

Subject: FEBEG's position regarding the public consultation on the scenarios, sensitivities and data for the CRM parameter calculation for the Y-1 Auction for Delivery Period 2025-26 and Y-4 Auction for Delivery Period 2028-2029

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Overall remarks

FEBEG welcomes this consultation and would like to thank ELIA for creating this opportunity for all stakeholders to express their comments and suggestions.

We welcome that ELIA made a comparison between the data used for the Y-1 auction with delivery year 2025-26 compared to the Y-4 auction targeting the same delivery year as well as the Y-4 auction with delivery year 2028-29 compared to the previous Y-4 auction targeting the Delivery year 2027-28 in the explanatory note as well as in the slides presented in the WG Adequacy. Such comparison allows to better grasp the changes in figures considered between the Y-4 and Y-1 auction as well as between the two consecutive Y-4 auctions. We would welcome that such comparison is added in the XLS sheet. Additionally, as a matter of information the actuals of these values would also be welcome. This information is useful in order to assess whether the hypotheses seem to be plausible or not.

Please find hereafter the comments of FEBEG on ELIA's Public consultation on the scenarios, sensitivities and data for the CRM parameter calculation for the Y-1 Auction for Delivery Period 2025-2026 and the Y-4 Auction for Delivery Period 2028-2029¹. The comments and suggestions of FEBEG are not confidential.

¹ https://www.elia.be/en/public-consultation/20230418_public-consultation-on-the-scenarios-sensitivities-and-data-for-the-crm

Comments on the input data

Regarding renewables

FEBEG has no specific remarks on the data provided. However, it is important that Elia and the federal authorities double-check (political) ambitions with technical and economic feasibility.

Regarding thermal generation capacities

While we have no particular comments on the hypothesis put forward by ELIA regarding the thermal generation capacities, we would like to underline that **there is a need to maintain long-term visibility on the CO2 emission's limits to participate in the CRM** in order to allow the asset owners to make possible investment decisions in time.

Regarding batteries

FEBEG welcomes the approach of ELIA which splits large-scale batteries and small-scale batteries in two categories: the *expected capacity* (which considers the projects "in service" and also the volume contracted in the framework of the Y-4 auction for delivery year 2025-26) and a separate category for *additional potential capacity* which consists of future projects known today at Elia and which could potentially join the market.

This differentiation provides a better view on what is and what could participate to the Security of Supply.

However, Elia should definitely make a double-check of the additional potential capacity with the limited connection capacity for the future battery projects.

Regarding consumption & Demand-side response

Total electricity consumption & peak demand: ELIA does not provide the final total electricity consumption that will be used as it will be updated with the latest Climact calculations based on Plan Bureau economic estimates to be published in June 2023. We invite ELIA to transparently inform and to ask feedback from the stakeholders once these figures are known.

While on one hand some might put forward that the electricity consumption could be reduced due to the consequences of the high electricity prices and collateral effects of the war in Ukraine (demand destruction), we also witness a sharp acceleration of the energy transition with an increased rate for further electrification. FEBEG therefore strongly recommends ELIA to consider these evolutions in the determination of the demand (and peak demand).

DSR: We welcome the approach of ELIA to split the demand-side response (DSR) from the industry into two categories: the *existing capacity* proposed for the reference scenario and *potential additional capacity*. As mentioned in previous consultations, FEBEG is convinced that the Demand Side Response will play an increasing important role for the security of supply in the coming years; however, the proposed ‘existing’ value remains very high in our opinion.

In particular, **the forecast for industrial Demand Side Response (DSR) in Belgium is relatively high compared to neighboring countries.** Table 1 presents a comparison between the proposed assumptions in the explanatory note on CRM parameters, 1.8 GW (1.8 GW) existing and an additional potential of 450 MW and 900MW for Y-1 DY2025/26 and Y-4 DT2028/29 respectively, and the values from ERAA2022 for the neighboring countries. When accounting for the size of the countries, it is clear that those forecasts for Belgium are high.

