

Publication date

**13/01/2023**

Title

# **Consultation report of the Design Note for Tender for Low Carbon Technologies**

**Public Consultation - 14 October 2022 - 4 November 2022**

Context

Elia organised a public consultation on the design note for the tender for Low Carbon Technologies (LCT). The purpose of the publication and consultation of said design note was to provide all stakeholders with a clear view on the design modalities of the tender for low-carbon technologies, and to receive any useful feedback from market parties on the latest design proposals for the different aspects of the tender for low-carbon technologies to ensure security of supply in the delivery period 2024-25.

About the consultation

The consultation period was set from Friday the 14th of October 2022 until Friday the 4th of November 2022, 6:00pm and was publicly announced on the Elia website and during the WG Adequacy of 13/10/2022.

In total 5 public reactions were received, from the following parties:

- Centrica
- FEBEG
- Synergrid
- FEBELIEC
- Nyrstar

Elia received 1 fully confidential reply.

Purpose of this document

Via this consultation report, Elia formally addresses all remarks and questions received from stakeholders on the LCT design note. Following the received feedback, Elia proposed a number of modifications to the initially proposed design. These changes are incorporated in the LCT Functioning Rules. Where relevant, a reference to the related section in the LCT Functioning Rules is added in this consultation report.

How to use this document

The format of the consultation report is via an excel file, in order to exhaustively list all received questions and provide an answer to each one of them. The report contains thus a table per chapter of the design note, a reply on each remark and if it has been considered in the updated design or not. If a certain comment could not be taken into account, Elia also provides a reason why.

Fully confidential responses are answered in a separate version, sent only to the involved party.

Answers provided by FPS Economy in view of the proposed CO2 thresholds are to be found in annex, at the end of the document.

## Legal Framework

| # | Stakeholder | Received Comment  | Elia's answer in EN  |
|---|-------------|---|--|
| 1 | FEBEG       | <p>FEBEG has always pleaded for a strong base of capacities located in Belgium to ensure the security of supply in the long run. In this respect, FEBEG also has and continues to plead for sufficient "local" margin allowing the country to face events limiting the import capabilities such as unavailability of capacities abroad, minRAM not reached, change in foreign policies, .... Indeed, when it comes to power generation capacity, there are not so many short-term solutions bringing significant MW's to palliate complex problems. The recent stop of a large part of the French nuclear fleet and the consequences of the war in Ukraine demonstrate that having sufficient national capacity was actually beneficial for the country.</p> <p>Therefore, FEBEG also shares the concern of Belgian authorities for the winter 2024-2025. The lack of capacity was actually identified already in 2021 in the last ELIA adequacy and flexibility study and may even be exacerbated by the recent events on the electricity market. FEBEG can understand the willingness of authorities to secure sufficient local capacity in order to ensure the security of supply of the country but deplores the very late political consideration of this problem.</p>   | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.</p>  |
