

Capacity Remuneration Mechanism (CRM)

FUNCTIONING RULES

Cover note for the proposal by Elia after public consultation

February 10th 2023

COVER NOTE INTRODUCTION

From November 25th 2022 until January 4th 2023, a public consultation regarding the third iteration of the Functioning Rules of the Capacity Remuneration Mechanism (CRM) was ran. Elia processed the feedback on this public consultation, and provided a reply to market parties on 10/02/2023 in addition to this cover note. This document serves to guide stakeholders through the most notable changes in the Functioning Rules after the consultation period, taking into account market feedback. It is intended to be used alongside the Functioning Rules, as a supportive compendium. Each chapter corresponds with the eponymous chapters of the Functioning Rules, and lists the major alterations between the publicly consulted version and the version submitted to CREG, the latter of which was published¹ on 01/02/2023 (together with a tracked changes version comparing the submitted proposal with the version as approved by the CREG on 15/5/2022). In case no significant changes were made to a chapter, "null" is used.

Some changes as proposed by Elia require a change to the current legal framework; these changes have been marked with placeholders throughout the document.

It is worth noting that on 01/03/2023, an amended version of the CRM Functioning Rules will be submitted to CREG and to the Directorate General for Energy, which will include the proposed LCT Functioning Rules.

CREG will decide by May 15 2022 on a single version of the Functioning Rules including both the CRM and LCT.

The table below summarizes the key milestones related to the Functioning Rules:

Date	Topic
25/11/2022 - 04/01/2023	Public consultation on the CRM Functioning Rules.
13/1/2023 - 10/02/2023	Public consultation on the LCT Functioning Rules.
01/02/2023	Elia submission of CRM Functioning Rules to the CREG.
01/03/2023	Elia submission of CRM + LCT Functioning Rules to the CREG.
15/05/2023	Approval and publication of of the CRM + LCT Functioning Rules by the CREG.

The changes listed in this document are selected based on perceived impact and are in no way an exhaustive overview. This document is by no means legally binding.

¹ <https://www.elia.be/en/users-group/adequacy-working-group>

1 INTRODUCTION

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2 GENERAL PROVISIONS

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3 DEFINITIONS

The Derating Factor(CMU,t) definition has been clarified by adding an explicit formula. Furthermore, it has been further clarified in the different subsections of the rules (cf. prequalification, auction, pre-delivery monitoring, availability monitoring, secondary market & payback obligation) which Transactions should be taken into to calculate the weighted average Derating Factor(CMU,t).

4 SERVICE TIME SCHEDULE

Some typo's or lack of alignments between this chapter and the rules have been highlighted during the public consultation. Elia has therefore adapted the Service Time Schedule accordingly.

5 PREQUALIFICATION PROCESSES

It has been clarified that Prequalification Files that do not meet the prequalificaion requirements will be "rejected", in the Prequalificaion processes chapter as well as in the Financial Security chapter. Before, it was only mentioned that no access would be granted to the auction, but Elia believes it is clearer to reject the Prequalification File. A clear consequence is that participation to the auction is not allowed and that, before any future transaction can be considered, the PQ file needs to be updated by the CRM Candidate and reanalysed by Elia.

The requirement to have at least a proposal for a Connection Contract valid until the publication of the Auction results, is no longer limited to generation and storage capacities, but applies for all Additional DSO-connected Delivery Points, as requested by the DSOs.

It has been clarified that permit information needs to be provided during the Prequalification process, both to assess the permit requirement to be able to participate to the auction, and the information needed to determine the permitting milestone status that will be followed up op during pre-delivery.

Besides some general clarifications, the following changes were made to NRP determination:

- The period used for the historical method can now end later than 5WDs before the end of the previous month, if valid data is available and if the grid operator deems it necessary;
- No reduction anymore in terms of number of months considered in the historic method, meaning that if one historic year covers 13 months (because the end of the period falls 5WDs before the end of the month), 13 maximum injection values will be considered.

Addition of opt-out OUT reason to the list of reasons for an opt-out volume towards the Y-4 auction to be considered as OUT. In particular, it is proposed that opt-out volumes that relate to a CMU associated to an SLA category would be considered as OUT in case the capacities included in the CMU have no obligation to prequalify. Since these capacities' main objective is not to produce electricity, it is deemed rather unlikely that they will contribute to adequacy in case they do not engage in a Capacity Contract.