Table 1: DSR capacity [GW]

	BE- existing	BE- max potential	DE	FR	NL
Y-1 25/26	1798	2248	2999	4200	700
Y-4 28/29	1798	2698	5499	6500	700

Sources: BE ELIA, explanatory note auction Y-1 DY2025-26 & Y-4 DY2028-29; DE, FR, NL: ENTSO-E, European Resource Adequacy Assessment 2022 Edition, ERAA_2022_PEMMDB_post_consultation.xlsx, number for 2025 & 2030 resp.

Regarding the flow-based domains

FEBEG has taken note of the use of fixed RAM 70% for the entire European perimeter, however, as stated previously, FEBEG considers that the consideration of the minRAM 70% for all EU countries listed in the excel sheet is overly optimistic for several reasons.

FEBEG members still observe a difficult and slow process to achieve anything near a dependable and universal application of the 70% by 2025. The application of Individual Validation Adjustments has further complicated the view on what progress is being achieved to reach 70% by 2025 and leads to (too) frequent situations of reduction of the RAM. As previously observed, there exist several exit doors to not apply the 70% in order to consider internal network elements in DA capacity calculation. We also observe situations in which the application of default flow based parameters leads to very low import/exports possibilities for Belgium.

Furthermore, the assumption of a complete transmission grid availability in the winter period remains overly optimistic according to FEBEG. A non-complete grid will increase internal flows on network elements which will put under pressure the compliance with the so-called CEP rule of minRAM 70%.

Finally, FEBEG considers that during moments of grid tension, TSO's ability to make the necessary adjustments to guarantee the 70% will be degraded. As such, there will be very limited probability that in such a context 70% will be achieved on all borders, even if the two previous comments would no longer be applicable.

Therefore, FEBEG reiterates its view that a sensitivity should be integrated in the reference scenario that is more pessimistic by using RAM values lower than 70% rather than fixed RAM 70%.

Regarding the Fuel and CO2 prices

There is an inconsistency between excel & explanatory note: we assume that the explanatory note is correct and that the order of the categories in the excel is not: it should be first gas, then coal and finally oil.

Comments on the proposed the sensitivities

ELIA proposes 13 different sensitivities proposal for the Y-1 auction of 2025-26 delivery year:

- 4 sensitivities on the French nuclear availability;
- 1 sensitivity on the UK nuclear availability;
- 1 sensitivity on the non/strict achievements of the FB CEP rules;
- 1 sensitivity related to export restrictions in Norway;
- 2 sensitivities on fuel & CO2 prices;
- 2 sensitivities on the electricity consumption;
- 2 sensitivities on higher flex (DSR and large-scale batteries) capacity in Belgium;

These are summarized hereafter:

Sensitivities proposed for DY 2025-26	
French nuclear availability 1	Decreased French nuclear availability based on historical figures Lower availability during winter compared to REMIT Calculated as the difference with the high EDF forecast on the winter only
French nuclear availability 2	Decreased French nuclear availability based on historical figures Lower availability during winter compared to REMIT Calculated as the difference with the average EDF forecast on the winter only
French nuclear availability 3	Decreased French nuclear availability based on historical figures Lower availability during winter compared to REMIT Calculated as the difference with the minimum EDF forecast on the winter only
French nuclear availability 4	Decreased French nuclear availability based on historical figures Lower availability during winter compared to REMIT Calculated as the difference with the minimum EDF forecast on the whole year
FB CEP rules	Non achievements of the CEP rules to reflect the uncertainty on capacity calculation. Fixed RAM 70% instead of 70% minRAM
Export restrictions in Norway	Norway blocking export of electricity due to low hydro production Export restrictions in Norway during periods of low hydro production
UK nuclear availability	Nuclear extension in UK delayed The nuclear units for which an extension was announced in the UK are not available
High prices	Higher prices in Europe Higher fuel costs
Low prices	Lower prices in Europe Lower fuel costs
Lower demand	Lower demand in Belgium Lower yearly consumption due to economic developments
Higher demand	Higher demand in Belgium Higher yearly consumption due to economic developments
Higher DSR	Higher existing DSR capacity in Belgium Additional 50 % of potential DSR capacity considered as existing before calibration
Higher storage	Higher existing large-scale battery capacity in Belgium Additional 50 % of potential large-scale battery capacity considered as existing before calibration

