Febeliec answer to the Elia CRM Design Note on the Derating Factors

Febeliec wants to strongly indicate that the answer on this consultation is at best partial as it has currently **no** view on **all** the different pieces of the puzzle concerning the introduction of a Capacity Remuneration Mechanism in Belgium based on reliability options as described in the Electricity Law. Febeliec reserves the right to come back on any of the comments made in this answer, as it has at this point no complete overview and as such can under no circumstance be asked to provide a thorough and complete position.

Febeliec urges Elia but also CREG and the Federal Public Service Economy as well as the Cabinet of the Minister of Energy to provide as soon as possible and in any case before the introduction of the final design for a CRM in Belgium a complete overview of all the intertwined components of the CRM design, including the legal texts such as Royal Decrees and modifications of the Electricity Law to bring it in line with amongst others European legislation, in order to be able to get an overall view on the implications and modalities of the introduction of the CRM to Belgian consumers and the overall energy markets.

With respect to the current proposed design note on only the topic of the derating factors, Febeliec wants to provide these first preliminary remarks, within the scope described above:

- Febeliec takes note of Elia's disclaimer on page 7 referring to the modifications of April 22nd 2019 of the Electricity Law establishing a framework for a possible future CRM in Belgium, stating that "*the above-mentioned legal framework is subject to evolution, in particular to align it the with European 'Clean Energy Package-legislation*". Febeliec strongly wants to urge the Minister, Elia, the FPS Economy and CREG to assess to what extent, as the law will have to be revised in any case, such opportunity can also be grasped to address several issues that have been discussed during the taskforce meetings and would mitigate a wide range of concerns and problems (e.g. limiting the scope of the CRM to only the winter period instead of the full calendar year as potential adequacy issues for Belgium have never been identified for any summer period neither in the past nor in any forward-looking analysis). Febeliec would find it regrettable that such opportunity would not be used to improve the framework, as this would alternatively lead to a greater cost and/or risk for consumers.
- Febeliec agrees with Elia that the derating factors shall always be calculated based on a given input scenario. Nevertheless, Febeliec regrets that it is still unclear which will be the input, methodology and output of for example the referred "*central scenario from the European Resource Adequacy Assessment defined at ETNSO-e level*", making it very difficult to evaluate to what extent the proposed approach by Elia for derating factors will in fact be fit for purpose. As such, Febeliec reserves itself the right to change its position on derating factors. One example is the referred "*installed demand flexibility/market response capacity with their associated energy or activation limitations*", as it is for example unclear how the impact of smart meters on residential and SME demand and demand response will be taken into account (as demand always has the intrinsic option to reduce its consumption to zero) or evolutions in technology. Another example is "*the interconnection capacity between market zones (e.g. 'flow-based' domains, 'NTC' capacities)*", as the two examples there cited by Elia more refer to the "software" than the "hardware" of interconnections. In any case, Febeliec cannot support any of the examples provided by Elia based on its Adequacy and Flexibility Study 2019, as this study and its methodology are not compliant with the Clean Energy

Package according to Febeliec and other stakeholders. In any case, and contrary to what Elia mentions, Febeliec will only accept any input scenario that is compliant with the Clean Energy Package and its European Resource Adequacy Assessment methodology. Moreover, and as already indicated during previous adequacy studies by Elia, the use of historical years (e.g. for climate conditions) might not be the best precursor for the future. On market response (broader in scope than demand side response), Febeliec remains hopeful that Elia will improve its methodology that has been applied to its existing adequacy studies. Febeliec refers to its numerous comments on market response in the framework of Elia's adequacy studies (e.g. Adequacy and Flexibility Study 2019, Strategic Reserve volume determination) and will not repeat all those comments, which are publicly available on the Elia website, here. Nevertheless, Febeliec wants to specifically reiterate a comment on the simulation and the approach that is taken when the adequacy criterion is not reached. In this case Elia will add a virtual capacity (100% available capacity) (or removed if over-adequate), yet Febeliec remains with questions on the approach, more precisely will his be conducted in a step-function approach and if so, which volume will those steps entail. Febeliec wants to avoid that by using large steps, an overshoot of the size of a (large) step would be added to the perceived need while in reality the issue might be limited to a (very much) smaller volume. Last but not least, Febeliec remains with questions regarding the transparency and oversight of the European Resource Adequacy Assessment methodology and hopes to receive more information on this process as soon as possible.

