanced and reasonable procedure** converging the interest of the different stakeholders when the interest of one party is already protected in the Federal Grid Code

Article 198 needs to be reviewed (1)

- All grounds in the underlying contracts leading to the **suspension or termination** of these contracts should be able to trigger the drop procedure, e.g.
 - Not providing financial guarantee as foreseen in supply contract
 - Unilateral modification of off-take profile, e.g. installation of wind turbine or PV
- Respect of suspension or termination clauses will be evaluated – if needed – by a **judge**
- Access holder or BRP will be **accountable** for unjustified initiation of drop procedure
- Limitations to drop don't exist on **DSO grid or gas transport grid**

Article 198 needs to be reviewed (2)

- New Law of 21, March, 2019 on market practices for B2B **increases the protection** of customers with respect to termination of contract
- Limitations to drop – i.e. to terminate contracts – are to be considered as **restrictions to the principle of ‘freedom of contracting’**
- Obligation to continue tasks of access holder or access responsible party after the termination of the supply contract is to be considered as **Public Service Obligation (PSO)**: PSO should be properly remunerated

Implementation of an appropriate drop procedure will reduce **financial risks for suppliers** – and corresponding risk premia in the supply contracts – with positive impact on price and liquidity

Parallel with drop procedure gas transport

Article 103 of Code of Conduct

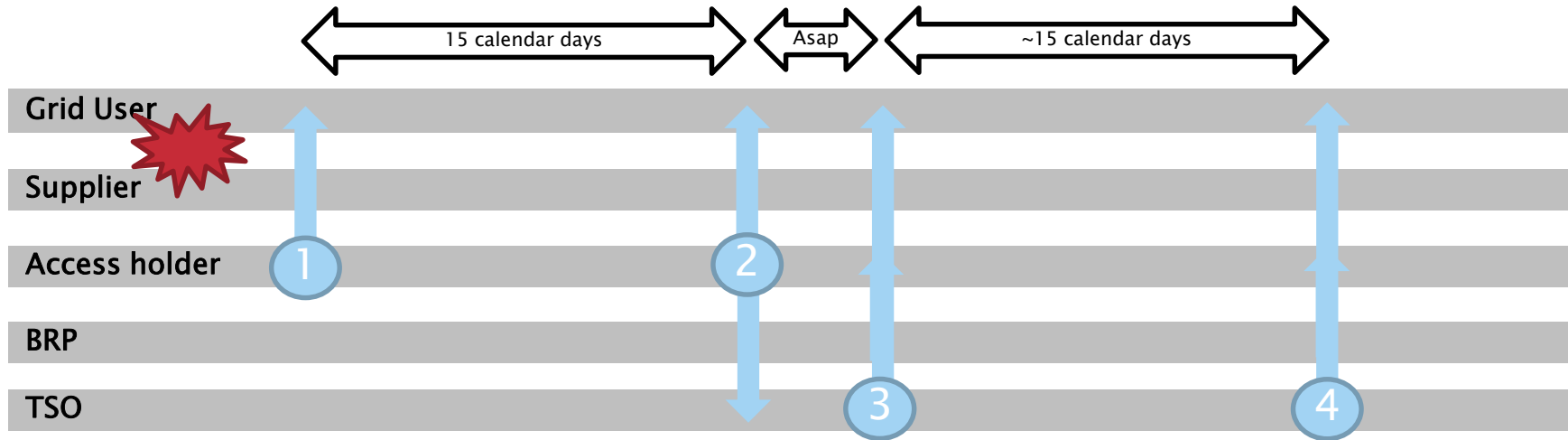
- The supplier shall send a fax, to be confirmed by registered notice of drop to Fluxys and to the client with at least **15 calendar days prior notice of the termination or suspension** of the gas transport contract
- Immediately after reception of the notice of suspension/termination, Fluxys shall send a fax, to be confirmed by registered notice to the client informing him that the **drop will occur unless a new gas transport contract is concluded**

Article 104 of Code of Conduct

- The supplier may **cancel the termination/suspension** until the latest working day of the period of 15 calendar days
- The client may also communicate a **judicial decision** rejecting the termination by the supplier, in which case the drop will be suspended

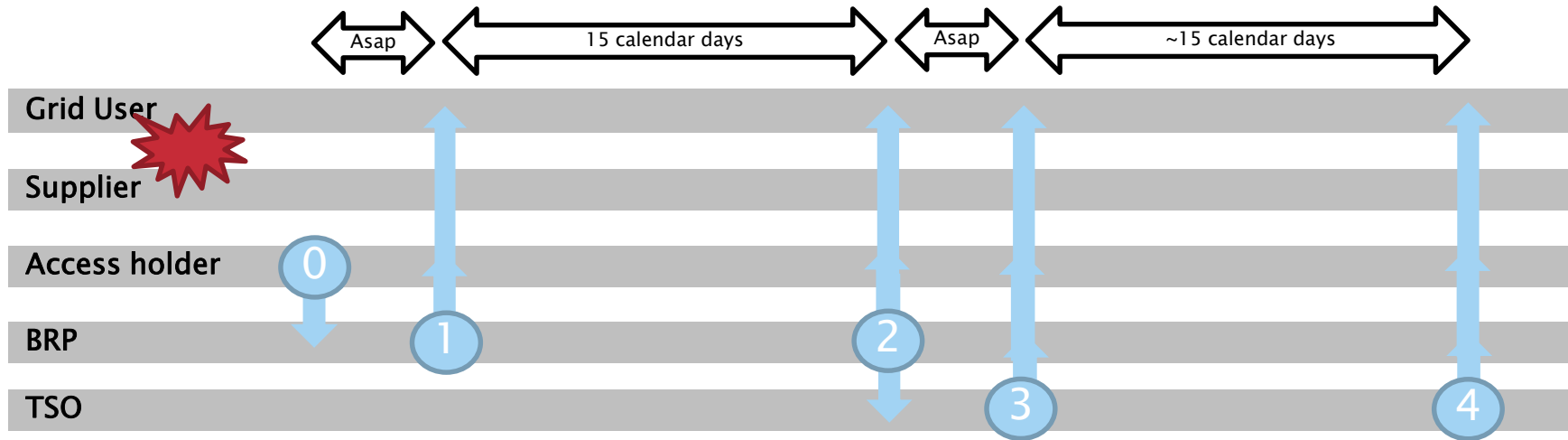
If no new gas transport contract is concluded within the validity period of the current gas transport contract, Fluxys shall send a registered notice to the client informing him of the drop and Fluxys shall close the valve to isolate the client

