



CRM design note: Prequalification and Pre-delivery Monitoring

02/10/2019

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Purpose of this document

The goal of this present note is to further clarify and receive – via a formal public consultation process - any useful feedback from market parties on the latest CRM design requirements related to the **prequalification period** and the **monitoring process** applicable to the **pre-delivery period**.

These two design elements will be included in the future CRM Market Rules, which will be adopted by the CREG, on proposal by ELIA. There will be another formal consultation on these Market Rules in Q1-2 2020. This design note and the consultation serve as input for the TSO's proposal.

About the public consultation

This design note is put for formal public consultation and any remark, comment or suggestion is welcomed. It builds further on the discussions and proposals already made in the different TF CRM meetings gathering all relevant stakeholders and in the follow-up committee, the latter consisting of representatives of the CREG and ELIA, under the presidency of the FPS Economy.

This public consultation runs in parallel with a public consultation on other design notes. Reactions to this public consultation can be provided to ELIA via the specific submission form on ELIA's website no later than **Wednesday 30 October 2019 at 6 pm**.

Note that, in line with their roles and responsibilities and the foreseen governance in the Electricity Law, also the FPS Economy and the CREG will consult on aspects within their competence according to their procedures.

Structure of this document

This design note is organized in two specific parts.

The first part focuses on the **Prequalification Process** which is an absolute pre-requisite for any CRM Candidate willing to prequalify a Capacity Market Unit (CMU) to submit an offer in a CRM Auction (Y-4 or Y-1) or for a possible participation to the Secondary Market.

In this way, ELIA details the Prequalification Process applicable to any CRM Candidate. To provide the reader with the necessary context, it starts with an explanation of the most important “CRM related” terminology and a reminder of the legal framework. It continues then with an overview (including a timeline) of ELIA’s expected interactions with third parties (DSOs, CREG, FOD...) and goes on with a detailed description of administrative and technical requirements verified by ELIA during this Prequalification Process. These prequalification related requirements are organized in **7 sequential steps**.

Finally, ELIA clarifies the three possible methodologies to calculate the Nominal Reference Power of a CMU and presents the rules around possible CMU evolution in time (from one Auction cycle to the other).

The second part of the document presents the monitoring process applicable to the pre-delivery period (hereafter “pre-delivery monitoring process”). This process is applicable from the moment a capacity is contracted following a CRM Auction and ends with the start of the Delivery Period. It consists in a follow-up of the Contracted Capacities in time to guarantee their effective availability as of begin of Delivery Period and concerns both Existing and Additional Capacities¹.

Out of scope

With this document, ELIA wants to summarize the principles and key requirement applicable to both the prequalification and pre-delivery monitoring processes. The related tools, interfaces and operational organization are not discussed yet with market parties. It will be the case in a later stage of the process, scheduled to start in 2020 once the design consultation phase is over.

¹ As explained in the definition document, an existing capacity is a capacity that is – at the moment of prequalification – effectively measurable with a certified metering device (while an additional capacity is not measurable at that time). Additional capacity covers both new projects and refurbishment projects.

Terminology

Prior to the description of the prequalification requirements (part 1) and pre-delivery monitoring process (part 2) and to facilitate the reading of this document, ELIA wants to clarify in this section essential CRM-specific terminology used all along the document. This is to be read in complement to the “list of definitions” document that is proposed to market parties as support to this consultation.

The present section is divided in three categories: roles, units and volume. To conclude it, an overview is presented in the table below.

Roles

Specific roles are needed because rights and obligations will differ depending on the stage of the CRM mechanism. Furthermore, some terms are fixed by the CRM Law. Those terms are therefore not subject to consultation. In this way, ELIA identifies the need to have the following 4 roles:

Capacity Holder: According to the CRM Law, article 2, 74°, every natural person or legal entity that can offer **capacity**, either on an individual or aggregated basis.

CRM Candidate: Capacity Holder willing to participate to an Auction and submit a Bid for the Service delivery with one or several CMU(s).

Prequalified CRM Candidate: Capacity Holder able to participate to an Auction thanks to a successfully prequalified Capacity Market Unit.

A CRM Candidate becomes a prequalified CRM Candidate from the moment the results of the prequalification are communicated and concern a positive (> 0) Eligible Volume for at least on Capacity Market Unit.

Capacity Provider: According to the CRM Law, article 2, 75°, every Capacity Holder selected after closing of the Auction and that will keep available a capacity during the Delivery Period in return for a Capacity Remuneration.

Unit-related terminology

From the moment a Capacity Holder wishes to participate to the CRM, he becomes a CRM Candidate and its capacity (generic term) is identified as a Capacity Market Unit (hereafter also “CMU”). This terminology is independent of the stage of the CRM process.

A Capacity Market Unit consists in **one or several Delivery Points and** corresponds to the physical localization of the certified metering device used by ELIA to verify the effective Service delivery.

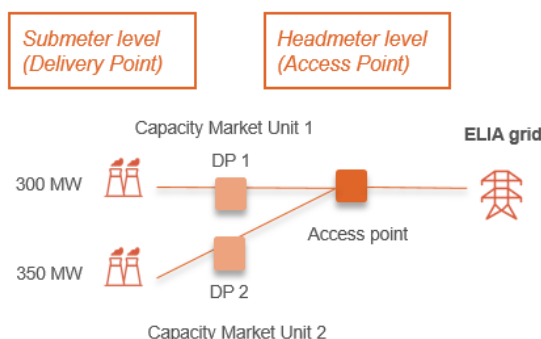
A difference is made between an individual Capacity Market Unit (which consists in only **one Delivery Point**) and an aggregated Capacity Market Unit (which consists in **more than one Delivery Point**). ELIA reminds the obligation for some capacities to participate as one individual

Capacity Market Unit. The threshold above which this obligation applies is detailed later on in this document (see section 3.4.2.1).

A Delivery Point can either corresponds to a metering point behind an Access Point (i.e: a “Submeter”) or to the Access Point (i.e.: “Head Meter”). Two examples are provided below to illustrate it.

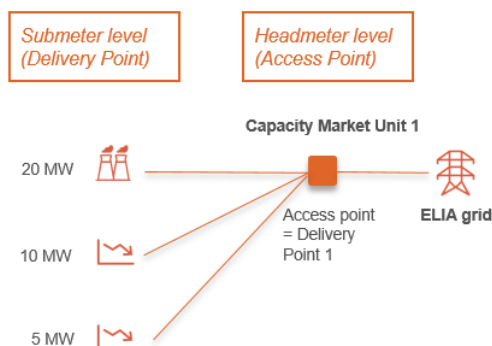
In a first example, 2 capacities (one of 300 MW and one of 350 MW) are connected behind an Access Point. Both are equipped with a valid metering device (DP1 and DP2) and fall under the obligation to participate individually (their Nominal Reference Power is higher than the threshold detailed in section 3.4.2.1).

During the CRM Prequalification Process, the CRM Candidate will therefore introduce a prequalification file for CMU 1 (related to the capacity of 300 MW) and a second one for CMU 2 (related to the capacity of 350 MW).



In the second example, three capacities (20 MW, 10 MW and 5 MW) are connected behind the same Access Point. As each individual capacity has a Nominal Reference Power lower than the threshold from which an individual participation in the CRM mechanism is required, the CRM Candidate has **the possibility to** choose between two configurations:

- 1) Propose a Capacity Market Unit using the metering device of the Access Point in the CRM prequalification. The Capacity Market Unit is then the aggregation of these 3 capacities (total of 35 MW) and will be considered as one entity in the CRM mechanism (illustration below).
- 2) Propose one Capacity Market Unit for each individual capacity, provided that they are equipped with a valid metering device. In such configuration, the CRM Candidate prequalifies 3 independent CMU (following same illustration than in example 1).



Volume-related terminology

ELIA identifies the need to define with specific terms the volume related to a capacity. Indeed, these terms are used all along the CRM mechanism and are related to specific obligations. In this way, the following 4 terms are proposed:

Nominal Reference Power: it corresponds to the maximal capacity (expressed in MW) that **could** be considered in the CRM mechanism, before application of relevant Derating Factor.

Reference Power: this volume corresponds to the capacity that **must** – according to the CRM Candidate – be considered in the CRM mechanism, before application of the relevant Derating Factor but after deducing the Opt-Out Volume (if applicable).

Eligible Volume: this volume corresponds to the Reference Power (expressed in MW) of a CMU multiplied by the Derating Factor as determined during the Prequalification Process.

Contracted Capacity: The volume (expressed in MW) selected consecutive to a CRM Auction and subject to a Capacity Remuneration.

To conclude this section, ELIA provides the executive summary in the table below.

Generic terminology	Capacity Holder	Capacity	Nominal Reference Power (100%)
	role	Unit	Volume
prequalif	CRM Candidate	Capacity Market Unit	Reference Power
Auction	Prequalified CRM Candidate	Capacity Market Unit	Eligible volume (being Reference Power * derating Factor)
Pre-delivery	Capacity Provider	Capacity Market Unit	Contracted capacity
delivery	Capacity Provider	Capacity Market Unit	

Phases of CRM mechanism

Part I – Prequalification Process

0 Overview of legal framework

On 4 April 2019, the Belgian parliament approved the proposed modifications of the 29 April 1999 electricity law about the organization of electricity market (through the adoption of the CRM Law on 22 April 2019). These modifications concerns the set-up of a Capacity Remuneration Mechanism. Main articles related to the Prequalification Process are the following:

82° “prekwalificatieprocedure”: de procedure die ertoe strekt de mogelijkheid vast te stellen voor de capaciteitshouders om deel te nemen aan de veiling;

§ 4. De Koning bepaalt, bij besluit vastgesteld na overleg in de Ministerraad, de criteria en/of nadere regels voor het in aanmerking komen voor de prekwalificatieprocedure. Deze criteria en/of nadere regels beogen:

1° de mogelijkheid voor de capaciteitshouders die genieten of genoten hebben van steunmaatregelen om deel te nemen aan de prekwalificatieprocedure;

2° de minimumdrempel in MW, na toepassing van de reductiefactoren, waaronder de capaciteitshouders niet kunnen deelnemen aan de prekwalificatieprocedure;

3° de voorwaarden waaronder de houders van rechtstreekse en onrechtstreekse buitenlandse capaciteit kunnen deelnemen aan de prekwalificatieprocedure. Deze voorwaarden worden vastgesteld voor het eerste leveringsjaar, na advies van de commissie en van de netbeheerder; zij houden rekening met de verwachte effectieve bijdrage van deze capaciteit tot de bevoorradingszekerheid van België en met het afsluiten van akkoorden onder de betrokken netbeheerders.

De netbeheerder start het prekwalificatieproces uiterlijk op 1 juni op en deelt het resultaat uiterlijk vijftien dagen voor de start van de veilingen aan de capaciteitshouders mee.

82° “procédure de préqualification”: la procédure visant à déterminer la possibilité des détenteurs de capacité de participer à la mise aux enchères;

§ 4. Le Roi définit, par arrêté délibéré en Conseil des ministres, les critères et/ou modalités d'éligibilité à la procédure de préqualification. Ces critères et/ou modalités visent:

1° la possibilité pour les détenteurs de capacité bénéficiant ou ayant bénéficié de mesures de soutien de participer à la procédure de préqualification;

2° le seuil minimal, en MW, après application des facteurs de réduction, en-dessous duquel les détenteurs de capacité ne peuvent participer à la procédure de préqualification;

3° les conditions auxquelles les détenteurs de capacité étrangère directe et indirecte peuvent participer à la procédure de préqualification. Ces conditions sont fixées, après avis de la commission et du gestionnaire du réseau, pour la première année de livraison de capacité; elles tiennent compte de la contribution effective attendue de cette capacité à la sécurité d'approvisionnement en Belgique et de la conclusion d'accords entre les gestionnaires de réseau concernés.

Le gestionnaire du réseau lance la procédure de préqualification au plus tard le 1^{er} juin et notifie le résultat aux détenteurs de capacité au plus tard quinze jours avant le début de la mise aux enchères.

Iedere in aanmerking komende houder van productiecapaciteit gelokaliseerd in de Belgische regelzone moet een prekwalificatiedossier indienen. Elke andere in aanmerking komende capaciteitshouder gelokaliseerd

Tout détenteur de capacité de production éligible localisé dans la zone de réglage belge est tenu d'introduire un dossier de préqualification. Tout autre détenteur de capacité éligible localisé dans la zone de réglage

in de Belgische regelzone en, onder de voorwaarden bepaald door de Koning krachtens het eerste lid, elke houder van buitenlandse capaciteit is toegestaan om een prekwalificatiedossier in te dienen.

In het geval dat een houder van productiecapaciteit bij indiening van zijn prekwalificatiedossier niet beschikt over de individuele vergunning, zoals bedoeld in artikel 4, bevat het prekwalificatiedossier alle noodzakelijke informatie voor het verkrijgen van deze individuele vergunning, die vereist is krachtens artikel 4 en diens uitvoeringsbesluiten.