| 2 | FEBEG       | <p>However, FEBEG deplores the way the problem has and is being treated and cannot support as such the proposed "quick fix" solution being the Low-Carbon Tender (LCT). Security of supply is a serious matter and implies the implementation of robust and fair solution for market parties. FEBEG is wondering if, with the LCT, authorities are not trying to solve actually two issues: (i) the missing capacity in 2024-2025 but also (ii) the significant volume reserved for the Y-1 auction for delivery years 2025-2026.</p>   | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.</p>  |
| 3 | FEBEG       | <p>Authorities should also be aware that, by organizing a 'last-minute' targeted auction, they are breaching the justified expectations created at market parties and investors, which heavily undermines the investment climate and increase the perceived regulatory risks in Belgium. The targeted auction will not only impact the business case of capacities already contracted in the CRM but also changes the competitive landscape of future auctions. These side effects are not acceptable for FEBEG and cannot become a</p>   | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.</p>  |
| 4 | FEBEG       | <p>For these reasons, FEBEG cannot support the proposed modalities of the targeted low-carbon auction:</p> <ul style="list-style-type: none"> <li>- On the need: the LCT is already being designed and developed without the need for a LCT being clearly demonstrated and clarified also in light of the challenge to find the remaining volumes in the Y-1 auction for delivery year 2025-2026;</li> <li>- On the technology neutrality: there is no reason to deviate from the current CO2 emission limits and to limit the LCT to new capacity;</li> <li>- On the impact on existing business cases: the new capacities introduced by the targeted tender will impact the business case of existing capacities and capacities already contracted in the CRM for delivery years 2025-2026 and onwards;</li> <li>- On the impact on future auctions: the auction for DY 24-25 cannot impact future auctions, and especially not the T-4 2027-28;</li> <li>- On the risk of limited competition in the LCT: FEBEG fears that the modalities of the LCT auction will reduce the competition in this auction.</li> </ul> <p>On the contrary, FEBEG pleads for a solution that is (i) proportionate, (ii) not discriminatory in terms of technology and types of capacities (new and existing),(iii) not market distortive, (iv) interfering the least possible with future CRM auctions and (iv) ensures sufficient competition in the auctions.</p> | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation. In any case, LCT capacity contracts will only be signed after EC state aid approval is obtained. To obtain this approval, the Belgian State needs to demonstrate the need for the tender. Also, the CO2 requirements are set by the FPS Economy (cf. annex of this public consultation report). Moreover, Elia has broadend the eligibility criteria to increase competition in the auction following feedback received during the public consultation process. Finally, Elia acknowledges the impact on future auctions, but notes this impact is limited to the existence of multi-year LCT contracts.</p> |
| 5 | FEBEG       | <p>For the future, FEBEG calls authorities to further anticipate capacity needs by (i) reviewing the volume split between the T-4 and T-1 auction, allowing to secure more new capacity in the T-4 and avoid taking ad-hoc remedial actions and (ii) reviewing the hypothesis in terms of contribution of foreign capacity to secure sufficient margin on the Belgium territory.</p>  | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.</p>  |