For the Y-4 auction of 2028-29 delivery year, ELIA also proposes 13 different sensitivities:

- 4 sensitivities on the French nuclear availability;
- 1 sensitivity on TJ closures related to CO2 thresholds.
- 1 sensitivity on the non/strict achievements of the FB CEP rules;
- 1 sensitivity related to export restrictions in Norway;
- 2 sensitivities on fuel & CO2 prices;
- 2 sensitivities on the electricity consumption;
- 2 sensitivities on higher flex (DSR and large-scale batteries) capacity in Belgium;

These are summarized hereafter:

Sensitivities proposed for DY 2028-29	
French nuclear availability 1	Decreased French nuclear availability in continuity of last year's reference scenario Lower availability by 2 units on average during winter compared to ERAA
French nuclear availability 2	Decreased French nuclear availability based on historical figures Lower availability by 4 units on average during winter compared to ERAA
French nuclear availability 3	Decreased French nuclear availability based on historical figures Lower availability by 6 units on average during winter compared to ERAA
French nuclear availability 4	Decreased French nuclear availability based on historical figures Lower availability by 8 units on average during winter compared to ERAA
TJ closure	Closure of turbojets due to possible CO2 threshold -140 MW
FB CEP rules	Non achievements of the CEP rules to reflect the uncertainty on capacity calculation. Fixed RAM 70% instead of 70% minRAM
Export restrictions in Norway	Norway blocking export of electricity due to low hydro production Export restrictions in Norway during periods of low hydro production
High prices	Higher prices in Europe Higher fuel costs
Low prices	Lower prices in Europe Lower fuel costs
Lower demand	Lower demand in Belgium Lower yearly consumption due to economic developments
Higher demand	Higher demand in Belgium Lower yearly consumption due to economic developments
Higher DSR	Higher existing DSR capacity in Belgium Additional 50 % of potential DSR capacity considered as existing before calibration
Higher storage	Higher existing large-scale battery capacity in Belgium Additional 50 % of potential large-scale battery capacity considered as existing before calibration

Regarding the availability–border risks

- **Concerning France (French nuclear)**

FEBEG firmly supports the need to include a sensitivity regarding the French nuclear availability in the reference scenario: in fact, based on past unavailability of the French nuclear these last years, it is clear that for SoS reasons and as a matter of precaution principle for Belgium, 8 units should be considered as unavailable for the Y–4 auction of 2028–29 on top of the installed capacity referred to in the ERAA 2022.

For Y–1 auction of 2025–26, the French nuclear availability should be based on *the Lower availability during winter compared to REMIT, calculated as the difference with the minimum EDF forecast on the winter only (as minimum scenario)*.

As stated at numerous occasions, FEBEG considers that **the French nuclear availability constitutes a major risk for the Belgian Security of Supply**. The recent low availability of the French nuclear due to abnormal corrosion phenomena and its possible impact on the upcoming winters clearly demonstrates that this risk should be taken very seriously. Clearly, the past months/year have been a real stress test case for Belgium (in a generation landscape with still important contribution of the Belgian nuclear units). Such “extreme” scenario needs, to a certain extent, be taken into account when calibrating the demand curve, also considering that other factors/situations outside of the control of Belgian authorities may occur in the future.

- **Concerning the UK**

Concerning the extension of the Heysham 1 and Hartepool nuclear units, FEBEG is of the opinion that assuming these as available in the dataset of Great Britain is too optimistic. Past experiences have demonstrated that making the necessary investments in nuclear plants to guarantee safety and the safety operations usually last much longer than initially expected. Since the extension of the plants is pending approval, FEBEG fully supports a sensitivity on the aforementioned units not being extended, and strongly recommends this sensitivity to be retained in the final scenario.

- **Concerning Norway**

FEBEG considers that the risk on Norway hydro and its (indirect) impact for Belgium should be clearly monitored by Elia as it could increase in the future. The impact on Belgium could materialize given that UK and German, with interconnections with Belgium are important importers of electricity from Norway. This risk should be, at minimum, included in a general sensitivity on x–border capacity.