With respect to the evolution in time of a CMU, it has been added that a change in the pool of Delivery Points of an Aggregated CMU always has to apply as of the moment of the change. In case a CRM Actor wants to sustain two or more different pools of Delivery Points towards the future, the CRM Actor will be required to create (a) new CMU(s). This change is necessary to avoid complexities with respect to a CMU's characteristic, for instance with respect to the NRP, the status and the permitting milestone of the CMU, which all depend on the underlying pool of Delivery Points of which a CMU is composed. Hence, it is more clear to separate these different pools of Delivery Points into multiple CMUs. However, Elia would like to point out that this change does not hamper in any way the possibilities for market parties to do such changes. Moreover, there is no negative impact of this change, as the only process that would be affected by such change, i.e. the Financial Security obligation that applies per CMU, has been adapted to avoid especially such negative consequences.

On request of the CREG, an information sharing event has been added. Elia now commits to send an overview to the FPS Economy of all the Prequalification Files that have been introduced, by at the latest ten (10) WDs after the deadline for the submission of Prequalification Files .

6 AUCTION PROCESS

The volume corrections to the Demand Curve have been grouped in section 6.3.1. This implies the removal of the description of some volume corrections throughout the Prequalification chapter. However, their descriptions are now covered in section 6.3.1.

The default status (IN/OUT) of conditional opt-out volumes before the clearing of the auction has been clarified. This clarification is necessary to be able to clearly assess whether a clearing needs to be performed, i.e. only in case a positive volume needs to be purchased in the auction. The latter element has also been clarified in the rules.

7 CAPACITY CONTRACT SIGNATURE

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8 PRE-DELIVERY CONTROL

At the request of market parties Elia added some clarifications with regards to Secondary Market Transactions and their role in the Pre-delivery Monitoring.

The procedure to change from Additional CMU to Existing CMU has been clarified both in terms of content required and in terms of timing.

9 AVAILABILITY OBLIGATION

At the request of Fluvius, some stipulations with regards to the timings for their data for the Availability Monitoring and Availability Testing were clarified.

10 SECONDARY MARKET

The formula on the Secondary Market Remaining Eligible Volume (SMREV) calculation for energy-constrained CMUs on their SLA hours was corrected by replacing the Last Published Derating Factor by the Derating Factor (CMU,t).

Given that it is not the intention to have 2 different Capacity Contracts co-existing for the same CMU, the Buyer of an Obligation does not have to sign the most recent version of the Capacity Contract if it had already signed an older version of the contract.

11 FINANCIAL SECURITIES

With respect to the evolution in time of a CMU (concerning changes to the pool of Delivery Points of an Aggregated CMU), it is now described that the Financial Security obligation of a CRM Candidate's CMUs with common Delivery Points can be considered jointly across all transactions of these CMUs to which a Financial Security obligation applies. This addition ensures that CRM Candidates don't have to provide Financial Security twofold. In essence, the Financial Security obligations of different CMUs with common Delivery Points will be treated as if they were one CMU.

With respect to the release of a Financial Security:

- It has been clarified that a release will only take place in case there are no outstanding penalties; and
- It has been clarified that a release of the Financial Security of a Virtual CMU will only take place after all obligations have been transferred from the Virtual to the Existing CMU; and
- The Secondary Market Transaction validation date has been removed as a release moment. In case of Secondary Market Transactions, it makes more sense to do the release at the moment of the Capacity Contract signature.

12 PAYBACK OBLIGATION

Based on the feedback received from the Public Consultation and as presented in WG Adequacy on January 27, Elia has adapted the formula of the indexation of the strike price in order to account for all prices coming from DA market (including negative prices).

Elia's proposal to consider an exemption of Payback Obligation for DSM units has been added to the document as well.

As highlighted at the beginning of this document, the changes with respect to the indexation mechanism of the strike price and to an exemption of Payback Obligation for DSM rely on an amended upcoming version of the Royal Decree Methodology that has not been published yet. For that reason, all references to the Royal Decree Methodology are referred to as a placeholder.

13 LIABILITY AND FORCE MAJEURE

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14 DISPUTE RESOLUTION

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15 FALLBACK PROCEDURES

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16 TRANSPARENCY AND MOTIVATION

As of now, the auction report will include a split of the opt-out IN volumes per technology.

17 DIRECT AND INDIRECT FOREIGN CAPACITY PARTICIPATION

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18 Annexes

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