|    |          |  |   |
|----|----------|--|---|
| 6  | FEBEG    | <p><b>On the need for a LCT</b></p> <p>FEBEG is very surprised to see that the LCT is already being designed and developed without the need for a LCT being clearly demonstrated and clarified, also in light of the challenge to find the remaining volumes in the Y-1 auction for delivery year 2025-2026.</p> <p>Indeed, the lack of capacity was actually identified already in 2021 in the last ELIA adequacy and flexibility study and might be exacerbated by the recent events on the electricity market. It should nevertheless be pointed out that at the moment of the identification of the missing volume for 2024-2025 no action has been undertaken.</p> <p>As mentioned in its reaction to the public consultation on the techno-economic study of the bids and the results of the first CRM auction, FEBEG has strong doubts that, given the high participation of batteries and DSM in the 2021 Y-4 auction, sufficient volume of (cheap) DSM or batteries will still be found in the Y-1 auction. Indeed, a significant part of the potential of DSM and batteries, as identified by ELIA in its last adequacy and flexibility study, has already participated in the Y-4 auction.</p> <p>For the abovementioned reasons, FEBEG is wondering if, with the LCT, authorities are not trying to solve actually two issues: (i) the missing capacity in 2024-2025 but also (ii) the significant volume reserved for the Y-1 auction for delivery years 2025-2026. As this cannot be the objective, it should be clearly demonstrated and clarified that the LCT for</p> | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation. In any case, the Low Carbon Tender will only be implemented after EC state aid approval is obtained. To obtain this approval, the Belgian State needs to demonstrate the need for the tender. The results of the LCT will be considered for future CRM auctions (Y-1 and Y-4). Elia does not see the issue with considering this impact as otherwise it would lead to double procurement.</p> |
| 7  | FEBEG    | <p><b>On technology neutrality</b></p> <p>One of the basic principles of the design of a capacity remuneration mechanism is its technology neutrality. The LCT excludes existing capacities from participation which will not only increase the cost for society – as only new capacities are eligible for participation – but which is also clearly a discrimination. At this moment, there's not any clarification or justification that such a discrimination would be proportionate to the objectives to be reached.</p>   | <p>ELIA notes that targeting only new capacities is justifiable given the uncertain nature of the volume to be auctioned (the measure should be fit for purpose) and avoiding potential double remuneration for capacities who have already bid their missing money in the previous CRM Y-4 auctions.</p>   |
| 8  | FEBEG    | <p>On top of that, the evolution of the proposed CO2 emission limits for participation to the CRM is unacceptable. The CO2 emission limits that are applied up till now seem to be at random, discriminatory and are difficult to explain:</p> <ul style="list-style-type: none"> <li>- delivery year 2024-2025: specific emission limit of 29 g CO2/kWh;</li> <li>- delivery year 2025-2026: specific emission limit of 550 g CO2/kWh or annual budget of 350 kgCO2/kWe for the Y-4 auction but not longer for the Y-1 auction for the same delivery year;</li> <li>- delivery year 2026-2027: specific emission limit of 550 g CO2/kWh.</li> </ul>   | <p>Elia refers to the LCT consultation report on the CO2 threshold from FPS Economy in annex of this public consultation report.</p>  |
| 9  | FEBEG    | <p>FEBEG considers it important to point out that the authorities continue to take decisions, e.g. on energy mix, that are impacting existing business cases and are negatively impacting the investment climate as these decisions undermine investors' confidence. This is also true for the LCT.</p>  | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.</p>   |
| 10 | FEBEG    | <p>Page 9 : While the emission threshold is clear, FEBEG is wondering – taking into account the technology neutrality - what technologies would not be 'within the set of eligible technologies'.</p>  | <p>Elia clarifies that all capacities that respect the emission threshold are within the set of eligible technologies.</p>  |
| 11 | Febeliec | <p>On the context and regulatory framework, Febeliec would like most strongly to voice its concerns, as it has already done during the meetings where this tender was discussed. In case there is a real and important risk for Belgian system adequacy for the winter 2024-2025, Febeliec considers the framework too restrictive, as the tender is not technology-neutral and could thus jeopardize system security by excluding volumes and technologies that could alleviate these concerns. Moreover, by explicitly excluding technologies, it is not ensured that the outcome of the tender will lead to the lowest possible costs for the system and consumers. Alternatively, if no adequacy concern would exist for winter 2024-2025, there would be no need for this tender nor for all the related work by all concerned parties. Last but not least, Febeliec also wonders about the approval of this subsidy scheme by the relevant authorities, which does not seem to have been granted at this moment.</p>   | <p>ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation. In any case, LCT capacity contracts will only be signed after EC state aid approval is obtained. To obtain this approval, the Belgian State needs to demonstrate the need for the tender. Finally, the mechanism itself is designed in a technology-neutral way as all new capacities within the CO2 emission limit are eligible to participate.</p>  |