Indeed, more largely speaking, Elia should consider a sensitivity on other x–border risks than the risk of on reduced availability French nuclear units (considering the risks on minRAM 70%, impact Norway or from other countries, ...).

Regarding the Flow-based CEP rules

As mentioned in the section commenting the input data, FEBEG considers that there remain high uncertainties on whether the ambition of minRAM 70% will really be achieved by 2025 and by 2028 in all countries. For delivery year 2025–26, we highly consider this improbable as for instance, we observe that derogations are still claimed by some countries, while for others action plans are put in place to reach the minRAM70% target.

We therefore consider it justified to embed this risk in the reference scenario for delivery 2025–26 and to have a prudent approach for delivery year 2028–29, also because the assumption that the transmission grid will be fully available in the winter period is ambitious as mentioned by ELIA in the report.

These elements show that even a fixed RAM70% will be optimistic for some countries. We reiterate our view that a country-per-country approach could be applied to better capture the uncertainty. If this is not possible, a prudent approach should be considered and therefore the minRAM70% hypothesis should not be included in the reference scenario.

Regarding the uncertainties on Belgian thermal units

FEBEG suggests Elia to integrate, in the reference scenario, a reduction of the MW compared to table 1.2 (excel sheet) to account for some Belgian thermal plants (TJs, CHPs, ...) leaving the market for various reasons: no access to CRM, obsolescence, reduced steam need within the industry, ...

Regarding the uncertainties on prices/fuel costs

FEBEG fully agrees with ELIA's statement that the high prices and volatility observed on the energy markets in recent years make it very difficult to provide accurate estimates of fuel prices for the Y-1 DY2025–26 and especially Y-4 DY2028–29. The current uncertain geopolitical and economic context could impact fuel prices both upwards and downwards. FEBEG recommends a prudent approach regarding this.

Other: regarding DSR & batteries

We are of the opinion that the **sensitivities of higher batteries and higher DSR should not be retained in the final scenario choice** for the reasons explained in the section commenting the input data.

Conclusion

In conclusion FEBEG considers that at least following sensitivity should be selected for the CRM parameter calculation:

- **for the Y-1 Auction for Delivery Period 2025-2026:**
 - French nuclear availability should be the Lower availability during winter compared to REMIT, calculated as the difference with the minimum EDF forecast on the winter only (minimum scenario).
 - Unavailability of the announced UK nuclear extension
 - MinRAM 70% rule not reached
- **for the Y-4 Auction for Delivery Period 2028-2029:**
 - An additional unavailability of at least 8 nuclear units in France (compared to ERAA), as minimum scenario
 - MinRAM 70% rule not reached
 - The closure of some thermal capacity in Belgium

Comments on the other parameters

Regarding the preselected capacity types:

- **For the Y-1 Auction for Delivery Period 2025-2026**

Capex and FOM should be reviewed in the light of the upcoming study on capex and FOM costs to be launched by Elia shortly and on which market parties will be able to provide input.

- **for the Y-4 Auction for Delivery Period 2028-2029**

FEBEG supports that the gas engine is no longer part of the list of preselected capacity. Capex and FOM should be reviewed in the light of the upcoming study on capex and FOM costs to be launched by Elia shortly and on which market parties will be able to provide input.

Intermediate Price Cap parameters

FEBEG fully support the need for an update of the studies used for the determination of the IPC parameters considering the recent evolutions on both Belgian and international energy markets but deplores that the numbers included in the excel come from the most recent update of the AFRY study and serve as a first indication but will be updated based on the input received from the external consultant realizing the study. FEBEG insists on the fact that the updated study must cover all costs that a power plant is supporting, based on the input from market parties.

Finally, as mentioned in *FEBEG comments on CREG's public consultation on the formal requirements for a request for a derogation from the IPC* (dd 21/03/2023), FEBEG asks the authorities for a profound review of the modalities in which existing capacities can participate in the CRM and recover their costs.

The review should ensure:

- an access to 3-year and 8-year contracts for all capitalized investments, not limited to the 'technical lifetime extensions', but contributing to
 - (1) increasing capacity (through additional MW or reconversion)
 - (2) adding running hours and starts, by maintaining capacity and/or
 - (3) reducing CO2 emissions and complying with stricter environmental norms
- a correct calibration of the IPC, considering effectively the missing money of the worst performer and all its associated costs
- an improved IPC Derogation mechanism to be used as exceptional tool, allowing a motivated "free" bid as for other CRM candidates.