§ 5. Gelijkzeitig met de indiening van het prekwalificatiedossier, dient de capaciteitshouder, die een capaciteitscontract wenst te verkrijgen voor meer dan één periode van capaciteitslevering, een ten opzichte van de criteria bepaald krachtens het vierde lid gemotiveerd en gedetailleerd investeringsdossier in bij de commissie.

Na onderzoek van het investeringsdossier bepaalt de commissie de klassering van de capaciteit in een capaciteitscategorie. De beslissing van de commissie betreft enkel de investeringsdossiers van capaciteiten die de netbeheerder heeft geprekwalificeerd. Deze laatste verstrekt de commissie, met al de nodige zorgvuldigheid, alle informatie die hiervoor nodig is.

De commissie deelt haar beslissing uiterlijk vijftien dagen voor de start van de veiling aan de capaciteitshouder mee.

belge et, aux conditions définies par le Roi en vertu de l'alinéa 1^{er}, tout détenteur de capacité étrangère est autorisé à introduire un dossier de préqualification.

Dans le cas où un détenteur de capacité de production ne dispose pas, au moment de l'introduction de son dossier de préqualification, de l'autorisation individuelle visée à l'article 4, le dossier de préqualification contient toutes les informations nécessaires à l'obtention de cette autorisation individuelle, requises en vertu de l'article 4 et de ses arrêtés d'exécution.

§ 5. Concomitamment à l'introduction du dossier de préqualification, le détenteur de capacité qui souhaite obtenir un contrat de capacité pour plus d'une période de fourniture de capacité introduit auprès de la commission un dossier d'investissement détaillé et motivé au regard des critères d'éligibilité déterminés en vertu de l'alinéa 4.

Après examen du dossier d'investissement, la commission détermine le classement de la capacité dans une catégorie de capacité. La décision de la commission ne porte que sur les dossiers d'investissement des capacités que le gestionnaire du réseau a préqualifiés. Ce dernier transmet à la commission, avec toute la diligence requise, toutes les informations nécessaires à cet égard.

La commission notifie sa décision au détenteur de capacité au plus tard quinze jours avant le début de la mise aux enchères.

Elke capaciteitshouder die na het doorlopen van de prekwalficatieprocedure in aanmerking komt en geselecteerd is, mag deelnemen aan de veiling. Een capaciteitshouder kan beslissen om geen bieding in te dienen in het kader van de veiling voor het geheel of een deel van zijn capaciteit, op voorwaarde dat hij de netbeheerder er voorafgaand aan de veiling van op de hoogte brengt. De netbeheerder houdt rekening met deze niet-aangeboden capaciteit voor de veiling overeenkomstig de werkingsregels van het capaciteitsvergoedingsmechanisme bedoeld in paragraaf 8.

De werkingsregels van het capaciteitsvergoedingsmechanisme omvatten in het bijzonder:

1° de criteria en modaliteiten inzake prekwalficatie;

Tout détenteur de capacité éligible et sélectionné au terme de la procédure de préqualification peut participer à la mise aux enchères. Un détenteur de capacité peut décider de ne pas remettre offre lors de la mise aux enchères, pour la totalité ou une partie de sa capacité à condition de le notifier au gestionnaire du réseau préalablement au début de la mise aux enchères. Le gestionnaire de réseau tient compte de cette capacité non offerte pour la mise aux enchères conformément aux règles de fonctionnement du mécanisme de rémunération de capacité visées au paragraphe 8.

Les règles de fonctionnement du mécanisme de rémunération de capacité contiennent notamment:

1° les critères et modalités de préqualification;

1 Interactions with third parties

As foreseen in the CRM Law and as best practice from similar processes set up in balancing markets, the CRM Prequalification Process is not solely ELIA's responsibility. Indeed, third parties (FOD, regulator, DSOs...) have their role to play and will contribute all along the procedure.

Before further detailing the steps of this Prequalification Process and the requirements applicable to any Capacity Market Unit, ELIA highlights these identified interactions in the figure below and in this section.

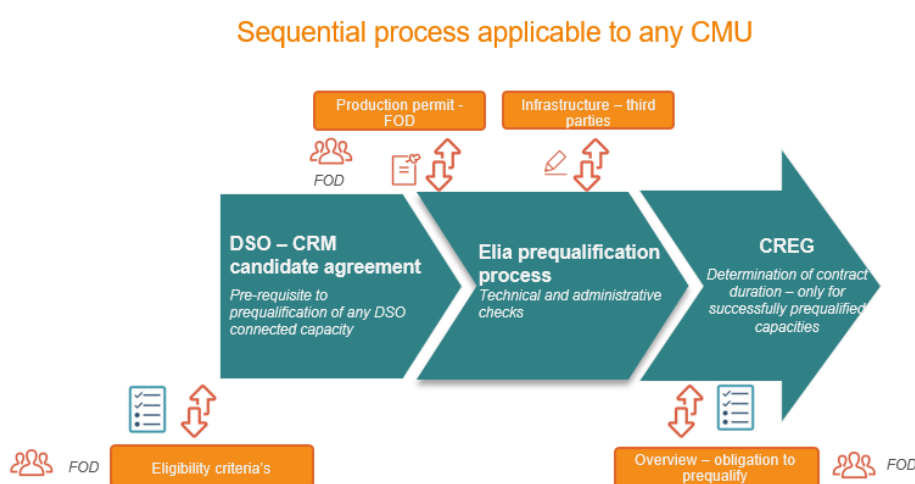


Figure 1 – Prequalification Process and interactions with third parties

1.1 Prequalification of DSO-connected capacities

DSO connected capacities will more than probably participate to the capacity remuneration mechanism, either as individual CMU or via an aggregated one.

The participation of DSO connected Delivery Points to market services is not a novelty as such. Indeed, Demand Side Response has contributed to deliver successfully balancing services such as FCR and mFRR. In those markets, the related prequalification processes and the collaboration with the DSOs have proven their efficiency. Furthermore, each product design evolution included further operational improvement.

For these reasons, ELIA proposes to use the current operational procedures of balancing services as starting point for the CRM Prequalification Process for DSO-connected capacities. Concretely, **a pre-condition to start the “ELIA part” of the CRM Prequalification Process will be – similar to the FCR and mFRR process – to have a signed “DSO-CRM Candidate Agreement” between the CRM Candidate and the concerned DSO(s).** Of course, this pre-condition only concerns DSO connected Delivery Points.

Obviously, ELIA will follow the upcoming balancing design improvements (e.g: mFRR 2020) to guarantee consistency between energy and capacity market processes and requirements.

Furthermore, ELIA reminds that the exact DSO related requirements within this specific agreement are not part of this design document and will be subject to further clarification by the DSOs.

1.2 Interactions foreseen in the CRM Law

1.2.1 Obligation to prequalify

The CRM Law specifically foresees (art. 6 §4) an obligation from any Capacity Holder with production exceeding the minimal threshold² to submit a prequalification file. Even though the entity responsible for the monitoring of this obligation as well as the determination and application of possible penalties in case of non-compliance is still to be determined, it is clear that both ELIA and the DSOs will have a role to play at least as provider of the overview of which Capacity Holder has introduced a prequalification file.

Furthermore and to facilitate the respect of this legal obligation, ELIA foresees a “**prequalification fast track**” (see section 4). In this specific process, ELIA lists the minimal quantity of information required from the Capacity Holder to be compliant with the law.

There are two consequences of this “prequalification fast track”:

- 1) It gives no right to the Capacity Holder to introduce a bid in the Auction nor to participate to the Secondary Market (as only part of the Prequalification Process has been respected) and;
- 2) The related (de-rated) volumes are considered by default as “Opt-Out Volume” and taken into consideration accordingly in the volume determination.

1.2.2 Production permit

In case a Capacity Holder has the obligation to possess a valid production permit for its capacity³ and provided that this permit has not been given when submitting the related prequalification file, the CRM Law (art.6 introducing an art. 7undecies §4 in the Electricity Law) requires the Capacity Holder to provide in the prequalification file all information required on how to get such a permit. As part of the Prequalification Process, ELIA will verify – based on a checklist provided by FPS Economy - that the CRM Candidate shares all the required information. Once this verification is performed ELIA will send the prequalification file to the FPS (responsible for the production permit delivery) to get their formal confirmation on that specific aspect.

² The minimal threshold will be fixed – along with the Eligibility Criteria’s in a Royal Decree

³ The criteria’s to determine which capacities are subject to this obligation along with the process to respect are detailed on the CREG website (<https://www.creg.be/fr/professionnels/production/comment-devenir-producteur>)

1.2.3 Capacity Contract Duration

In parallel to the submission of its prequalification file, a CRM Candidate willing to get a Capacity Contract for a Delivery Period longer than one year introduces a detailed investment file to the CREG and makes sure it contains the information required (cf. Art.7undecies, §5 of the Electricity Law introduced by art. 6 of the CRM Law). The CREG only looks at investment files related to capacities successfully prequalified by ELIA. In this way, the CRM Candidate will notify its will to apply for a longer Capacity Contract Duration at the beginning of ELIA's Prequalification Process (as part of its prequalification file) so the related Eligible Volumes are shared by ELIA with the CREG within the timing foreseen by the CRM Law.

1.2.4 Eligibility Criteria

The set-up of the Eligibility Criteria is not ELIA's responsibility and is therefore not discussed in this document. A royal decree, as meant in Art. 7 undecies § 4 of the Electricity Law introduced by art. 6 of the CRM Law will further specify these rules.

However – due to the obvious link with the CRM Prequalification Process, ELIA will require from any CRM Candidate willing to prequalify its **official commitment that the proposed capacities can effectively be part of the CRM mechanism** (i.e. that these capacities respect the Eligibility Criteria set by the above mentioned royal decree). Of course, this commitment may be subject to an audit from the relevant authorities.

1.3 Technical possibility to connect the proposed capacity

As some projects are also dependent on (network) **infrastructure work** from third parties other than ELIA (e.g. Fluxys), ELIA must make sure that the related Nominal Reference Power can effectively be connected in time and prior to the start of the concerned Delivery Period. In this way, ELIA also requires a written confirmation from that third party of the project's feasibility within the timeframe imposed by the CRM calendar from these parties. The nature of this written confirmation (e.g. comfort letter, connection study...) will be determined in collaboration with those third parties taking into account their procedures.

2 Timing

The timing of the Prequalification Process depends on several elements:

1. **The administrative and technical requirements** verified by ELIA;

As already implemented in similar processes in energy markets, ELIA foresees its Prequalification Process in two steps:

- a. At first, the CRM Candidate introduces its prequalification file to ELIA **by 15/06** at the latest. Consecutive to this file submission, ELIA **verifies** (in cooperation with impacted third parties if relevant) **its completeness** and **will ask for additional information** from the CRM Candidate if needed. The prequalification file must be completed **by 15/07** at latest to be considered relevant for the second step;
 - b. **Between 15/07 and 15/09**, ELIA verifies the technical and administrative requirements described later on in this document to calculate the Eligible Volume of each introduced Capacity Market Unit.
2. The milestones determined in the CRM Law:
 - a. At latest **on 15/5**: publication of CRM market rules which include details and requirements of the Prequalification Process applicable for the following Auction (organized in October of the same year);
 - b. At latest **on 01/06**; start of the Prequalification Process. However, this deadline is not relevant in practice as ELIA has the ambition to propose **a continuous Prequalification Process** to market parties. This offers the opportunity to quickly participate to the Secondary Market and smoothens the workload of the Prequalification Process over the year.
 - c. At latest **on 15/09**; communication on results of Prequalification Process to CRM Candidates;
 - d. At latest **on 01/10**; start of the Auction process.
3. The needed interactions with third parties (as explained in previous section). In this way:
 - a. As the DSO-CRM Candidate Agreement is a prerequisite to ELIA's Prequalification Process; the CRM Candidate must fulfill these specific requirements **by 01/06**;
 - b. As the CREG needs to receive the prequalification results of each introduced project requiring an exemption to the standard one year Capacity Contract Duration prior to the communication of their decision to the CRM Candidate (by CRM Law, at latest on 15/09), ELIA will finalize these prequalification files **by 01/09** at the latest.

The figure below illustrates the timing and includes all the milestones presented above.

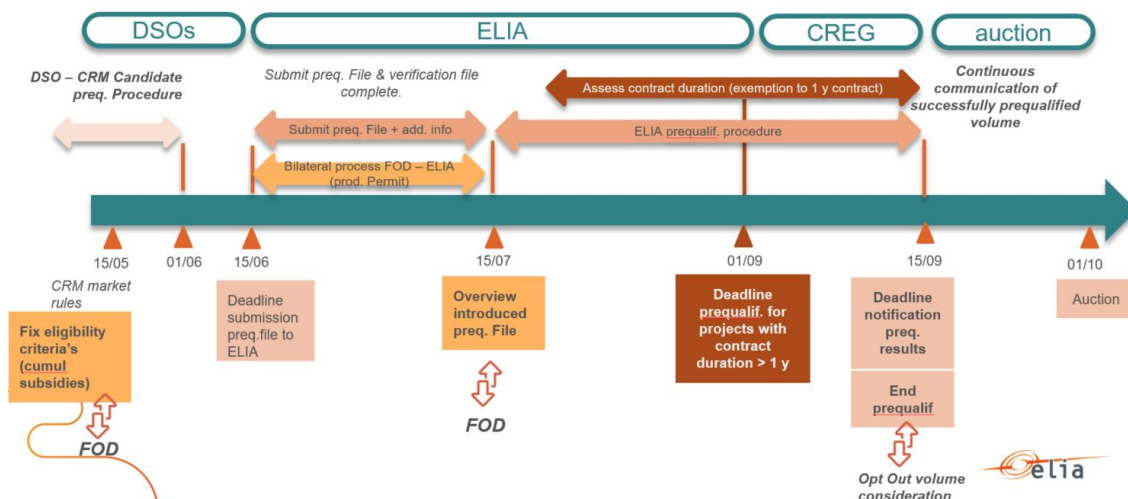


Figure 2 – timing of the Prequalification Process

Important remarks:

- 1) While ELIA confirms its intention to propose a continuous pre-qualification process to facilitate the participation to the Secondary Market, a start date has to be determined for the first prequalification round (summer 2021).