## General comments

| # | Stakeholder | Received Comment   | Elia's answer in EN  |
|---|-------------|--|--|
| 1 | FEBEG       | FEBEG also notices that references to specific technologies, like batteries and Demand Side Response (DSR), are made in relation to the low carbon tender while the design note mentions that for the LCT, the specific emission limit is set at 29 g CO <sub>2</sub> /kWh.  | Elia clarifies that the list of eligible technologies includes all technologies below the emission threshold of 29g CO <sub>2</sub> /kWh as set by the Belgian Authorities. Elia also refers to the LCT consultation report on the CO <sub>2</sub> threshold from FPS Economy in annex of this public consultation report.   |
| 2 | FEBEG       | As mentioned previously, the additional capacities that should materialize following the low carbon tender are expected to mainly be DSR and batteries. These additional capacities will inevitably negatively impact the business cases of existing capacities and the capacities already contracted in the CRM. In particular, with the increased volume of batteries, the revenues from the ancillary services market will be lower than expected. This impact must also duly be considered when calculating the relevant CRM parameters for the upcoming auctions but also the revenues in the framework of the IPC derogation.  | Elia thanks FEBEG for their comment and notes that it develops the Low Carbon Tender on request of the Minister (cf. Winter Plan). Impact on existing business plans is expected to be at an acceptable level, given that DSM and Storage are late in the merit order. As in every calibration exercise, Elia explicitly takes into account the volumes that are present in the market for the calibration of the CRM parameters. In the case of new capacities this is done via the preselected capacity types.                       |
| 3 | FEBEG       | In addition, the LCT may further reduce the willingness of market parties to bid in T-4 auctions: FEBEG observes that, since the CRM was launched, many new rules have been added or are now proposed to be changed. While FEBEG supports the correction of design 'deficiencies' negatively impacting market parties (cfr. ongoing discussions on the payback obligation), it also observes that the mechanism is not stable at all. For instance, authorities are proposing to reduce CO <sub>2</sub> limits to participate in the CRM limiting the possibility for existing thermal plants to count on CRM for investments over the longer run, new functioning rules are, by default, applied retroactively (with some limited exceptions applied), ad-hoc targeted auctions could as from now be integrated 'en-cours de route', impacting the business case of the market parties that have bid. In this context, how can market parties still have confidence on the legal and regulatory framework to make their business case? Will those specific recurrent auctions not become more frequent? Will the legal and regulatory framework continue to (retroactively) change? | Elia is developing the Low Carbon Tender on request on the Federal Government (cf. Winterplan). Elia acknowledges that the CRM is a market mechanism, and as any mechanism, it should evolve together with experience and changing market circumstances. Changes to both the LCT and the CRM are proposed in close cooperation with market parties and are extensively discussed during the several Working Groups Adequacy. All design changes are publicly consulted upon and the regulator finally decides on the proposed changes. |
| 4 | FEBEG       | <b><u>On the risk of limited competition in the LCT</u></b><br>FEBEG fears that the competition in the LCT auction, and actually also in other T-1 auctions, will be very limited, which may increase the costs of such auction and, hence, the cost for society. Indeed, candidate capacity providers may face various issues:<br>- Obtention of a long term contract: with the current context of tension on the market and availability of raw material, realizing a storage project in less than 12 months between the notice to proceed and the commissioning is extremely challenging for the LCT or for any T-1 auction actually.   | Elia takes note of FEBEG's comment regarding the lead time for storage projects.   |
| 5 | FEBEG       | Page 5 : ELIA's design of the LCT is inspired by the CRM design and only the design choices deviating from the CRM rules are discussed. FEBEG assumes, hence, that no other deviations from the CRM rules are foreseen. Anyhow, if there would still be other deviations, the current consultation would not be complete.  | Elia is indeed publicly consulting upon the changes compared to the CRM Functioning Rules. An exhaustive overview of the changes compared to the CRM will be publicly consulted upon via the public consultation on the LCT Functioning Rules, which constitutes a separate chapter of the CRM Functioning Rules.  |
| 6 | Febeliec    | The design note thus does not provide any valid description of the design. The same applies in many degrees to a significant part of the rest of the design note, which does not provide much detailed nor concrete input for many topics.   | Elia's LCT design note focused on the design changes compared to the CRM. An exhaustive overview of the changes compared to the CRM will be publicly consulted upon via the public consultation on the LCT Functioning Rules, which constitutes a separate chapter of the CRM Functioning Rules.   |
| 7 | Nyrstar     | Het CRM is bedoeld om specifieke, bewezen adequacy problemen op te lossen tegen de laagst mogelijke systeemkosten en is technologieneutraal. Daarnaast is het zinvol om opslag en vraagsturing te stimuleren. Dat kan op verschillende manieren. Een veiling is een mogelijke manier. Echter, om een incentive te geven aan investeringen met een groot investeringsbedrag en een lange doorlooptijd is het noodzakelijk om in de veiling ook de mogelijkheid te voorzien om aan te bieden voor levering vanaf een later moment voor een langere tijd, bijvoorbeeld vanaf jaar +4 voor 1, 3, 8 of 15 jaar, afhankelijk van het investeringsbedrag.   | Elia develops the LCT to cover the period '24-'25 as requested by the Federal Government (cf. Winter Plan). However, later delivery periods are covered by the market-wide CRM Auctions. Multi-year capacity contracts (of max 3, 8 or 15 years) can be granted under the LCT (in line with the CRM process).  |

