

## Press release

Brussels, 7 May 2001

### EFET Belgium Set Up To Help Increase Efficiency in Belgian Electricity Market

Members of the European Federation of Energy Traders, EFET, have set up a subgroup, EFET-Belgium, to help stimulate the opening of the Belgian electricity market. EFET-Belgium believes that the Belgian electricity market is barely open to new entrants in practice and wants to offer its expertise to further open the market.

The Belgian consumer association Test Achat filed an official complaint with the European Commission about Belgian electricity prices being 20% higher than in neighbouring countries. There has been a growing awareness among a number of players that the Belgian electricity market is not sufficiently liberalised. In addition to the European Commission's infringement proceeding under the electricity and gas directives against Belgium, it is noteworthy that the Belgian government will have the Presidency of the European Council of Ministers in the second half of this year. Given the current electricity market conditions, it is practically impossible to trade, transit, or serve eligible customers in Belgium. Only a very few customers have switched supplier. Conditions for new suppliers obtaining transmission capacity rights on the southern border are onerous; and in reality they need to source their volumes from imports.

It is especially wholesale traders who will play an important role in bringing transparency and liquidity to the European electricity markets, including the Belgian national market. Only with the advent of such transparency and liquidity at the wholesale level will final consumers enjoy the benefits of liberalisation. The Belgian market has a long way to achieve conditions in which a transparent and liquid market can develop. Here are some of the reasons why.

- The Belgian power market is not truly open to competition. Both the generation and supply markets are dominated by one single group with no effective competition and the same group also owns and operates the high and low voltage grid.
- There is lack of external supply. Access through the border is limited for non-incumbent companies and not optimized. Also, both transit fees and export charges levied by the grid operator are contrary to the spirit of last year's Florence Electricity Regulatory Forum Conclusions.
- Current contractual arrangements with the grid owner do not enable power trading on the high voltage grid to occur within Belgium.
- Balancing and back-up services are required to supply customers but are not provided on a regulated tariff. Only domestic monopolist producers can provide those services and do so at excessive prices compared to same services in other markets.
- The new proposed grid code does not provide for clear, non-discriminatory access onto the grid.
- The date for the appointment of an independent transmission system operator is still uncertain, and already has been delayed for at least a year. Access conditions must be improved on a transitional basis as well as on a permanent basis.
- Even eventual granting of non-discriminatory access for importers on the southern border may not be sufficient to affect Electrabel's dominant position; other

internal Belgian measures to dilute the incumbents' market power may have to be considered.

Meanwhile EFET Belgium is preparing two position papers. There is also an action plan on practical issues that need more immediate attention. EFET Belgium is looking forward to constructive meetings with other relevant institutions and to share its expertise.

EFET Belgium envisages concentrating on the electricity market initially but welcomes the Belgian Regulator's, CREG's, invitation for a brainstorming session on gas transmission access. We believe that this sort of approach by way of consultation is a very positive sign for the further development of the gas market inside Belgium itself. (Trading at the Zeebrugge hub occurs so far only on a cross border basis, but it has given a boost to the chances of a more open wholesale gas market transpiring in northwestern Europe.)

Members of EFET are over 50 electricity and gas trading entities from 15 European countries. These include wholesale power units of all the major European utilities, many of which are also interested to become active in the Belgian electricity market, but have in most cases encountered significant unjustified difficulties to do so up till now.

At EFET's Belgium first meeting, Febeliec, the Belgium Federation of Large Industrial Energy Consumers, was present with a delegation. EFET Belgium and Febeliec foresee that they will be able to cooperate on initiatives leading to a more open and efficient Belgian market .

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