Considering the need to have the earliest start date possible to smoothen the expected workload on both ELIA and third parties side on one hand and the ambitious implementation trajectory which the set-up of such mechanism supposes (automated tools to support the prequalification operators) on the other hand, ELIA proposes as start date the **1st April 2021**.

This estimation is of course subject to future evolutions the moment the operational processes and tool-related requirements are known more precisely.

Finally, this date is only related to the start of the Prequalification Process. No file can be finalized prior to the publication of the market rules (15/5 as set by the CRM Law).

- 2) The estimated timings proposed in the figure above can be extrapolated to a prequalification file introduced earlier than the deadline. In this way, a CRM Candidate must consider 20 working days for the verification of the file's completeness in addition to 40 working days for the administrative and technical verifications listed in this document.

3 ELIA Prequalification Process

In this section, ELIA zooms on the part of the Prequalification Process that falls under its responsibilities as reminded on the Figure 3 below. To start with, ELIA details the **full Prequalification Process** (from section 3.1 to section 3.7 below) before highlighting which steps of this process could be used as part of a light “**fast track**” process (chapter 4) .

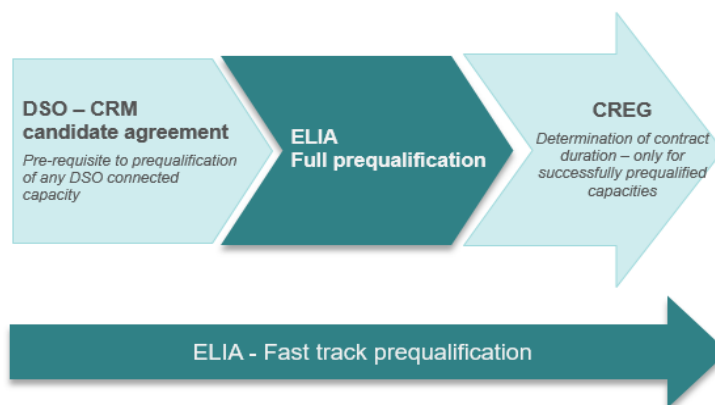


Figure 3 – CRM Prequalification Process

Here, ELIA determines the technical and administrative requirements applicable to any CRM Candidate willing to provide the Service with a CMU as well as the possible methodologies to calculate the Nominal Reference Power. Whenever relevant, ELIA makes the distinction between generic requirements (applicable to both Additional Capacities and Existing Capacities) and specific requirements (only related to Additional Capacities).

ELIA’s full CRM Prequalification Process consists in seven steps, as illustrated in Figure 4 below:

- I. The **CRM Candidate registration**, which consists in registering the CRM Candidate (if not known by ELIA) in ELIA’s database following usual procurement processes;
- II. The CRM Candidate **commitment with the CRM set of rules**;
- III. **The communication tests**, which consist in verifying the connection between ELIA’s CRM interfaces and the Capacity Provider’s own system. (e.g: prequalification platform; bid submission; nomination tool(s)...) ;
- IV. **The CMU acceptance process**. It is at this stage that ELIA verifies the technical and administrative requirements related to the Delivery Point(s) that compose each CMU (e.g: Grid user declaration; aggregation rules ;...)
- V. **The Nominal Reference Power calculation**. In this step, ELIA calculates the maximum volume of capacity (in MW) for each CMU.
- VI. **The application of Derating Factor**: based on a specific methodology determined in a separate design document, ELIA will apply the Derating Factors corresponding to the characteristics of the CMU to the Reference Power calculated during the previous step, to get an Eligible Volume that can be offered in an Auction by the Prequalified CRM Candidate;
- VII. **The communication of test results (Eligible Volume) to involved parties**.

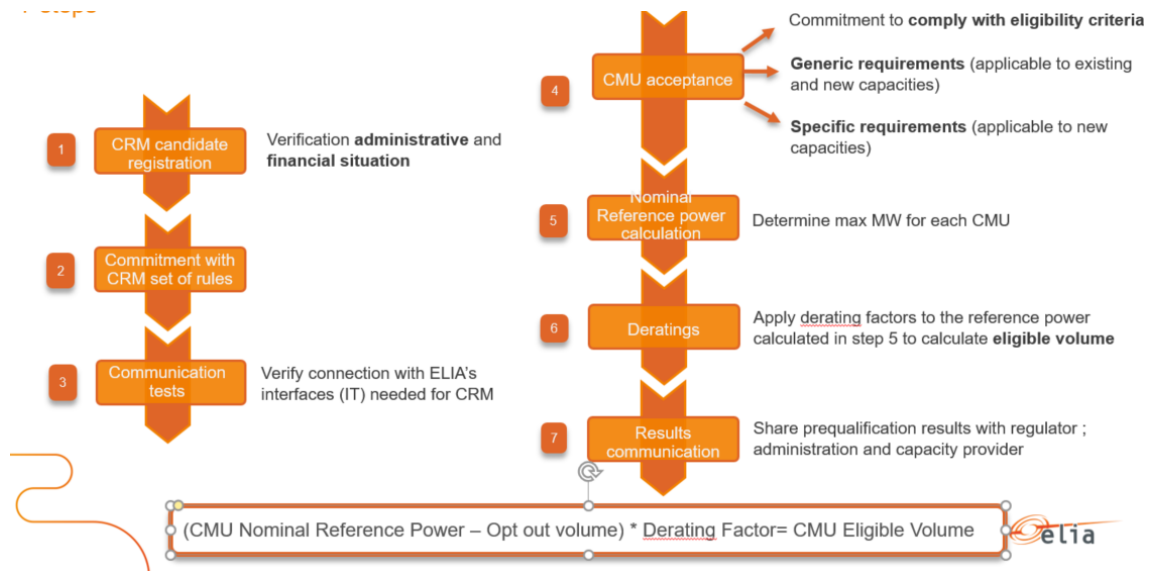
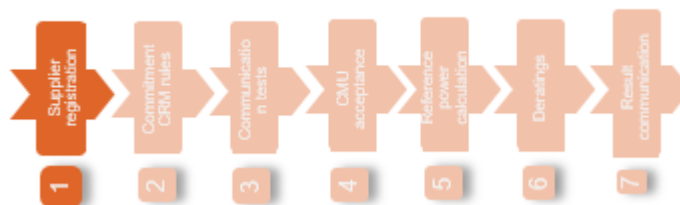


Figure 4 – The seven steps of the Elia side of the CRM Prequalification Process

3.1 Step 1 – CRM Candidate registration



3.1.1 Become a qualified CRM Candidate

As first prequalification step it is common practice for ELIA to verify the administrative and financial situation of each CRM Candidate. Specific qualification forms are available as example on ELIA's website⁴. Of course, a specific "CRM application form" will be written by ELIA and included in the Capacity Contract later on and may differ from these examples.

⁴ <http://www.elia.be/en/suppliers/purchasing-categories/energy-purchases/Ancillary-services/How-to-candidate-make-offer>

3.1.2 Bank guarantee

ELIA's best practice is to verify systematically the **financial situation** of each CRM Candidate. One possibility currently used in the balancing processes is via the "Graydon score". However, ELIA observes the limits of the Graydon score when looking at the CRM specificities. Indeed, the CRM mechanism consists in two Auction rounds for each Delivery Period: in Y-4 and in Y-1. This configuration introduces a **significant gaming risk**. Especially in the first round of Auction in Y-4 where a volume offered at low price (with no intention to effectively be there at start of Delivery Period) in Y-4 could lead to the rejection of competitors from the Y-4 selection.

Moreover, the penalties⁵ for Service's non-delivery are capped to the contractual value and no remuneration is due before the start of Delivery Period (up to 4 years later).

Given these specificities, ELIA is looking for a way to have a different financial incentive (than the Graydon score) applicable from the moment of Y-4 selection while keeping in mind the need to limit at its maximum the entry barriers to this market.

As preferred solution, ELIA proposes the setup of a bank guarantee **for each selected CMU, proportional to the Contracted Capacity** (MW). The CRM Candidate commits to deposit the bank guarantee corresponding to its selected CMU within 60 days after the communication of Auction results and delivers as proof of this commitment an **attestation from a recognized financial institution**. In case no bank guarantee is not provided within these 60 days, the Contractual Counterparty has the right to terminate the Capacity Contract and/ or suspend the Capacity Provider for coming Auctions.

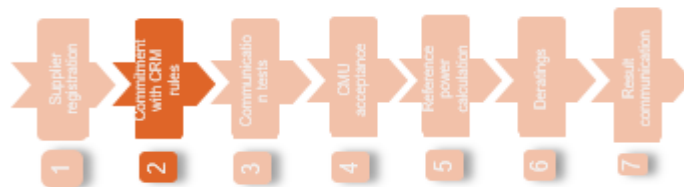
The modalities according to which a Capacity Provider may lose the bank guarantee partially or totally are described in the second part of this document ("Pre-delivery monitoring process").

Important remark:

As already introduced in TF CRM, ELIA welcomes argued suggestions or possible alternatives to the bank guarantee – provided that it gives similar financial incentive to ELIA as feedback to this public consultation.

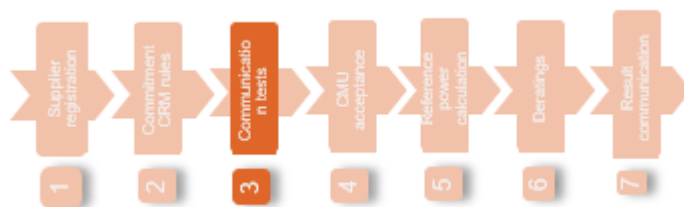
⁵ The details on availability controls and related penalties are presented in a specific design note and are therefore not reminded here.

3.2 Step 2 – Commitment with CRM set of rules



From the moment a CRM Candidate is registered to ELIA, he confirms its agreement with the whole set of requirements (both related to the Service delivery and the Service verification). It is a precondition to the bid submission in an Auction. Note that the Capacity Contract will be a regulated contract, approved by CREG.

3.3 Step 3 – Communication tests



At this stage, ELIA intends to verify the good functioning of its IT interfaces with the Capacity Provider. In this way, the table hereunder illustrates some CRM procedures requiring data exchange in one or both directions (ELIA > Capacity Provider and Capacity Provider > ELIA). As already communicated to market parties during the CRM Task Forces and in order to minimize the interferences with energy market, ELIA will use whenever possible existing data or processes.

Type of communication	Direction	Level of detail
data exchange platform	Capacity Provider > ELIA	Per Delivery point
Auction tool	Capacity Provider > ELIA	Per CMU
Prequalification platform	Capacity Provider > ELIA ELIA > Capacity Provider	Per Delivery point
Availability test signal	ELIA > Capacity Provider	Per CMU

Even though some technical details may already be shared with market parties, it is important to remind that the exact procedures and IT technical requirements are not finalized yet. The requirements presented in this document are therefore indicative and subject to changes later on in the process.

Important remark: ELIA accepts that a CRM Candidate proves its compliancy with operational processes not required for the introduction of a bid in the Auction during the pre-delivery period (between Auction result communication and start of Delivery Period) to minimize the costs engaged by the CRM Candidate prior confirmation of its Contracted Capacity.

3.3.1 Metering data exchange platform and metering requirements

The authenticity of metering data used for settlement purposes is a major concern in each service procured by ELIA. There are currently two processes implemented in balancing services; depending on the kind of metering data exchanged: telemeasures (each 4 seconds) and 15 minutes metering data.

4-second data

As of today and for technical reasons related to the services procured (FCR and aFRR), telemeasures are sent in real time from the Capacity Provider central dispatch to ELIA via a specific secured communication channel . ELIA identifies the following disadvantages that justify not duplicating this requirement to the CRM Service:

- a. It **takes time** (around 2 months) to proceed to the installation of this specific communication channel;
- b. The **related costs are not insignificant**;
- c. It **is not future proof** (physical limitation on number of new channels that can be connected);
- d. Such granularity level (4 second) is not required for a proper CRM availability monitoring.