In parallel, we ask authorities to review the threshold for 3y & 8y contracts in order to match the real investment cases in the market (e.g. 3y contract for a major overhaul, 8y for an operational lifetime extension, ...). At the very minimum, all capitalized capex that consist of the combination of major overhaul with repairs / upgrade / refurbishment and replacement of parts / conversion / repowering / investments to decarbonize and/or to comply with stricter environmental rules should always be considered as a whole for the investment file, without a distinction between recurring and not recurring.

- **Availability testing:**

For the technologies expected to have important reduction of running hours in the coming years, with the increased RES penetration, Elia should consider the cost of an availability testing for the computation of the IPC.

Comments on the on potential improvements to the DSR volume estimation method applied by E-CUBE

FEBEG fully shares the concerns of Elia on the current methodology developed by E-Cube used to estimate the volume of DSR active in Belgium. The FEBEG had already highlighted the risk that, with the current methodology, the DSR potential could already be overestimated, given that some generation bids were most likely already integrated in the estimation.

Therefore **the initial assumptions of the current methodology that (i) the DSR bids are always more expensive than generation bids and (ii) there should not be any generation bids above the initial thresholds already lead to an optimistic view of the DSR volume and were not fully robust.**

In the current context (high price volatility), this methodology is certainly no longer future-proof and needs to be adapted: else the DSR risks to be overestimated, with the important consequences it may have for the security of supply in the country.

FEBEG takes note of the various proposals made by Elia in the consultation document and calls for a dedicated discussion on the topics with experts at Elia and market parties' side.

FEBEG could support a new methodology where the price threshold would be calibrated in order to take into account changes in DSR and generation costs (on shorter time intervals to take into account price evolutions):

- The calibration on the expected DSR marginal cost (based on correlation between marginal cost of DSR and fuel/CO₂ prices) needs further investigation to understand the results/impacts.
- The calibration on the highest generation marginal cost would be a prudent approach but could indeed risk to underestimate the DSR volume given that we are going towards a more mixed merit order than in the past.
- The calibration based on a percentile of the electricity price (e.g. P90) seems arbitrary and would definitely not provide a correct view.

In any case, the different approaches to define the threshold should be tested and discussed with market parties. However, **it is of utmost importance to still include a second step to avoid miscounting of generation as DSR.** This is already relevant today but will even be more relevant in the future with alternative fuels.

We believe that filtering out the generation capacity with a marginal cost approach is relevant (based on the fuel/CO₂ cost and efficiency of all the plants per technology). However, we are not in favor of an approach that would simply consist of applying a fixed percentage (of over/under estimation of DSR): it would not be future-proof and would totally miss the main objective of updating the new methodology (same issues as with an absolute threshold).

Additionally, as already iterated in the past, **we strongly recommend adding a second quantitative analysis to this E-Cube exercise (as cross-check)**, being a yearly survey among industry/BSPs on the capacity they can effectively be reduced (not only offered, considering the limitations in terms of days/hours for this DSR). According to FEBEG, this should be a rather straight-forward exercise given the limited number of industrial players. In case there would be a huge discrepancy between the two results: Elia should further investigate the causes and possibly refine its methodology.

Finally, FEBEG would like to conclude on the need to keep a prudent approach when estimating the DSR: overestimating the potential without certainty on the delivery of those capacities could be detrimental for the SoS of the country. This is especially true in the framework of the CRM given the important volume reserved for the T-1 auction.

Actually, when determining the reserved volume for the T-1 auction, authorities should make a check with this estimated DSR-potential (being the most likely technology able to be commissioned in less than 1 year) but taking a margin error into account and considering past participation of the DSR in the T-4 auctions (therefore no longer participating to the T- 1 auction). This would avoid reserving too many volumes without guarantee on their availability.

Comments on the data used for the assessment of the total electricity consumption for the CRM

FEBEG did not have the opportunity to analyse in detail the provided data.