



Elia System Operator
Boulevard de l'Empereur 20
1000 Brussels – Belgium

Actility Benelux NV
Parvis Sainte-Gudule 5
1000 Brussels

Brussels, 11th October 2019

Subject: Actility's view on the Formal public consultation of the CRM Design Notes (Part I)

Dear Sir or Madam,

Actility would like to thank Elia for giving us the opportunity on participating in the formal consultation for part one of the design notes on the Capacity Remuneration Mechanism. We would be glad to clarify in person any of the following points.

1) Design Note on the intermediate price cap

Creation of 1-year contracts for which are implicitly directly linked to different technologies are violating the principle of technology-neutrality. This principle should not only be the starting point for each market design effort, it is even a prerequisite by European directives linked to energy and ENTSO-E network codes in different contexts. Clearly, this implicit technology categorization does not guarantee a level playing field for all market participants and disturbs efficient investment in the least capital-intensive demand response capacity. Arguments in favour of efficient market functioning and efficient use of resources (indirectly costs for end-consumer) should consider technology-neutrality as primordial to the CRM.

Recommendation: The capacity mechanism may not categorize implicitly different technologies in different contract types.

The introduction of **intermediate price caps** directly results in the introduction of a potential market failure. History has proven the negative side effects of prices caps in the energy sector. Having this in mind, the introduction of intermediate price caps creates a significant risk for the well-functioning of the CRM currently under design. It caps the remuneration for capacity services offered via 1-year contracts. Correspondingly, market reflective signals indicating scarcity may not appear which is the basis of a market failure.

Recommendation: A price cap may not be part of the design of the CRM mechanism

2) Design note on the availability requirements and penalties

Considering the availability monitoring and testing, Actility fully agrees choosing the Day-Ahead Market price as a price trigger and the calculation methodology on the calibration of the AMT-price. The principle of making the obligated capacity available and its determination are fully in line with Actility's view. However, the **maximum testing frequency** is too high, knowing that testing is a heavy and expensive process for aggregators creating additional costs.

Recommendation 1: By considering all successful mFRR activations of CMU's as a successful availability test for CRM, the maximum number of non-remunerated activations per year can be limited.

Recommendation 2: As it is Elia's obligation, and in its interest to verify the correct functioning of the contracted services, Elia should remunerate all successful tests. Alternatively, the unsuccessful tests or reinstating tests should not be at the expense of the service provider.

Recommendation 3: The number of tests to reinstate should be reduced to 1.

In the proportional penalty a **downward revision** proportional to the observed Missing Capacity is foreseen, although it is not specified to what it is proportional. Is it the maximum, the minimum or the average of the observed Missing Capacity?

Recommendation: It seems reasonable to use the average observed Missing Capacity.

The proportional penalty, as defined in Design Proposal 18 of the Design Note Availability Obligations and penalties is unclear. The units on the right-hand side do not add up to the euro unit on the left-hand side of the equation, considering $P_{obligated} - P_{available}$ as [MW], UP as [h] and yearly contract value as [€].

Recommendation: When interpreting the penalty as a yearly penalty, we propose the following formula:

$$Yearly\ penalty\ [€] = \frac{1}{UP} * \sum_i (1 + X_i) (P_{obligated,i} - P_{available,i}) * yearly\ contract\ value$$

Where i represents all effectively monitored AMT-hours in the considered year and UP is the number of hours effectively monitored by Elia.

There is large uncertainty on the UP value in the current design. Clearly, this monitoring may not be a "single shot" check, meaning with a single moment of monitoring, the risk of unlucky failed monitoring cannot be corrected or compensated by strong availability of the capacity if a very low number of monitoring moments is used

3) List of definitions as used throughout the different Design Notes

There is no definition of proportional penalty included in the document.

We thank you for considering the above described remarks.

Kind regards,

Cedric De Jonghe
 Head of Actility Energy
 Actility BeNeLux
 Tel: +32 472 897 325
 cedric.dejonghe@actility.com