15-minutes data

The second existing process is related to the mFRR service and organizes the data exchange of 15-minute measurements between the Capacity Provider and ELIA. This process was implemented in cooperation with the DSOs and concerned market parties, via a common data exchange platform. Furthermore, specific metering requirements have been established at that time to guarantee the metering data authenticity.

Given the similar metering granularity required for the monitoring of CRM Service, the existing common procedure (and platform) with DSOs and the number of metering devices already compliant with these technical requirements, ELIA **proposes to start from the mFRR data exchange requirements for the CRM Service.**

Obviously, the CRM metering requirement will evolve in parallel to the adaptations foreseen in future evolutions of mFRR product design.

3.3.2 Prequalification platform

Unlike the balancing markets - where the number of Delivery Points remains limited so far - ELIA expects to face a much higher number of prequalification requests. This mostly because the CRM Law imposes to each Capacity Holder with production capacity located in Belgian control area (and above a certain threshold yet to be determined) the introduction of a prequalification file. Furthermore, as the Capacity Remuneration Mechanism is a market based one, it offers the opportunity to any Prequalified CRM Candidate to compete in the Auction.

To facilitate the Prequalification Process, ELIA intends to **develop a specific platform** on which each CRM Candidate can easily follow the status of its request and update information whenever required. The access to this platform and the CRM Candidate's possibility to introduce specific prequalification related information is verified at this stage of the procedure.

3.3.3 Auction tool

As a conclusion to the Prequalification Process described in this document, the Prequalified CRM Candidate will receive the confirmation on the maximal Eligible Volume for each of its successfully prequalified CMU. This volume corresponds to the multiplication of the CMU's Reference Power by the corresponding Derating factor.

To guarantee the respect of the bidding instructions applicable to the CRM Auction process (and subject to a specific design document) while including the consideration of grid constraints (also subject of the same design document), ELIA will develop a specific Auction platform. During the Prequalification Process, ELIA verifies the CRM Candidate's capacity to connect to this platform and submit a bid compliant with the bidding instructions.

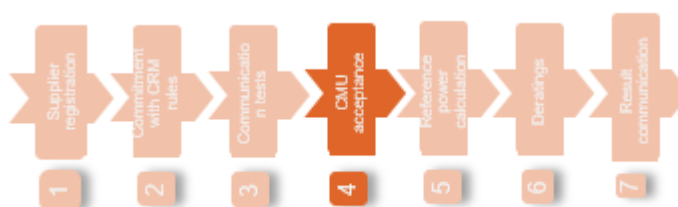
3.3.4 Availability test trigger

In parallel to the availability monitoring logic for which a day-ahead nomination price might needed (as described in the separate design note on availability monitoring), another way to verify the correct Service delivery is through a specific trigger requested by ELIA. The detailed modalities around those tests are also described in a specific design note.

During the Prequalification Process, ELIA will therefore verify the possibility to trigger an availability test with a Capacity Provider. This signifies the identification of one or several CMU subject of the test and immediate confirmation of the trigger's good reception from the Capacity Provider (required for the ex-post analysis).

Please note that the exact modalities around this availability test trigger are not known yet and will be shared with market parties later on.

3.4 Step 4 – CMU acceptance



At this stage, the CRM Candidate identifies the CMU(s) that he intends to prequalify and delivers the required technical and administrative information detailed in the sections hereunder. Once the verification is over and in case it led to positive results, ELIA will include the proposed CMU into the CRM Candidate portfolio and proceed to the calculation of the related Reference Power following one of the methodologies described in chapter 3.5 below.

ELIA organizes the requirements of this section in three distinct chapters:

- a. Compliancy with **Eligibility Criteria**;
- b. **Generic requirements** (requirements that apply to both Existing and Additional Capacities);
- c. **Specific requirements** only relevant for Additional Capacities;

3.4.1 Compliancy with Eligibility Criteria

A Royal Decree (cf. Art. 7undecies §4 of the Electricity Law introduced by art. 6 of the CRM Law) will determine the Eligibility Criteria related to having benefitted from past or ongoing *other* support mechanisms. These rules will determine whether a CMU can participate to the Auction (and therefore be prequalified) or not and focuses on the acceptable interferences with other subsidy mechanisms.

As first verification to determine the possible participation of a CMU to the Prequalification Process, ELIA requires from the CRM Candidate a **firm commitment of its compliancy with the related set of rules**. In other words, the CRM Candidate is responsible to determine and confirm to ELIA – based on the Eligibility Criteria’s set by such Royal Decree – whether a CMU can participate to the Capacity Remuneration Mechanism.

This commitment is of course auditable by the relevant authorities anytime during or after the Prequalification Process and may trigger specific penalties (not described in this document).

3.4.2 Generic requirements

3.4.2.1 Individual or aggregated CMU

The CRM Candidate informs ELIA about the Delivery Points that composes each CMU. Indeed, several possibilities are offered to the Capacity Provider and ELIA must make sure that the

following conditions are respected:

1. Any Delivery Point with an Nominal Reference Power lower than the threshold determined by Royal Decree cannot be considered as an individual CMU but may participate as part of an aggregated one;
2. Any Delivery Point subject to the obligation to introduce to ELIA an individual MW schedule (obligation coming from the System Operation Guidelines and already being respected in the energy market) is prohibited to be part of an aggregated CMU (currently, the threshold is 25 MW).

It is also important to remind that there are **no technology related constraints** in the set-up of an aggregated CMU (several technologies can be gathered together as long as the above-mentioned conditions are respected) and that one Delivery Point can only be part of one CMU, in the portfolio of one CRM Candidate.

3.4.2.2 Capacity Contract Duration

As introduced in section 1.2.3 ELIA needs to know whether the CRM Candidate ambitions to ask for an exemption to the standard one year Capacity Contract Duration to the CREG. If it is the case, ELIA will share the results of the Prequalification Process (Eligible Volume) for the related CMUs with the CREG by 1st September at latest.

3.4.2.3 Energy Constrained Assets

As detailed in the specific design note describing derating methodology and principles, several categories are identified depending on – among other things – the technology or the energy constraint. For each category, specific Derating Factors are calculated.

At this stage of the Prequalification Process, the CRM Candidate identifies to ELIA which category applies to each of his CMU. Based on this information, ELIA will calculate the Eligible Volume (as described in section 3.6 below).

It is important to highlight that the Prequalification Process does not aim at verifying the exactitude of the CRM Candidate derating related declaration as it will be monitored by ELIA thanks to the availability controls. In other words, a CRM Candidate proposing an Energy Constrained Asset (e.g: aggregated CMU) will not be asked to perform a prequalification test for the entire duration of this energy constraint. However, ELIA has the right to verify this requirement during its availability monitoring during the Delivery Period.

3.4.2.4 Technical information

The table below gives an overview of most important technical information⁶ needed by ELIA because of their use in one of the CRM related processes. It also indicates on which level this information is needed (CMU or Delivery Point) as well as the purpose of this information.

Technical information	On level of	because
Nominal Reference Power (MW)	Delivery point	Used for the evolution in time of an aggregated CMU (see section 5.4);
P min/ P max (generation) or Unsheddable margin / Max consumption (market response)	Delivery Point	Used to calculate the Reference Power (see section 3.5)
Carbon emission	CMU	Used as one of the tiebreaker rule in the Auction algorithm (see specific design note on Auction principles for further information).
Nominated Electricity Market Operator (NEMO)	CMU	Used to calculate the payback obligation (Capacity Provider may select the DA reference price to be used for that calculation for each CMU)
Intermediate price cap	CMU	Used in the Auction clearing algorithm
EAN – localization	Delivery Point	Used for the verification of compliancy with rules on possible combination with other Capacity Providers (see section 3.4.2.8); Used in Auction clearing algorithm (grid constraints)
Unique CMU identification	CMU	Used for trigger of availability test (part of settlement controls)

3.4.2.5 Grid user declaration

Similar to the verification done by ELIA in the balancing services prequalification procedures, a

⁶ Please note that this overview is not final yet and may still evolve to consider additional input from the related operational processes (not described yet at moment of redaction of this document)

signed declaration from the grid user (in case the grid user differs from the CRM Candidate) concerned by the offered capacities (in the CMU) – giving the permission to the CRM Candidate to offer the capacity Service to ELIA – is a standard verification in the CRM Prequalification Process.

A specific template adapted to the capacity Service will be proposed in the CRM Capacity Contract in a later stage. Of course, a capacity can only be related to one grid user declaration.

3.4.2.6 DSO – CRM Candidate Agreement

A DSO – CRM Candidate Agreement is an agreement between the CRM Candidate and the DSO allowing him to provide the Service to ELIA with Delivery Points connected to its grid.

Prior to the Prequalification Process with ELIA, the CRM Candidate will deliver the required technical information to the concerned DSO(s) so the specific verifications detailed in this contract can be performed.

ELIA will not consider valid a Delivery Point connected to a DSO grid that has not been verified and confirmed by this DSO.

The details about the technical and administrative requirements gathered in this DSO – CRM Candidate Agreement will be elaborated by the DSOs and are therefore not reminded in this document.

Important remark:

ELIA is currently investigating which additional requirement(s) and related information exchange are relevant in the specific context of a closed distribution system (CDS) and invite market parties to formulate a proposal (in their reaction to this public consultation) to feed in the on-going reflection.

3.4.2.7 Metering / Submetering requirements

As introduced earlier in this document, ELIA proposes to start from the mFRR data exchange requirements as the implemented set of rules is the only one already applicable to both DSO and TSO connected Delivery Points and ensures the data (15 minutes measurements) authenticity.

The exact metering device requirements are described in a specific technical appendix available on ELIA's website⁷ and will be verified by the corresponding DSO (in case of DSO-connected

⁷ http://www.elia.be/~media/files/Elia/users-group/Taskforce%20Strat%20Reserve/Winter_2015-2016/General_technical_requirements_submetering.pdf

Delivery Point) or ELIA (in case of TSO-connected Delivery Point).

It is important to remind that from the moment these requirements evolve because of balancing design improvements; the CRM related requirements will follow to keep consistency between energy and capacity markets.

3.4.2.8 Combination with other Capacity Providers

Here again, ELIA proposes to follow the three key principles introduced in balancing services to determine the possible competition between CRM Candidates behind an Access Point.

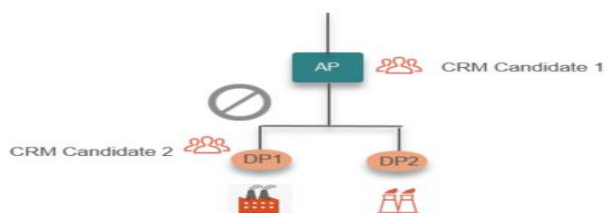
In this way:

- 1) **There can only be one CRM Candidate per Delivery Point** (an Access Point may be equal to a Delivery Point). The example below gives a practical illustration of that principle, with an Access Point behind which there are two specific capacities: a small production unit (DP2) and an industrial consumption site (DP 1). In the example, the CRM Candidate proposes the Access Point for the prequalification. He is allowed to do so as the Nominal Reference Power of each Delivery Point is lower than the threshold (currently 25 MW).



- 2) **One Delivery Point cannot influence another one.** In other words, no combination possible between a Service delivery on the Headmeter and a Submeter behind or with two Submeters with hierarchy (one Delivery Point above another one). Indeed, in such configuration the Delivery Point downstream (Delivery Point 1 in the example below) influences the one upstream (Access Point in the example below) and might negatively influence the control of the Service delivery;

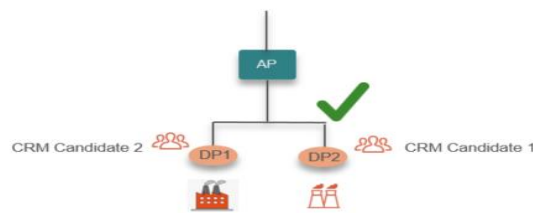
2 One Delivery Point cannot influence another one (no “cascade” effect)



3) More than one CRM Candidate can deliver a Service behind an Access Point as long as these Delivery Points are not influencing each other.

In the example below, 2 different CRM Candidates can offer the Service as the concerned Delivery Points (DP1 and DP2) are not influencing each other and as no CRM Candidate offers the Service on the Access Point.

3 More than one CRM candidate can deliver the service behind the access point as long as they do not influence each other (principle 2)



3.4.3 Specific requirements (Additional Capacities)

On top of the generic requirements listed above, ELIA identifies in this section the need for information specifically related to Additional Capacities (still in project stage and for which no energy can effectively be measured to calculate the Nominal Reference Power at moment of prequalification).

3.4.3.1 Grid connection

Prior to any possible offer in the CRM Auction, capacities not connected yet to the grid must comply with the grid connection process as foreseen in the Federal Grid Code. This procedure gives the confirmation to ELIA that the proposed Delivery Points (in the CRM Prequalification Process) can effectively be connected to the grid before the start of the Delivery Period and details to the CRM Candidate both the technical and financial elements related their connection. This

confirmation is formalized via the **signature of a technical agreement** between the grid user and ELIA and **is a pre-requisite** verified at this stage **of the CRM Prequalification Process**. In this way, the technical agreement must at least be valid until the communication of the Auction results (at latest on 31/10 according to CRM law).

