

Response of Bond Beter Leefmilieu on CRM design notes (part II)

Sara Van Dyck, 29 oktober 2019

1. CRM Design note: Derating factors

Model simulation: Representative climate years

The climate variables are modelled on the basis of a representative number of historical years. In Annex 1 is mentioned that 34 climate years are used.

The question arises if these climate years are still to be seen as “representative”. Climate change is happening already now, and has a potential impact on wind and solar production and the frequency and depth of cold spells. Which in turn, has also an impact on the electricity consumption. In this light, it is interesting to look at what is happening in the “EPOC research project¹”. A specific work package in this project, in collaboration with the RMI, will deal with the impact of climate change on climate modelling.

Calculation of derating factors

Categories

- The distinction between RES and non-RES DSO connected (not weather dependent) technologies is not clear. Technically spoken, there is no difference between a biomass or a gas fired CHP: do these categories get nevertheless a different derating factor?
- The distinction between large scale central and decentral thermal is not very clear. We do understand that decentral thermal units are often also used for other purposes (eg heat), but one can assume that they will maximise their electrical output in near scarcity moments (as also stated in the design note p.23).
- It is not clear how one will deal with a combination of different categories by an aggregator. It seems that the application of a specific derating factor for aggregation is restricted to market and response and small scale storage? Why would it not be possible to have a combined derating factor for an aggregation of demand response, storage and renewable energy for example? In this light, we

¹ <https://vito.be/nl/epoc-2030-2050>

would like to stress the following paragraph of the state aid guidelines (232) *“The measure should be designed in a way so as to make it possible for any capacity which can effectively contribute to addressing the generation adequacy problem to participate in the measure, in particular, taking into account the following factors: the participation of generators using different technologies and of operators offering measures with equivalent technical performance, for example, demand side management, interconnectors and storage. Without prejudice to the paragraph (228), restriction on participation can only be justified on the basis of insufficient technical performance required to address the generation adequacy problem. Moreover, **the generation adequacy measure should be open to potential aggregation of both demand and supply;**”*

2. CRM Design note: Auction process

Auction clearing

Maximise social welfare

In finding the highest social welfare combination of Bids, the Capacity Contract Duration for which Bids apply, is not considered. The Bids are only judged based on the Bid Price, expressed in €/MW/year.

Bond Beter Leefmilieu questions this approach. Long term contracts can have a higher cost for society, than contracts with the same cost per year in a shorter time frame, especially when the need for capacity is declining. As stated by the CREG in its presentation at the Task Force of september the 26th:

- *auctioning more capacity than necessary must be avoided as much as possible: because the remaining not-viable GAP is declining between 2025 and 2030, the question arises if auctioning too many LT contracts, might not lead to overprocurement.*
- *more expensive capacity (thus with longer term contracts) should not push out less expensive capacity.*

BBL asks to take these considerations into account and look at the total price, not on the bid price/year, in judging the highest social welfare combination of bids./

Ensuring grid feasibility: Grid constraints

Apparently, discussions are ongoing within the working group Belgian Grid about potentially revising the FGC in the light of the expected CRM autiong. The potential revision aims at

avoiding an arbitrary allocation of scarce and limited grid hosting capacity on a first come, first serve basis and instead proposes allocation of grid capacity through the competition organized in the CRM Auction based on a total cost optimization for society.

In light of the climate transition, BBL asks to give priority to technologies with a lower CO2 emission factor. The prioritisation of more environmentally friendly solutions is also explicitly stated in the state aid guidelines:

(220) Aid for generation adequacy may contradict the objective of phasing out environmentally harmful subsidies including for fossil fuels. Member States should therefore primarily consider alternative ways of achieving generation adequacy which do not have a negative impact on the objective of phasing out environmentally or economically harmful subsidies, such as facilitating demand side management and increasing interconnection capacity.

Tie-breaking rules

In case of multiple grid feasible CRM auction outcomes, which are equivalent in terms of maximizing social welfare, the combination of Bids leading to the lowest carbon emissions will be selected.

BBL supports the prioritisation of bids with the lowest carbon emissions. This is also obligatory according to the state aid guidelines:

(233)... (d) give preference to low-carbon generators in case of equivalent technical and economic parameters

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