- On the identification of scarcity hours, and as confirmed by Elia in this design note, it is for Febeliec very important that scarcity is addressed in terms of MWs and not in terms of price levels. Nevertheless, Febeliec remains concerned with the introduction of a concept of near-scarcity, as it moves away from a situation of scarcity (energy not being served) towards a concept that is presumably closely linked to that point in time, but where the system might still remain adequate as the willingness to pay (or even VoLL) of demand might coincide with that point on the demand curve, thus never tilting the system into a state of energy not served and scarcity. The most crucial element here will be the determination of the margin compared to real scarcity (energy not served), on which point the design note of Elia remains rather vague. Febeliec would like Elia to provide a better description of the methodology on this point, in order to ascertain that no undue margins are taken to the detriment of consumers and the system cost as this would lead to non-required volumes within the CRM and with additionally also an impact on the derating factors. It remains for example unclear whether Elia will declare a situation in its analysis in near-scarcity if a margin of 1 MW exists.
- On the calculation of the derating factors, Febeliec has following comments:
    - In general, the division of units into the four different technology categories is open to interpretation. Febeliec can think of examples of units that could fit into multiple categories and therefore urges Elia to apply stricter requirements and definitions to categorize units.
    - Units connected to a CDS are not included in any category proposed in the current design note and Febeliec asks Elia to redefine the different technology categories to include CDS-connected units as well.
    - Thermal TSO-connected technologies: Elia mentions diesel generators. Febeliec presumes these are implicit stand alone diesel generators and not emergency generators, as the latter would be part of market response? On the example of Elia taken from the Adequacy and Flexibility study 2019, Febeliec refers to its earlier comment on this.

- With respect to energy-limited technologies, Febeliec refers to its numerous comments on market response in the framework of Elia's adequacy studies (e.g. Adequacy and Flexibility Study 2019, Strategic Reserve volume determination) and will not repeat all those comments, which are publicly available on the Elia website, here. Nevertheless, Febeliec wants to reiterate one comment it has mentioned above on smart meters and residential/SME demand side response (or market response) as it is unclear how and to what extent these are taken in to account, especially as the proposed CRM has auctions already four years before delivery year and thus leave ample time for on the one hand installing smart meters and on the other hand services to arrive on the market that enable market response from also the residential and SME sectors. Febeliec asks Elia to provide a clear insight in its methodology on this point.
- On the DSO-connected technologies and the derating factor formula, it is unclear from the description how the "maximum contribution during near-scarcity hours" will be calculated, thus making it impossible for Febeliec to (in)validate the proposal of elia. Febeliec asks Elia to provide a clear insight in its methodology on this point.
- In general, Febeliec does not understand how "*derating factors for energy-limited technologies shall be calculated by dividing their **average** contribution during near-scarcity hours from the simulation output by the relevant technology's reference power*", as the average contribution might be not at all reflecting the actual contribution of an asset, insofar the average contribution would already be correctly assessed by Elia in a forward-looking analysis (cf. comments above).

- With respect to the cross-border contribution, Febeliec does not understand the process base in the example, as the value for BE-import is set by Elia at "1" whereas based on the example Febeliec would have assumed "2". Febeliec thus does not understand how the calculation by Elia is performed and is afraid, based on the numerical example, that Elia is not taking into account all the flows towards Belgium, thus aggravating the simulated adequacy concern in the example. But Febeliec remains available for clarification by Elia on this point.