The information gathered in the technical agreement will be used by ELIA in the Auction clearing algorithm as input for the determination of grid constraints (as detailed in the specific design note on Auction algorithm).

3.4.3.2 Production permit (if relevant)

According to the CRM law, a Capacity Holder must either deliver a valid production permit for its CMU or provide in his prequalification file every information required for its attribution. ELIA will hence verify the completeness of the prequalification file based on a checklist delivered from the federal administration who is responsible for the production permit delivery and share it with them to obtain their approval on the content of the elements provided.

The verification of the information related to the process for the attribution of the production permit at this stage of the Prequalification Process is of course not a guarantee for the CRM Candidate that he will obtain such permit in the end.

3.4.3.3 Network constraints (Fluxys, DSO)

In parallel to the verification of the possible connection of an Additional Capacity on ELIA's grid (via the connection process described in the Federal Grid Code), ELIA must have the written confirmation that the network infrastructure (electricity and – where relevant – related to primary fuel) needed for the proper functioning of that capacity is effectively foreseen by the CRM Candidate. In this way, ELIA requires signed commitment from the relevant network operator attesting of the possible connection before start of Delivery Period (conditional offer subject to selection of the related capacity in the Auction algorithm is accepted).

This commitment only concerns the guarantee that the Capacity Market Unit can effectively be connected to the required combustible (e.g.: gas for a gas turbine). A valid energy (primary fuel) contract is not required by ELIA as prequalification prerequisite.

3.4.3.4 Construction permit (if relevant)

The current CRM mechanism foresees a period of 4 years between the communication of Y-4 Auction results and the start of the Delivery Period. This period is – in theory – long enough to accomplish both the official procedures to get the required construction permits and to build up and connect a capacity.

ELIA will therefore not require the delivered construction permit as an absolute pre-requisite to the Auction. This would only limit the competition in Y-4 and might negatively influence the mechanism's total cost.

However, ELIA will monitor – from the moment the volumes are allocated consecutive to the Auction – the effective evolution of these projects and apply the mitigation measures described

in the pre-delivery monitoring process section of this document (Part II) if delays in the project are observed.

Furthermore, ELIA requires during the prequalification the proof that the spatial plan⁸ does not need modifications in order to build the new capacity. Indeed, it does not seem realistic to only request a spatial plan modification once the project is selected in the Auction as this step alone takes between one and two years.

3.4.3.5 Terrain

Another administrative verification concerns the field on which the Additional Capacity will be located. The CRM Candidate must – during the prequalification – produce the proof that he has the right to use the field (ownership; agreement with the current owner ;...) for the prequalified project.

3.4.3.6 Detailed project planning

In addition to the requirements listed above, ELIA asks - for each Additional Capacity subject to the Prequalification Process - to deliver a detailed project planning that contains at least the following elements:

- a. A clear identification of monthly, quarterly and yearly milestones; running from the moment the Auction results are communicated and until the first day of the Delivery Period. In this planning, at least the following milestones must be detailed:
 - i. **Process to get the required permits (if relevant);**
 - ii. The details of **construction work** in itself (foundations; order of main component ;...)
 - iii. The **commissioning phase**; including the organization of physical injection / consumption tests that can be used by ELIA to calculate the Reference Power as described in section 3.5 below;

For each step, the Capacity Provider identifies **the last possible moment to finalize** it without endangering the project's overall timing.

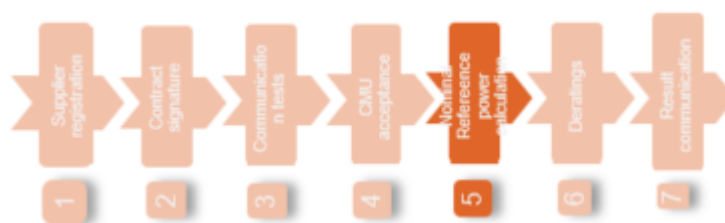
Important remark

As explained in the second part of this document (pre-delivery monitoring process), Additional Capacities exceeding 400 MW have the obligation to deliver the required permits (construction, environmental...) within 24 months (starting from the moment the selection of Y-4 is known).

⁸ As spatial plan, ELIA refers to the cadaster mapping status such as "industrial area, residential area..."

- b. The technical information listed in the section 3 above. For the sake of clarity, this includes exact localization of the metering device (to avoid an influence on another meter upstream) as well as the commitment it will respect the standards (already presented in section 3.4.2.7) set by ELIA.
- c. A clear identification whether work from third parties (e.g: ELIA, DSOs, Fluxys) is a prerequisite to the capacity connection to the grid and if so, a detailed planning for these works with yearly, quarterly and monthly milestones and information for each step detailed above. Indeed, the Capacity Provider is responsible for the gathering of the needed information from these third parties so ELIA can perform the required monitoring.

3.5 Step 5 – Nominal Reference Power calculation



In this step, ELIA determines the Nominal Reference Power. This volume corresponds to the maximal capacity that can be delivered by the CMU, before consideration of Derating Factors (see section 3.6) and / or any additional correction required by the CRM Candidate (Partial or full opt-Out as detailed in a specific design note).

Important remark:

In case of a request from the CRM Candidate to reduce its Nominal Reference Power to a lower value (higher or equal to zero), ELIA requires a written signed justification detailing the reasons of that choice.

To determine the Nominal Reference Power, ELIA proposes three different methodologies. As the three reaches the same objective, The CRM Candidate can select his preferred one and confirm it to ELIA at this stage of the process.

3.5.1 1st method – use of historical data

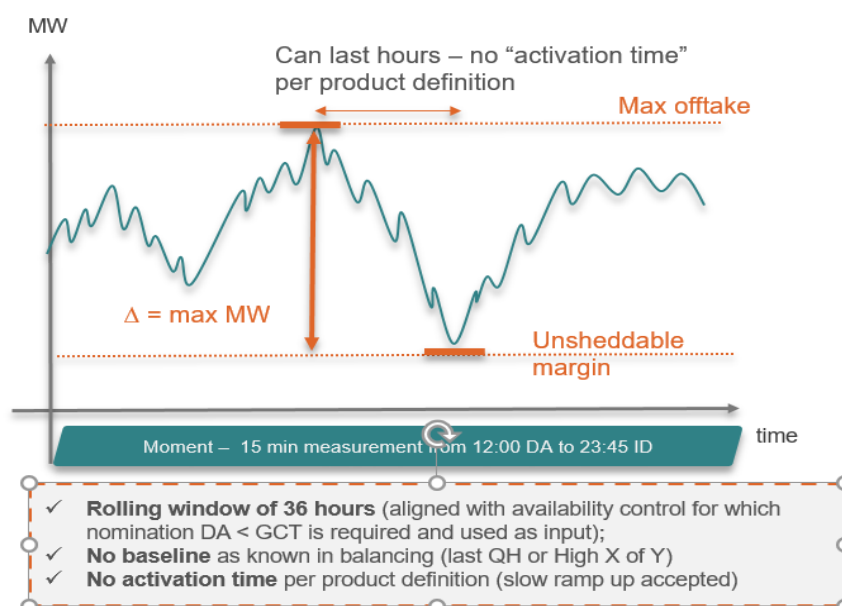
This method only applies to Existing Capacities already connected to the grid and which respect the metering requirements set above (see section 3.4.2.7). In this approach, ELIA analyzes the historical 15 minutes measurement data of each moment **over the last 12 months** to calculate the Nominal Reference Power.

The Nominal Reference Power corresponds to the highest difference observed over a moment.

Indeed, as there are no specific activation time per product definition, the difference must not necessarily correspond to a power deviation between two consecutive quarter hour. A moment starts at 12:00 and ends at 23:45 the following day (36 hours in total).

The graph below illustrates this methodology and makes the distinction between generation and consumption. Indeed, the Nominal Reference Power of a generation unit will often correspond to the difference between the highest injection observed (“Pmax”) and 0 (when the unit does not produce) while the Nominal Reference Power of a consumption site will correspond to the difference between the highest consumption (max offtake) and the minimal consumption (Unsheddable Margin) within the considered time window.

Prequalification – example with method A. use of historical data



3.5.2 2nd method – use of historical balancing results

An alternative methodology to determine the Nominal Reference Power is the consideration of historical balancing results. Indeed, as the requirements (a.o: the activation time) of balancing services are stricter than those set for the capacity product in the CRM, any volume certified and / or proven to be available in those services is de facto prequalified for the CRM.

ELIA considers the following balancing results (**over last 12 months**) valid:

- FCR / aFRR / mFRR prequalification tests;
- FCR availability tests;
- mFRR effective activations;

Of course, in case of aggregated CMU the list of Delivery Points gathered in this CMU must correspond exactly to the list of Delivery Points used in the corresponding balancing service.

3.5.3 3rd method – Organize a new prequalification test

Finally, a third possibility to calculate the Nominal Reference Power is via the organization of a specific CRM prequalification test. In this section, ELIA details the modalities of such test.

3.5.3.1 Test organization

The CRM prequalification test is scheduled in advance (not a surprise test) within a time window of 5 days. The Capacity Provider informs ELIA on beforehand and communicates the following information:

- Which Delivery Point(s) are being tested;
- The test volume objective (MW);
- The test profile (activation time; number of quarter hour at full activation ;...); which can last at maximum **36 hours**. This maximal duration is aligned with the duration between an activation test trigger and the effective delivery as verified by ELIA in the availability controls and described in a specific design document.

There is no specific requirement set by ELIA on the minimal activation duration; apart from the fact that it needs to be visualized in the 15 minutes measurements (and therefore last **at least a full quarter-hour**).

3.5.3.2 Test remuneration

The costs related to the organization of a CRM prequalification test are at the CRM Candidate's charge. No remuneration is foreseen by ELIA. Furthermore, no energy compensation is expected from ELIA (in opposite direction to compensate possible imbalance) as the test is foreseen by the CRM Candidate in advance and should be compensated accordingly by him.

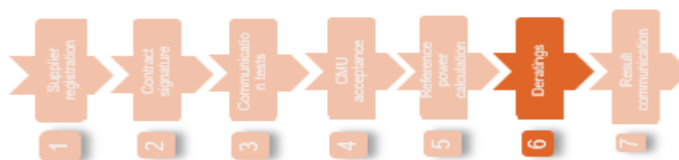
3.5.3.3 Determination of Nominal Reference Power

The logic followed by ELIA to determine the Nominal Reference Power from a test result is the same than the one described in the first methodology above. Indeed, ELIA will look at the 15 min measurement over the entire test period (which can last maximum 36 hours) and calculate the highest power deviation. Note that Elia does not test on particular constraints that would be taken into account via the derating factors (e.g. energy limitation limited to x hours).

3.5.4 Determination of Nominal Reference Power for Additional Capacities

At the moment of the Prequalification Process, some capacities cannot be physically measured yet (Additional Capacities) as investments and modifications are required. For these CMU, the CRM Candidate will declare (supported by the technical documentation and simulations presented in its prequalification file) the expected Nominal Reference Power. This declared volume will be used by ELIA as input to determine the Eligible Volume and will be specifically monitored in the pre-delivery monitoring period (as described in the second part of this document).

3.6 Step 6 – Derating Factors and Opt-out Volumes



As foreseen by the CRM Law, a CRM Candidate may decide not to offer (part of) its prequalified capacity into an Auction towards a Delivery Period, provided that the CRM Candidate notifies the grid operator of such decision. This related volume is called “Opt-Out Volume” and communicated to ELIA at this step of the Prequalification Process.

In this way, ELIA calculates the Reference Power of the related CMU, corresponding to the difference between the Nominal Reference Power and the notified Opt-Out Volume.

As a second step, ELIA applies the adequate Derating Factor on the Reference Power to determine the CMU Eligible Volume. To do so, there are two possibilities:

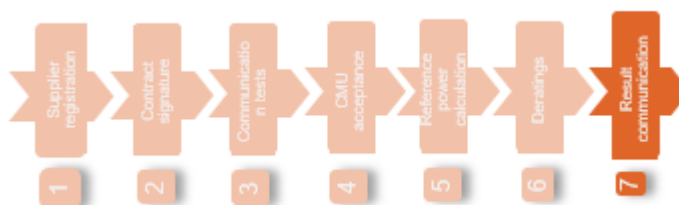
- a. By applying the Derating Factor calculated for the CMU’s specific technology (under condition that the CMU consists in one single Delivery Point and that a specific Derating Factor relevant for the technology of this Delivery Point is calculated by ELIA)
- b. By applying the Derating Factor corresponding to the declaration of a certain service level agreement (SLA) by the CRM Candidate.

Important remark:

In case of a request from the CRM Candidate to reduce its Nominal Reference Power to a lower value (higher or equal to zero), ELIA requires a written signed justification detailing the reasons of that choice.

The outcome of this calculation corresponds to the Eligible Volume and is equal to the maximal capacity that a CRM Candidate is authorized to offer in the Auction for that CMU.

3.7 Step 7 – Result communication to third parties



As final step of ELIA's Prequalification Process, ELIA communicates the Eligible Volume of concerned CMUs to both the CRM Candidate and the CREG. This communication is done at latest on 15/09 for CMU's which are not concerned by a derogation on the standard 1-year Capacity Contract Duration and on 01/09 for other CMUs.

