



Fluvius System Operator cv

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ALLOWED INCOME 2023

The Flemish energy regulator VREG has set the allowed income electricity and gas 2023 for the Flemish Distribution System Operators (DSOs). This step is fully in line with the 2021-2024 tariff methodology. The allowed income 2023 for both electricity and gas shows a trend reversal: for the first time in five years the allowed income is rising. Nevertheless, Fluvius has come up with a dedicated effort to counter the negative impact of rising inflation on the consumers' energy bills.

The allowed income is the total amount of grid fees that the DSOs can invoice. The grid fee is the major part of a DSO's revenues.

The 2023 allowed income shows a clear trend reversal: for the first time in five years both the electricity and gas tariffs are increasing.

Allowed income for electricity as shown below includes the transmission grid costs, which are passed through the distribution grid tariffs.

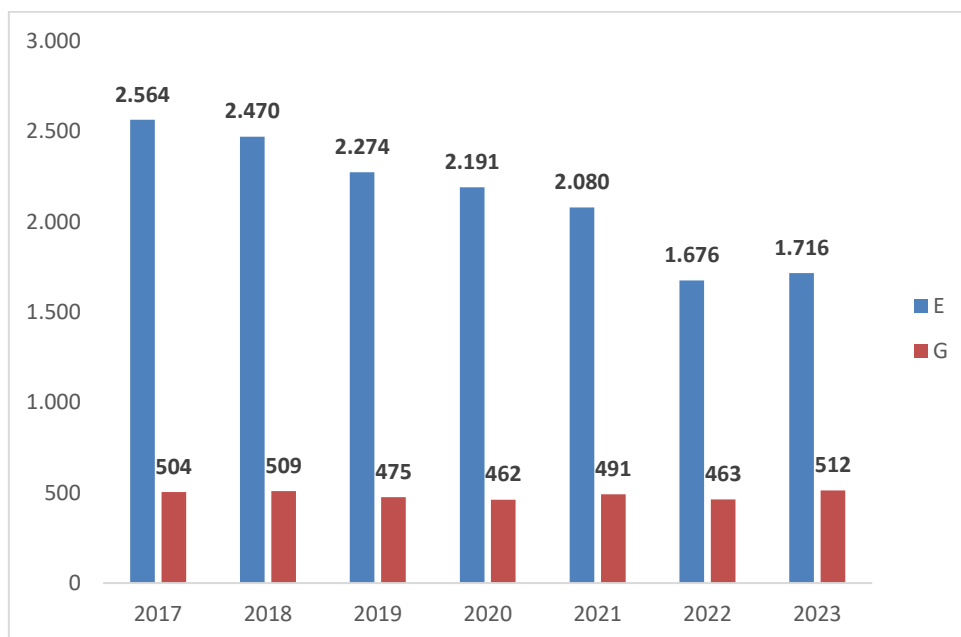


Figure 1: allowed income E & G 2017-2023 (in million EUR)

Electricity is up 2.4%, compared to the allowed income 2022. Main upward drivers are the transmission costs (up by EUR 50 million) and the rapidly rising inflation. Inflation drives up the DSOs' costs for building and maintaining the distribution grids, especially for materials, staff and subcontractors.

Nevertheless, within the context of rising energy costs for households and enterprises, Fluvius has made some dedicated efforts to limit the overall cost increase. No **advances** will be asked for 2023. On the contrary, the advances received by the DSOs in the period 2021-2022 for the accelerated roll-out of digital metering electricity (being a total amount of EUR 40 million, adjusted for inflation) will be paid back in 2023 instead of in the course of the next tariff period 2025-2028. This measure lowers the 2023 allowed income by the same amount, but at the same time, the DSOs avoid having to pay back these advances later on at a very high inflation rate.

Also, the Flemish Government foresees in 2023 a compensation of EUR 148 million to the DSOs for the purchase of aid certificates, as is the case in 2022.

The allowed income 2023 for **gas** is up 10.6%. Inflation is the main driver for the rise of the 2023 allowed income for gas, mitigated by an earlier payback of the advance 2021 for digital metering gas (EUR 32 million, adjusted for inflation).

The **cost saving programme** that was initiated in 2018 at the occasion of the merger Eandis/Infrax, will be implemented as planned to reach the EUR 150 million target by year-end 2024. This programme is separate from the measures taken in the context of the 2023 allowed income.

On the basis of the allowed income for electricity and gas, the DSOs will now have to introduce a detailed tariff proposal. Before year-end 2022, VREG will decide on these tariff proposals.

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