Position Paper on the Belgian CRM

By Next Kraftwerke

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In this short position paper, Next Kraftwerke wishes to express its general views on the need for and design principles of a Belgian CRM. We refrain from addressing any details of the design elements currently under discussion but want to add attention points that, in our opinion, have not been heard (enough) in the vivid discussions so far.

1. The need for a CRM

- Given the financial burden on the end consumer and the impact on the energy markets that can be expected as a result of the introduction of a CRM in Belgium, we would like to see a further in-depth analysis and discussion of the need of a CRM.
- We see strong differences between the 2019 adequacy study published by Elia and other analyses by energy experts, study consortia, and the CREG. We think these differences and in particular the points of concerns of CREG should be analysed and addressed carefully.

2. Eligibility criteria

- We are concerned about the fact that renewables that received subsidies are excluded from the CRM mechanism. If the CRM truly aims to avoid stacking of government support, then **all** types of support should be considered. This includes any tax breaks, grid tariff reductions etc. received by fossil and nuclear fuels and technologies, now, in the past, or in the future.
- We understand policy makers and Elia consider a CRM in the light of a nuclear phase-out. We therefore ask to clarify that nuclear plants cannot participate in the CRM.
- We equally ask to clarify that in case of a nuclear prolongation, the auctioned volume in the CRM is reduced accordingly.

3. Demand response

- Although Next Kraftwerke has flexible demand processes in its portfolio, which we valorize on energy and balancing markets, we have concerns about the inclusion of existing demand response in the CRM. Demand is fundamentally different than production capacity, is always 'in the market' and has no missing money problem. To pay an additional subsidy to flexible capacity that does not have a "missing money" problem seems illogical and would hurt the reputation of demand response.
- Furthermore, awarding money to existing flexible demand in the CRM might benefit only few end consumers, while all other end consumers will foot the bill. We think this should be avoided.
- We think that demand capacity that already participates in balancing markets today or reacts to market signals and has proven its dispatchability should not be eligible in the CRM but needs to be taken into account in the demand curve. It will therefore reduce the overall volume auctioned in the CRM and as such helps to limit costs for all consumers.
- On the other hand, demand response that is today not participating in reserve power or energy markets and can prove that an investment is needed to trigger the flexibility should of course be eligible in the CRM.

4. Intermediate price cap

The fact that we are discussing intermediate price caps is a sign on the wall that market power is, in fact, expected to occur. It also violates the technology neutrality principle. We think that if an intermediate price cap is deemed necessary by the authorities, the overall CRM design should be reconsidered.