The communicated Eligible Volume of a CMU will be aligned to the granularity level authorized in the bidding instructions (currently 0.1 MW as detailed in the design note on Auction algorithm).

4 Fast track prequalification

As introduced earlier in this document, some Capacity Holders have the legal obligation to submit a prequalification file to ELIA from the moment its production unit exceeds a minimal threshold. This obligation is independent from the effective possibility for the Capacity Holder to participate to the CRM mechanism. Indeed, some production units subject to this legal obligation might not respect the Eligibility Criteria.

To facilitate the obligation for Capacity Holders to respect the law and considering the costs of the full Prequalification Process (in time and euros), ELIA proposes a “fast track”, in which a minimal number of information is filled in by the Capacity Holder.

In the context of a Fast track prequalification process, a Capacity Holder with DSO connected capacity does not need to sign a DSO – CRM Candidate Agreement.

The figure below illustrates the required steps of this fast track, compared to the seven detailed steps of the full Prequalification Process.

ELIA reminds that – consecutive to the fast track – it is **not possible to participate to an Auction nor to the Secondary Market and is considered by ELIA as a “per-default” opt-out.**

Elia Fast track prequalification process

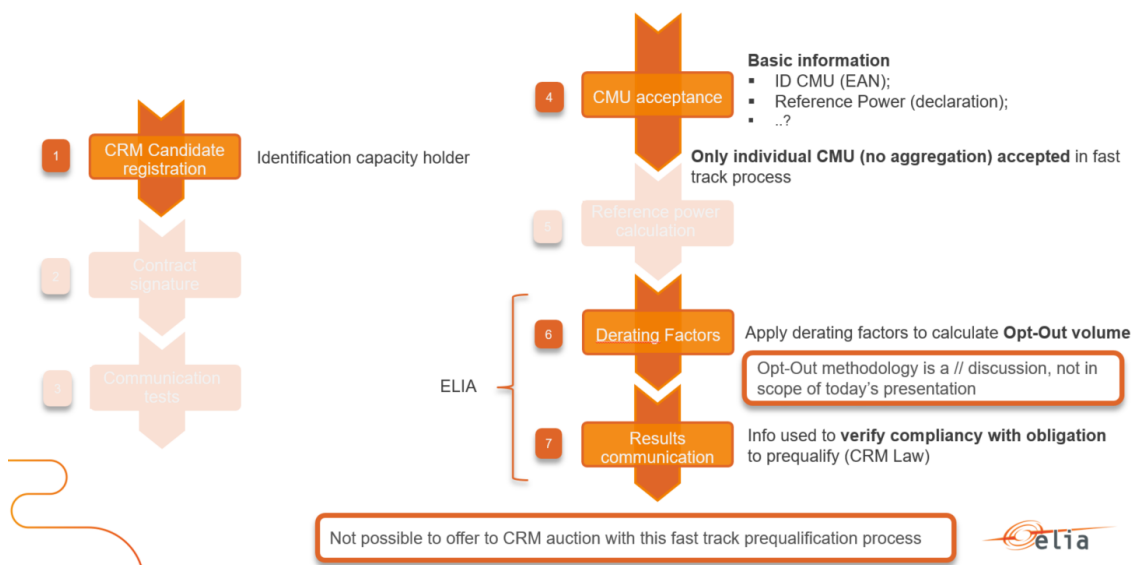


Figure 5 – Fast track Prequalification Process

4.1 Step 1 – CRM Candidate registration

Unlike the full Prequalification Process where ELIA verifies both the administrative and financial status of each CRM Candidate, the CRM Candidate registration in the fast track process is limited

to the **identification of the Capacity Holder**.

4.2 Step 2 – CMU acceptance

In this step, ELIA asks the Capacity Holder to **identify its Capacity Market Unit** and declare the corresponding Reference Power. Indeed, ELIA will not calculate it nor verify the entire list of generic requirements set in the full Prequalification Process as the CRM Candidate has no intention (nor rights) to propose this CMU to the following Auction.

ELIA reminds another difference between the fast track process and the full Prequalification Process: **the possibility to have an aggregated CMU makes no sense in the context of a fast track and is therefore forbidden by ELIA.**

These two steps are the only actions required from the CRM Candidate to respect its legal obligation to prequalify. Based on these declared information, ELIA will perform the actions described in step 3 and 4 below.

4.3 Step 3 – Derating Factor

Similar to the full Prequalification Process, ELIA calculates the volume corresponding to the CMU contribution to adequacy by multiplying the Reference Power with the related Derating Factor. This volume is called “Fast-track volume” and cannot be confused with the Eligible Volume resulting of a successful prequalification track.

4.4 Step 4 – Result communication

To conclude the prequalification fast track, ELIA communicates the information received from the Capacity Holder to the entity (still to be determined) responsible for the follow up of the legal obligation to prequalify and considers the Fast Track volume as default opt-out.

5 Evolution of a CMU in time

In this section, ELIA proposes additional clarifications to determine how a prequalified Eligible Volume of one CMU can be reused in the following Auction cycles and which administrative and technical verifications remain valid.

It is important to highlight that the parameters related to a Contracted Capacity remain valid all along the Capacity Contract Duration. The rules proposed below are to be read as for a participation to an Auction related to a later (new) Delivery Period or to a later Auction cycle (e.g: Y-1) for the same Delivery Period.

ELIA identifies three specific situations:

- 1) There are no other results (from pre-delivery monitoring or from availability controls) that can be used to review the prequalified Eligible Volume;
- 2) Based on the pre-delivery monitoring results (the modalities and related principles are described exhaustively in the second part of this document), ELIA can adapt the CMU prequalified Eligible Volume;
- 3) After the first Delivery Period, ELIA can adapt the CMU prequalified Eligible Volume with the results of the availability controls.

In parallel, a Capacity Provider is responsible to notify ELIA in case other parameters have evolved and justify a re-calculation of the initial Eligible Volume related to that CMU.

5.1 No results from pre-delivery monitoring process or availability controls

Waiting for the results of the pre-delivery monitoring and availability controls, the only reason to adapt the prequalified Eligible Volume is to **include the yearly updated Derating Factors**. In this way, prior to each Auction, ELIA will automatically consider the latest available Derating Factors to re-run the fifth step of its Prequalification Process.

5.2 Evolution of prequalified Eligible Volume to include pre-delivery monitoring results

As detailed in the second part of this document, ELIA will verify – closer to the effective start of the Delivery Period – the Contracted Capacity to make sure the Eligible Volume calculated prior to Y-4 Auction reflects the CMU's technical reality. Indeed, a lot can happen within that time (e.g.: adaptation of a consumption site reducing the flexible capacity).

In this way, ELIA **reduces the Eligible Volume** and related Reference Power from the moment a deviation between the initially Contracted Capacity and the newly observed reaction is measured.

5.3 Evolution of prequalified Eligible Volume to include availability monitoring results

From the start of the first Delivery Period, ELIA performs an availability control to verify the effective availability of the Contracted Capacities. (Exact requirements detailed in a specific design note and therefore not reminded here).

ELIA considers the results of both the verification of “AMT moments” and the specific availability test triggered by ELIA as valid input to update the Nominal Reference Power of a CMU. In this way, the average Missing Obligation is calculated for one Delivery Period and corresponding volume is deduced from the initial CMU Eligible Volume **unless** the (minimum) last 3 consecutive tests on that Delivery Period prove the complete respect of the initial Contracted Capacity.

5.4 Evolution of an aggregated CMU

In this section, ELIA summarizes the possibilities for a Capacity Provider to add / remove Delivery Points from an already prequalified aggregated CMU.

For each aggregated CMU, ELIA requires (step 4 of its Prequalification Process) technical information on each Delivery Point part of that CMU. Among the gathered information that are useful to determine the principles below: the individual contribution (in MW) and the maximal Capacity Contract Duration awarded by the CREG.

In this way, ELIA accepts that a Capacity Provider adds or removes Delivery Points to an already prequalified aggregated CMU as long as the following conditions are respected:

- 1) The additional Delivery Point(s) respect the aggregation rules detailed in section 3.4.2.1;
- 2) The energy constraint declared by the CRM Candidate for that aggregated CMU are not influenced and remain valid;
- 3) The Capacity Contract Duration of the additional individual Delivery Point is not lower than the Capacity Contract Duration of aggregated CMU;
- 4) The CO₂ emission of the new individual Delivery Point(s) does not exceed the CO₂ emission calculated for the aggregated CMU following the rules presented in the Auction algorithm design note;
- 5) The sum of the Nominal Reference Power (in MW) of the remaining Delivery Points still exceeds the Nominal Reference Power initially calculated for the aggregated CMU.

Part II – Pre-delivery monitoring

Introduction

This part of the present design note focuses on another key element of the capacity remuneration mechanism: **the pre-delivery monitoring process**. This specific process starts from the moment a capacity is awarded to a Capacity Provider during an Auction and ends with the start of the Delivery Period. It specifies a set of rules (including a specific financial incentive and penalty mechanism) developed to mitigate **the gaming risk** (hence minimizing mechanism total cost for society), cover the uncertainty inherent to Additional Capacities (e.g.: delay in construction works) while guaranteeing the level playing field.

Indeed, ELIA and some market parties⁹ share a common concern on the possible lack of competition in Y-4 Auction. At that time (Y-4), some behaviors might influence the Auction's results and **unfairly exclude other capacities** from the selection. Moreover, one could propose a capacity in Y-4 Auction with the sole purpose to increase the volume to procure in Y-1 Auction (i.o.w. with no intention to effectively deliver the Y-4 Contracted Capacities) and by doing so negatively influence the mechanism's total cost.

The requirements detailed in this part of the document are organized in three specific sections. To start with, ELIA makes the link with the Prequalification Process and highlights the requirements gathered at that moment used during the present pre-delivery monitoring process. In the second section, ELIA presents the key principles of the pre-delivery monitoring process and related incentive mechanism. To conclude with, ELIA illustrates the concrete application of these principles with a set of examples.

⁹ Feedback given in answer to an informal consultation on FTR capacity reservation process modification proposal ("FTR v2")

6 Monitoring related prequalification requirement

In this section, ELIA explains which prequalification requirement serves as input to the pre-delivery monitoring process.

6.1 Bank guarantee

The bank guarantee is a requirement applicable to each Capacity Provider, no matter the status (Existing or Additional Capacity) or the technology of the related capacity. It is **proportional to the Contracted Capacity**.

The bank guarantee is ELIA's proposal **to mitigate the gaming risk** between the auctions (Y-4 and Y-1) and the start of the related Delivery Period. Indeed, the remuneration of the CRM effectively starts with the Delivery Period. Furthermore, the penalties foreseen as part of the availability monitoring during the Delivery Period are capped to the Capacity Remuneration. In such context, a Capacity Provider with no intention to deliver the Service will not be remunerated for the CRM Service but will not face additional penalties while he endangered the security of supply (adequacy issue with a Missing Volume to deal with) and might have negatively influenced the system total cost (in case additional volume is procured in Y-1).

The CRM Candidate therefore commits to deposit its bank guarantee as first step of ELIA's Prequalification Process (step 1 – CRM Candidate registration) and delivers as proof an attestation from a recognized financial institution. The bank guarantee in itself is due within a period of 60 working days starting from the moment the results of the Auction are communicated to market parties (according to the CRM law, at latest on 31/10 of each year during which an Auction is organized).

ELIA observes that the bank guarantee is a common requirement from other CRM mechanisms in other countries as well (e.g: FR, UK, Italy and Poland).

In case a Capacity Provider does not deposit the bank guarantee as initially foreseen, the Contractual Counterparty has the right to terminate the Capacity Contract and / or suspend the Capacity Provider from participation to future Auction cycles.

Important remark:

As already introduced in TF CRM, ELIA welcomes argued suggestions (as feedback to this public consultation) of possible alternatives to the bank guarantee – provided that it gives similar financial incentive.

6.1.1 Determination of bank guarantee for capacities subject to a similar obligation in connection contract

In parallel to the elaboration of the prequalification and monitoring rules relevant for the Capacity Remuneration Mechanism, market parties (incl. federal administration, CREG and ELIA) are

investigating the possibility to adapt the capacity reservation process currently proposed in the Federal Grid Code¹⁰ in order to maximize the competition in a CRM context.

Among the possible improvements, ELIA investigates how to reinforce its connection contract to incentivize the effective project realization and avoid “sleeping capacities¹¹”. To do so, ELIA identifies two possible incentives: the right to **suspend the allocated capacity** (incl. the termination of the connection contract) as well as possible financial consequences.

Concerning the possible financial consequences to include in the connection contract, market parties proposed to also use the concept of a **bank guarantee** and put forward the following principles:

- 3 to 5 % of the project's total cost;
- Partial reimbursement in function of the project's advancement (if everything goes according to schedule);
- Total reimbursement as of capacity commissioning (in case the initial planning is respected) or in case of “force majeure”.

