

Subject: FEBEG position on the public consultation on
CRM Design Note: Derating Factors

Date: 30 October 2019

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Please find here below the FEBEG's reaction on Elia's public consultation on the CRM design notes (Part II). For the sake of clarity, a separate document has been made for each document under consultation. This document addresses the **Derating Factors**.

Disclaimer

The present position is based solely on the documents submitted to consultation. The comments on specific elements are thus based on available information on this specific topic and might evolve as additional elements are clarified in future documents and/or public consultation. Obviously, the availability of all documents in a pre-final stage is required in order to provide a global overview allowing the stakeholders to take a final position on the matter.

Main comments

Indicative derating factors should be published upfront

As a general remark we regret the fact that Elia doesn't put forward concrete numbers in the design note for all derating factor categories per technology. Only, on the 31st of March, 2021 the Minister will have approved derating factors for the first time. Even though the CRM law states that the reports with the Elia proposals for derating factors, mentioned in art. 6 §2 of the Electricity Law, are ultimately only due by 15.12, FEBEG asks Elia to come up with the exact proposed derating factors much earlier. 15.12.2020 – and certainly 31.03.2021 – is extremely late and makes it difficult to develop business plans. At least we urge Elia to give more indicative outcomes, which can be in the form of a range which will be maintained, as soon as possible.

Clarification of derating factors in time

Each year, on the 31st of March at the latest, the Minister will determine the 'derating factors'. FEBEG would welcome some clarifications on how these derating factors will be applied in time:

- What is the impact of annually fixed derating factors on capacity auctioned in Y-4 and Y-1 for the same delivery year? Will different derating factors apply for capacities contracted for the same delivery year?
- At least we assume that for a certain CRM contract of more than 1 year, the derating factor remains fixed during the contract duration.
- What is the impact of a modification of the derating factors on a prequalified but not selected CMU (which can be active on the secondary market)? Does the derating factor determined in the initial prequalification remain valid? Does this CMU need to be prequalified again?
- The impact of the updating of derating factors on the cross-border contribution is also not very clear. As the impact of a change in contribution of interconnections is considerable in the overall Belgian adequacy, FEBEG considers

it important to use for a certain delivery year the most recent calculated contribution; a link with the Y-1 volume seems therefore necessary.

Derating factors for foreign capacities

The capacity remuneration mechanism will allow indirect cross-border participation. The question rises which derating factors Elia will apply on the capacities situated in other countries. Ideally, Elia would have to extend its simulation to also include the capacities situated in other countries. If Elia would simply apply the derating factors calculated for the Belgian market, then technologies are missing, e.g. nuclear power stations, coal-fired power plants, etc.

General comments

Throughout the note the word ‘reference power’ is used, but in line with the definitions of the design note on definitions and on prequalification, is ‘nominal reference power’ not meant?

For the determination of the near-scarcity hours and the contribution of energy-limited technologies, Elia simulates the electricity market. FEBEG would like to remind that the use of a model always introduces a modelling risk (related to assumptions, model, data, treatment/interpretation of results, etc.). A sound analysis should always be performed to limit the risk.

Detailed comments

1 Introduction

Page 4, §3. FEBEG asks to use the wording as defined in the design note on prequalification. The maximum capacity that could take part in the auction is the “Eligible volume”.

2. Input scenario

No comments.

3 Model simulation

No comments.

3. Identification of near-scarcity hours

3.1 Choice of a criterion

No comments.

3.2 Justification

Main principles which serve as input for the Royal Decree proposal

Principle 6. FEBEG agrees with the definition of near scarcity hours (which doesn’t make reference anymore to price levels).

4. Calculation of the derating factors

Following the difference in approach between thermal TSO-connected capacity and the other categories, we want to point out that not only thermal TSO-connected technologies have forced and planned outages, but for example onshore and offshore wind turbines and DSO connected cogeneration units also have periods of maintenance which are not negligible and not necessarily outside the winter period. As a model approach is used, is it correct to assume that in the input to the model a certain outage occurrence for these technologies is considered as well? Off course, in case of weather dependency it's clear that the latter factor will mostly determine the average contribution during near-scarcity hours, but in a view of equal treatment of technologies and to have the most correct estimation of the real contribution of capacity types to adequacy, outages should be introduced as a model input parameter according to FEBEG.. In case of DSO-connected technologies, it's furthermore questionable that in case of high electricity prices electricity generation will be maximized.

How does Elia take into account that some existing (or even new) thermal capacities might be limited in running hours by the application of the CEP that is setting a CO₂-emission criteria on capacities that want to receive a capacity remuneration?

4.1 Thermal TSO-connected technologies

4.1.1 Concept

No comments

4.1.2 Categories

No comments

4.2 Weather dependent technologies

No comments

4.2.1 Concept

No comments

4.2.2 Categories

No comments

4.3 Energy-limited technologies

FEBEG noticed that the derating for energy-limited technologies (SLA categories) concerns full hours only (1h/2h/3h/4h/8h/no limit). We believe it would be useful to have such categories per half hour, to better allow for example storage technologies. This would also allow conformity with other European countries who facilitate this granularity (such as Ireland and UK).

4.4 DSO-connected technologies

Can Elia clarify that this category does not include Weather dependent and Energy-limited technologies even when they are DSO-connected, or rename the category to “Thermal DSO-connected technologies” ?

How are CDS connected capacities treated in this categorisation? Many configurations are in fact possible, such as a CDS connected itself at the TSO vs DSO grid, small capacities vs important capacities in a CDS, thermal vs weather-dependent capacities in CDS, etc.

4.5 Synthesis

Principle 11. The last sentence is confusing with pg. 23 stating that in case of insufficient metering data the technology ratio will be the maximal contribution during near-scarcity hours from the simulation output to the total installed capacity [MW] instead of at page 27 the (nominal?) reference power. Both probably are the same, but please keep terminology consistent.

5 Interconnections / Cross-border contribution

The cross-border participation in capacity mechanisms is organised by the new electricity regulation (see EMR Article 26). ENTSO-E should submit by 5/07/2020 a series of methodologies and rules to organise in practice this participation.

FEBEG believes that the Belgian capacity market should be aligned to these provisions. In particular, the maximum entry capacity for cross-border participation should be estimated according to the forthcoming common methodologies set up by ENTSO-E.

The principles mentioned on page 31 – specifically, principles 13, 14 and 15 – are therefore not relevant as the overall framework could reasonably be expected to be in place by July 2021 (see EMR Articles 26.11 and 26.15).

If there would be reasons to have safeguard procedures in place, one should carefully consider the distribution of the contribution of interconnections in times of system stress, not only looking at single values (average or p50).