Proposal for drop procedure access holder



	Notice of default (1)	Notification wish to drop (2)	First TSO notification (3)	Second TSO notification (4)
How	Access holder sends registered notice to grid user	Access holder sends fax/mail, confirmed by registered notice, to TSO and grid user	TSO sends fax/mail, confirmed by registered notice, to grid user with copy to access holder	TSO sends fax/mail, confirmed by registered notice, to grid user with copy to access holder
When	-	15 calendar days after reception by customer of notice of default	Asap, e.g. within 3 calendar days, after reception of notification by access holder	Confirmation of execution drop on the 1 st day of the second month following the month in which notice of default has been received by customer
What	<ul style="list-style-type: none"> Ground for termination of supplier contract Existence of drop-procedure 	Targeted date of suspension or termination of appointment as access holder	<ul style="list-style-type: none"> Invitation to appoint new access holder Consequences of drop Targeted date for suspension or termination of appointment 	<ul style="list-style-type: none"> Confirmation loss of off-take right Confirmation of loss of access to the grid

Proposal for drop procedure access responsible party



	Notification (0)	Notice of default (1)	Notification wish to drop (2)	First TSO notification (3)	Second TSO notification (4)
How	Access holder informs BRP	BRP sends registered notice to grid user with copy to access holder	BRP sends fax/mail, confirmed by registered notice, to TSO and grid user with copy to access holder	TSO sends fax/mail, confirmed by registered notice, to grid user with copy to access holder and BRP	TSO sends fax/mail, confirmed by registered notice, to grid user with copy to access holder and BRP
When	Asap	-	15 calendar days after reception by customer of notice of default	Asap, e.g. within 3 calendar days, after reception of notification by access holder	Confirmation of execution drop on the 1 st day of the second month following the month in which notice of default has been received by customer
What	Ground for termination of supplier contract	<ul style="list-style-type: none"> Ground for termination of supplier contract Existence of drop-procedure 	Targeted date of suspension or termination of appointment as access responsible party	<ul style="list-style-type: none"> Invitation to appoint new access responsible party Consequences of drop Targeted date 	<ul style="list-style-type: none"> Confirmation loss of off-take right Confirmation of loss of access to the grid

Proposal for suspension or annulment of drop procedure

Single suspension of drop procedure to create time for involved parties to come to a solution avoiding unnecessary drops

	Notification of suspension	Confirmation of suspension	Annulment of suspension
How	Access holder/ARP informs TSO and grid user by fax/mail, confirmed by registered notice	TSO confirms the suspension by fax/mail, confirmed by registered notice, to access holder/ARP with copy to access holder and grid user	Access holder/ARP informs TSO and grid user by fax/mail, confirmed by registered notice
When	At the latest the day before the entry into force of the termination/suspension	Asap	Asap
What	Single suspension	Confirmation of suspension	Annulment of suspension

Annulment of drop procedure in case grounds for drop disappears or involved parties came to a solution

	Notification of annulment	Confirmation of annulment
How	Access holder/ARP informs TSO and grid user by fax/mail, confirmed by registered notice	TSO confirms the suspension by fax/mail, confirmed by registered notice, to access holder/ARP with copy to access holder and grid user
When	At the latest the day before the entry into force of the termination/suspension	Asap
What	Single suspension	Confirmation of suspension

Grid user should also have the right to terminate drop procedure in case of juridical decision

Back-up

Elia drop procedure 'as is'

Article 9.2 of access contract related to access holder

- To the extent that the supplier has been appointed access holder conform annex 2 and has obtained the **mandate provided in annex 12 (optional)**, the supplier will be the access holder and will be able to adapt the access contract to no longer be the access holder, effective by the latest day of the month (by bringing the end date forward), provided that he was appointed for minimum 3 months (clause 9.2)
- The supplier will no longer be responsible for the **grid fees**

Article 11.1 of access contract related to access responsible party

- To the extent that the Supplier has been appointed access responsible party conform annex 3 and has obtained the **mandate provided in annex 13 (optional)**, the supplier will be the ARP and will be able to adapt the access contract to no longer be the ARP, effective by the latest day of the month (by bringing the end date forward), provided that he was appointed for minimum 3 months (clause 11.1).
- The supplier will no longer be responsible for the **imbalance fees**

Mandate in annex 12 and/or 13 is difficult to obtain (commercially sensitive). As a result, the supplier needs the cooperation of its (ex)client to be able to terminate its appointment as access holder and/or access responsible party

Elia doesn't stop supply right away but bears the costs and invites grid user to appoint new access holder/ARP and informs the grid user about the drop if he doesn't comply with these requirements



thanks