ELIA favors the introduction of the bank guarantee obligation and will include the principle in its next contractual review (subject to a specific public consultation). Its order of magnitude (being a percentage of project total cost as proposed by market parties or a fixed value / MW) will be consistent with the one proposed in the context of CRM mechanism and described further below.

Obviously, ELIA will not ask Capacity Providers subject to the obligation (broader than the CRM) to give a bank guarantee via the connection contract (if approved) to deposit a second one as part of the CRM Contracted Capacity. In such situation, the bank guarantee of the connection contract would be sufficient.

6.1.2 Determination of bank guarantee for capacities not subject to a similar obligation in connection contract

For a majority of capacities, no bank guarantee exists yet. However, it is common practice to other CRM mechanism. In this way, based on an EU benchmark and with the objective to provide an amount equivalent to the one suggested by some market parties (up to 5 % of project total cost), ELIA proposes the following formula:

$$\text{Bank guarantee} = 20\,000 \text{ €} / \text{MW contracted.}$$

This amount corresponds to a trade-off between ELIA's objective to minimize entry barrier for

¹⁰ A specific design document has been consulted with market parties and is available on ELIA's website ()

¹¹ A Sleeping capacity is a capacity allocated via the signature of the connection contract to a market party but which has never led to its effective connection (no physical injection / consumption)

small market parties and the necessity to dispose of an amount high enough to mitigate possible gaming behaviors between Y-4 Auction and Delivery Period.

Furthermore, the same principles as those put forward as possible connection contract improvement will apply:

- Possibility of partial reimbursement in function of the project's advancement, with the following milestones:
 - o 25 % refund with permit delivery;
 - o 50 % refund with start of commissioning phase;
 - o 25 % remaining refund with start of Delivery Period.

- Full reimbursement in case of "force majeure".

For sake of clarity, the rejection of the required construction and/or environmental permits cannot be considered as "force majeure¹²". To tackle this specific problematic, ELIA proposes concrete measures later on in this document.

6.2 Specific requirements for Additional Capacities

Among the prequalification requirements listed in section 3.4.3 above, ELIA will use the detailed planning as central element of its monitoring process. Indeed, as the CRM Candidate details monthly, quarterly and yearly milestones and highlights strict deadlines for its major project phases; ELIA or a third party mandated by ELIA can **closely** follow up the project's status from Y-4 to the Delivery Period.

ELIA identifies the following possibilities as part of a project's monitoring:

- Audit on site to assess the effective project's realization (Inc. participation to project's meetings as external observer);
- Request any relevant documentation (Meeting reports; invoices...);
- Request purchasing orders (e.g: main component);
- Communication with identified third parties to get confirmation on effective advancement of their side;
- ...

The following sections detail concrete principles and pre-delivery monitoring requirements as well as the financial consequences (on the bank guarantee and / or the Capacity Contract Duration) in case of deviation with the initial project's planning endangering the possible delivery as of 1st day of the related Delivery Period.

Details on the operational procedures related to the pre-delivery monitoring principles explained above and their concrete application will be detailed in the Capacity Contract later on.

¹² The definition of "force majeure" will be clarified in the Capacity Contract to avoid any misunderstandings

7 Pre-delivery monitoring principles

In this section, ELIA details the three principles ruling the pre-delivery monitoring process (section 7.1 to 7.3) while related financial penalties are presented – along with concrete examples – in section 8.

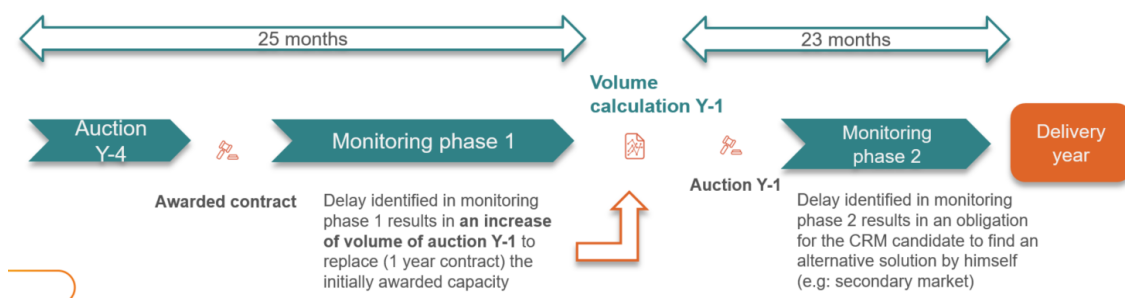
7.1 Principle # 1 – the pre-delivery monitoring process is organized in two phases: prior and after Y-1 volume calculation

For each Delivery Period, the Contracted Capacity results from two specific auctions: Y-4 and Y-1. This concretely signifies that ELIA has one single opportunity to compensate a possible difference between initially Contracted Capacity (in Y-4) and effectively observed capacity with an **increase of the volume to procure in Y-1**.

In this way, ELIA determines two specific pre-delivery monitoring periods: pre-delivery monitoring phase 1 (prior to the determination of volume of Y-1 Auction) and pre-delivery monitoring phase 2 (from determination of volume of Y-1 Auction to the start of the Delivery Period).

As illustrated in the figure below, the consequences for the Capacity Provider differ. In case a delay is detected during pre-delivery monitoring phase 1, ELIA has the **possibility** to increase Y-1 volumes while it becomes the responsibility of the Capacity Provider to find an alternative solution for a delay detected later on (in pre-delivery monitoring phase 2).

Of course, a Capacity Provider has still the possibility to find by himself an alternative (e.g: via the Secondary Market¹³) during monitoring phase 1 (and notify ELIA) to avoid the increase of volume in Auction of Y-1 and the related financial consequences for him.



¹³ As detailed in the design note on secondary market, its expected entry into force is foreseen for 2024.

Figure 6 – organization of monitoring process in two phases

7.2 Principle # 2 – verification of Contracted Capacity

ELIA calculates the Nominal Reference Power used as input for the determination of a CMU Eligible Volume prior to the Y-4 Auction, more than 4 years before the start of the Delivery Period. As a lot can happen within that period, **ELIA wants to make sure** – closer to the start of the Delivery Period – **that the Nominal Reference Power used for the determination of a Capacity Provider Contracted Capacity effectively corresponds to the observed measurements.**

More specifically, **ELIA will verify Existing Capacities at each pre-delivery monitoring phase.** To do so, ELIA uses the 15 min measurement of the related CMU over the concerned pre-delivery monitoring phase.

For Additional Capacities, as their effective presence might not be measured before end of pre-delivery monitoring phase 1, **ELIA can only confirm their effective presence in the market prior to Delivery Period** (in pre-delivery monitoring phase 2).

The example below illustrates the second principle for both Existing and Additional Capacities.

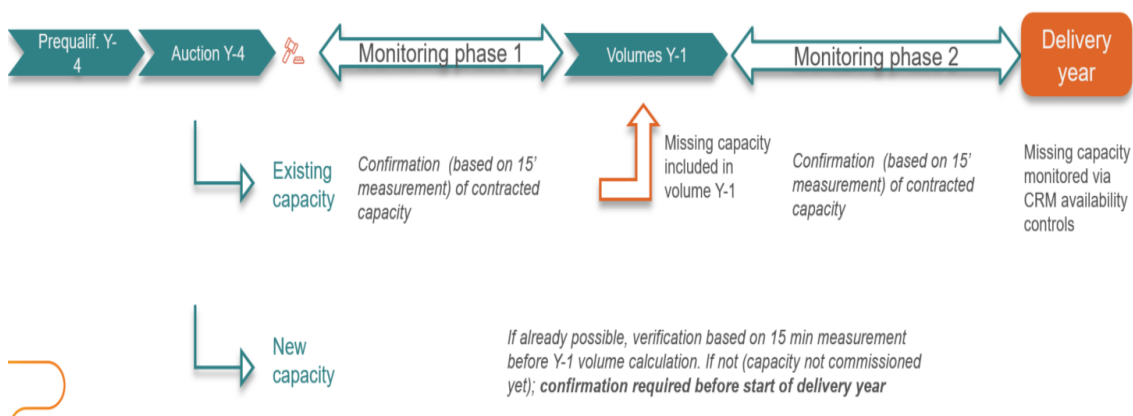


Figure 7 – illustration of second monitoring principle

7.3 Principle # 3 – The financial penalty (see section 8) must reflect the Capacity Provider possibility to mitigate the risk and increases in time

ELIA identifies three possibilities to penalize a Capacity Provider that is not able to deliver the Contracted Capacity as foreseen:

- a. Via the bank guarantee; with a penalty in % of the bank guarantee and;

- b. Via the initial Contracted Capacity, with two possible penalties:
 - i. The reduction of the initial Contracted Capacity (volume based penalty) or;
 - ii. The reduction of the initial Capacity Contract Duration.

The following other parameters also influence the financial impact for a Capacity Provider:

- c. The Capacity Provider's **possibility to mitigate the risk**. In this way, ELIA believes justified to foresee a **specific monitoring and financial regime to cover the risks related to the permitting process** as the Capacity Provider's influence on the construction and / or environmental permit attribution is limited while the impact of an action initiated by a third party (e.g: appeal) is significant.
- d. **The moment of detection**: indeed, a risk identified in pre-delivery monitoring phase 2 and close to the effective start of the Delivery Period endangers the adequacy of that Delivery Period while it gives limited possibilities for ELIA to react in an appropriate manner. In this way, the financial consequences for the Capacity Provider should be higher than a risk identified in pre-delivery monitoring phase 1 (where there is the possibility to increase the volume of Y-1 Auction as mitigation measure).

8 Concrete examples and associated penalties

Now that the three fundamental pre-delivery monitoring principles are introduced, ELIA foresees in this section specific examples to illustrate the different options and **present their associated penalty regime**. In this way, the following scenarios are investigated:

Scenario 1: An Additional Capacity subject to a delay detected in monitoring phase 1. Reason for the delay is the permitting process;

Scenario 2: An Additional Capacity subject to a delay detected in monitoring phase 2. Reason for the delay is the permitting process;

Scenario 3: An Additional Capacity subject to a delay for any other reason than permitting, detected in monitoring phase 1 or monitoring phase 2

Scenario 4: An Existing Capacity for which a Missing Volume is detected in pre-delivery monitoring phase 1 and monitoring phase 2;

8.1 Scenario 1

In this scenario, illustrated in the figure below, a Capacity Provider gets a Contracted Capacity of 500 MW in Y-4 Auction on its CMU 1. This CMU benefits from an 8-year Capacity Contract Duration.

The CMU 1 is not connected to the TSO-grid yet. Therefore, the Capacity Provider communicated to ELIA the project's detailed planning and identified key milestones as required in the Prequalification Process.

Concerning the construction and environmental permits, pre-requisite to the effective construction work, the Capacity Provider informed ELIA that it should be received at the latest 18 months after the Y-4 Auction. Otherwise, the effective delivery as of 1st day of the Delivery Period could not be guaranteed anymore.

Following up the evolution of this project in pre-delivery monitoring phase 1, ELIA (or a third party mandated by ELIA) observes that the required permits were not delivered on time, because of an appeal initiated by third parties worried about the project's environmental impact. Furthermore, the Capacity Provider did not notify ELIA about a possible alternative to cover the Missing Volume (e.g: deal made on Secondary Market).

This delay has three consequences:

- 1) Considering that its detection happens during pre-delivery monitoring phase 1 (hence prior to the calculation of Y-1 volume); **ELIA will increase the Y-1 volume by 500 MW** (as 500 MW cannot be guaranteed anymore by the Capacity Provider of CMU 1).

As there is still 23 months left before the start of the delivery period; ELIA believes new projects can still be elaborated within that timeframe.

- 2) Considering that the cause of project's delay is the non-delivery (on time) of the permitting risk, (provided that the Capacity Provider respected the official procedure), ELIA will **delay by 1 year the initial Capacity Contract Duration of CMU 1**: from 2025 – 2033 to 2026 – 2034.

By doing so, ELIA respects its objective to minimize the total CRM cost for society. Indeed, a delay (without reduction) of the initial Capacity Contract Duration because of permitting process reflects the Capacity Provider possibility to mitigate the risk (limited to the respect of the procedure) and reduces the premium risk he would otherwise foresee by default in its CRM bid to cover the possible related financial loss.

Important remark

The possibility to postpone the start of a Capacity Contract for a specific Contracted Capacity because of delays in the permitting process **must be limited in time**. Indeed, it is not acceptable to see the effective start of a 15-year Capacity Contract Duration granted in CRM first Auction (2021) in 2035.

ELIA therefore proposes to limit the use of this principle with the following rules:

- 1) The first delay caused by permitting and detected in monitoring phase 1 results in a delay of the initial Capacity Contract Duration (by one year) and a penalty on the bank guarantee (33 %)
- 2) The second delay caused by permitting and detected in monitoring phase 1 the following year results in a reduction of the initial Capacity Contract Duration (by one year) and the replacement of the Missing Volume in Y-1 volume determination;
- 3) The third delay caused by permitting and detected in monitoring phase 1 the third year results in the termination of the Capacity Contract. This does not block the Capacity Provider from a participation in next Auction(s).

The following numerical example is provided to facilitate the understanding of this proposal:

A CMU is contracted for 500 MW / 8 year Capacity Contract Duration (2025 – 2033).

- a. First detection happens end 2023 (end of pre-delivery monitoring phase 1 related to Delivery Period 2025) and leads to a delay of the initial Capacity Contract Duration (from 2025-2033 to 2026-2034) in parallel to an additional 500 MW volume in Y-1 Auction related to Delivery Period 2025;
- b. Second detection happens a year later, end 2024 (end of pre-delivery monitoring phase 1 related to Delivery Period 2026) and leads to a reduction of the Capacity Contract Duration (from 2026 – 2034 to 2027 – 2034) in parallel to an additional 500 MW volume in Y-1 Auction related to Delivery Period 2026;
- c. Third detection happens a year later, end 2025 (end of pre-delivery monitoring phase 1 related to Delivery Period 2027) and leads to the termination of the Capacity Contract and an additional 500 MW volume in Y-1 Auction related to the Delivery Period 2027.

- To mitigate possible gaming situations (shift volume from Y-4 Auction to Y-1 Auction), ELIA also applies a **financial penalty** which consists in a percentage (33 %) of the bank guarantee deposited for that CMU.

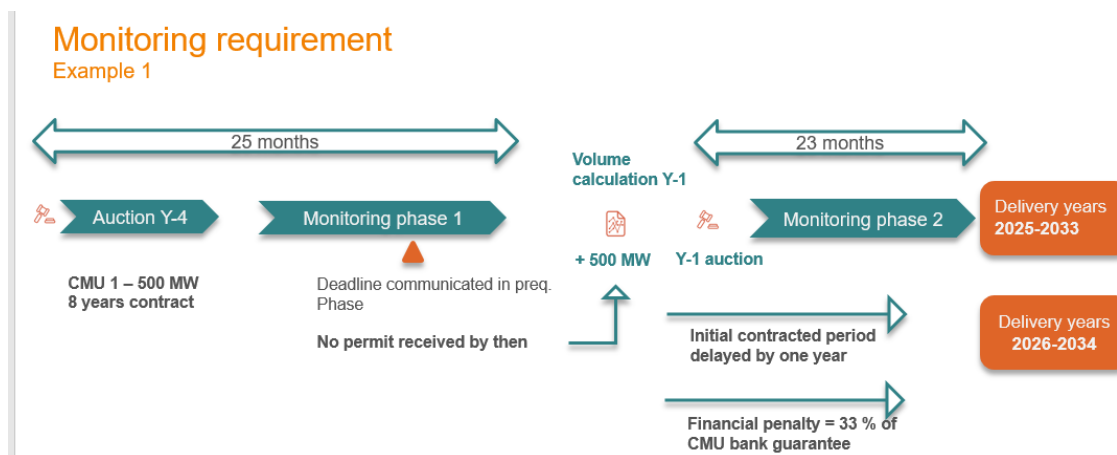


Figure 8 – Illustration of monitoring principles with a new project confronted to a permitting risk detected in monitoring phase 1

8.2 Scenario 2

In this scenario, illustrated in the figure below, a Capacity Provider gets a Contracted Capacity of 100 MW in Y-4 Auction on its CMU 2. This CMU benefits from a 3-year Capacity Contract Duration.

The CMU 2 is not connected to the TSO-grid yet. Therefore, the Capacity Provider communicated to ELIA the project detailed planning and identified key milestones as required in the Prequalification Process.

Concerning the construction and environmental permits, pre-requisite to the effective start of construction works, the Capacity Provider informed ELIA that he should receive it at latest 18 months before the Delivery Period. Otherwise, the effective delivery as of 1st day of the Delivery Period is not guaranteed anymore.

Following up the evolution of this project in monitoring phase 1, ELIA observes that the required permits are not delivered yet. This is not an issue as such because the Capacity Provider declared as deadline for the permit delivery a moment in monitoring phase 2.

However, **the risk for ELIA differs** as the opportunity to use the Auction of Y-1 to compensate a Missing Volume disappears. In this way, once a Capacity Provider takes the decision to wait the second phase of pre-deliver monitoring to deliver proof of the project's evolution (such as the construction permit), he faces higher financial penalty in case of Missing Volume.

Concretely, ELIA identifies the following consequences:

- The initial Capacity Contract Duration** (in the example: 3 year) **is no longer delayed.**

As it starts on 1st delivery day of Delivery Period, the Capacity Provider faces the CRM availability controls as anyone else and is incentivized via the availability penalties to cover the Missing Volume by himself (e.g: via the Secondary Market).

- 2) In case the Capacity Provider is never able to deliver a significant part of its Contracted Capacity (20 % or more) he will not receive the CRM-related remuneration and will lose its entire bank guarantee (100 %).

As also illustrated in the specific example presented in the section 8.3, the financial consequence in this case does not differ from those due for any Capacity Provider confronted with any other risk than the one related to the permitting process.

Important remark #1

From a certain size (in MW), it seems unrealistic to believe that a project can be entirely implemented in less than two years (permitting, construction, commissioning, tests). Therefore, **ELIA fixes to 400 MW** (threshold determined based on its own expertise in infrastructure projects) the **limit above which a Capacity Provider** has the obligation to show the proof of the permit(s) effective delivery to ELIA within the first pre-delivery monitoring phase.

This threshold is also related to the acceptability of the risk ELIA faces (in terms of adequacy) when confronted to a Missing Volume for a significant volume in monitoring phase 2 (difficult to compensate as no Y-1 Auction already finalized).

Important remark #2

In parallel to the obligation to get the permit delivered before end of first pre-delivery monitoring phase for Additional Capacities above 400 MW, ELIA investigates other possibilities to further increase the certainty on the project's effective delivery within first monitoring phase (e.g: proof of main component's order;...). These specificities will be discussed with market parties in parallel to the consultation of this design note and finalized in the related contractual framework.

8.3 Scenario 3

In this scenario, illustrated in the figure below, a Capacity Provider gets a Contracted Capacity of 400 MW in Y-4 Auction on its CMU 3. This CMU benefits from a 3-year Capacity Contract Duration.

The CMU 3 is not connected to the TSO-grid yet. Therefore, the Capacity Provider communicated to ELIA the project's detailed planning and identified key milestones as required in the Prequalification Process.

A first possible detection of Missing Volume (with any other justification than the permitting

process) can occur in monitoring phase 1. In this case, ELIA takes the following actions:

- 1) If an alternative is not found by the Capacity Provider and notified to ELIA in time, the related Missing Volume is added to the Y-1 volume;
- 2) The Capacity Contract Duration of the concerned CMU (CMU 3) is reduced by a year (from 2025 – 2028 to 2026 – 2028 in the example below) and;
- 3) A financial penalty based on a percentage of the bank guarantee (33 %) is calculated.

A second possible detection of Missing Volume can occur in monitoring phase 2. In this case, ELIA takes the following actions:

- 1) The Capacity Contract Duration of the concerned CMU (CMU 3) is not adapted and starts as initially foreseen (in the example below, as from 2025);
- 2) The Capacity Provider is subject to the Service availability monitoring and related penalties and will therefore have the incentive to find an alternative solution to compensate for the Missing Volume by himself (e.g: via the Secondary Market).
- 3) In case the Capacity Provider is never able to deliver part or the entirety of its Contracted Capacity (20 % or more), he loses the related bank guarantee (100 %).

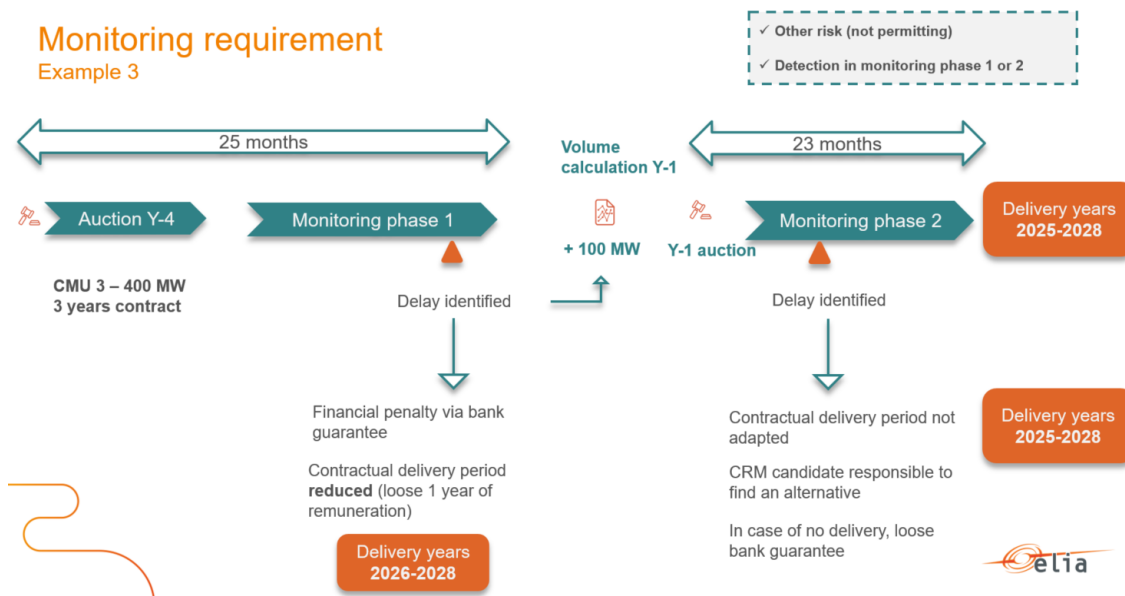


Figure 9 – Application of monitoring requirement with a concrete example illustrating the consideration of any other risk than permitting in both monitoring phases

8.4 Scenario 4

In this scenario, illustrated in the figure below, a Capacity Provider gets a Contracted Capacity of 20 MW in Y-4 Auction on its CMU 1. This CMU benefits from a 1-year Capacity Contract Duration.

For sake of clarity, the distinction between Existing Capacities and Additional Capacities is proposed.

Existing Capacity

Considering CMU 1 as an Existing Capacity, ELIA will monitor **in both phases** the effective availability of these 20 MW applying the method based on historical measurement described in the Prequalification Process (see section 3.5.1).

If, consecutive to this verification in pre-delivery monitoring phase 1, ELIA observes a deviation with the initial Nominal Reference Power and no alternative has been found by the Capacity Provider (e.g: via the Secondary Market) and notified to ELIA, then:

- ELIA reduces the initial Nominal Reference Power to the effectively observed one. In consequence, ELIA uses this updated value to calculate an updated Eligible Volume for that CMU and adapt the Capacity Provider Contracted Capacity accordingly;
- ELIA add the volume difference to the volume of Y-1 Auction.

If, consecutive to this verification in monitoring phase 2, ELIA observes a deviation with the initial Contracted Capacity, it is **up to the Capacity Provider to find an alternative solution**. Indeed, he is subject to the availability monitoring and related penalties as of 1st day of the delivery period for the **entire initial Contracted Capacity**. (20 MW).

Additional Capacity

Considering CMU 1 as an Additional Capacity, ELIA will only be able to monitor **once** before the start of Delivery Period the effective delivery (as the project might not be realized yet in pre-delivery monitoring phase 1) applying the method based on historical measurement described in the Prequalification Process (see section 3.5.1). Consequences in case of detection of a Missing Volume in such configuration (Additional Capacity and monitoring phase 2) are identical to those listed above for an existing capacity in pre-delivery monitoring phase 2.

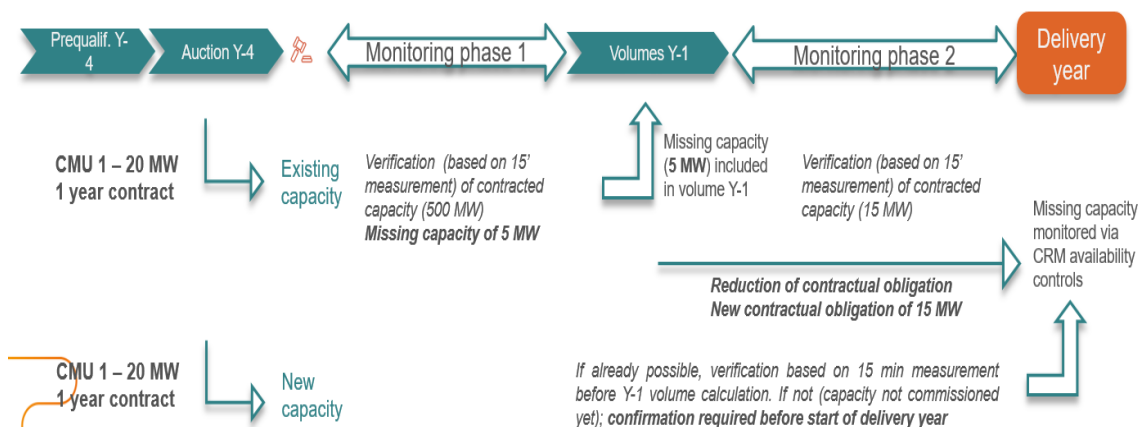


Figure 10 – illustration of second monitoring principle applied to Existing Capacities and Additional Capacities