## Prequalification

| # | Stakeholder | Received Comment   | Elia's answer in EN   |
|---|-------------|--|---|
| 1 | Synergrid   | The design should clarify that combinations of LV and MV Delivery Points in one CMU will not be supported. This would defeat the purpose of the Virtual CMU as it would require that some LV Delivery Points be treated as MV.   | ELIA agrees and has specified in the Functioning Rules that a Virtual CMU prequalified for the Low Carbon Tender has to be converted by the start of the Delivery Period into an Existing CMU consisting of low-voltage Delivery Points (connection voltage < 1kV) only.  |
| 2 | Synergrid   | The design should clarify that LV participation will be at the level of the Access Point (metering requirements should specify a digital meter)  | ELIA agrees and has specified in the Functioning Rules that in terms of metering requirements for low-voltage Delivery Points an AMR (Automatic Meter Reading) or digital meter with communication activated is required.   |
| 3 | Synergrid   | The metering requirements will further include that the activation of the communication functionalities of the (digital) meter needs to be accepted by the customer (no 'flight mode')   | ELIA agrees and as indicated above, it is specified that when using a digital meter, "communication activated" is required.   |
| 4 | Synergrid   | The design should clarify that the conversion of the Virtual CMU for LV Delivery Points to an existing CMU may include a check of the grid constraints by the affected DSO (through a Network Flexibility Study or NFS)  | ELIA agrees and has specified this requirement in the Functioning Rules.  |
| 5 | Synergrid   | As for CRM, an agreement between the LCT candidate and the DSO is required. The design should clarify that this will be the FSP-DSO contract, for which LCT will be treated according to the process and rules defined for CRM   | ELIA agrees. However, this is not further specified in the Low Carbon Tender Functioning Rules specifically, as the FSP-DSO agreement is a general prequalification requirement in the CRM, hence also applying to CMUs prequalifying for the Low Carbon Tender (or when prequalifying an Existing CMU to take over the obligations of a VCMU).   |
| 6 | FEBEG       | Permitting: FEBEG considers that the rules regarding the obtention of the permit may also reduce the competition in the auction.   | ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.  |
| 7 | FEBEG       | Page 17 : How will it work when a holder of additional capacity wants to participate in both the LCT as the Y-4 auction in 2023 with the same capacity? The capacity can be elected twice (which is explained in 9.1), but the eligibility criteria are different. He needs to submit two prequalification files and two investment files? | <p>It will be possible to submit Bids for the same CMU in both the LCT and the Y-4 auction, under certain conditions as specified in the Functioning Rules. In this respect, it will be possible to apply for a multi-year Capacity Contract in only one of the two Auctions, the Bids in the two Auctions will have to be completely independent and the Bids in the two Auctions shall not have overlapping Transaction Periods.</p> <p>A Prequalification File is linked to a Delivery Period, so in any case more than one Prequalification File must always be submitted when participating in two Auctions. This allows ELIA to assess the Prequalification File with respect to its specific prequalification requirements.</p> <p>With respect to the investment files, ELIA recommends market parties to contact the CREG, as it falls under CREG's responsibilities. Note however that in any case, in line with the above, a choice will have to be made as to in which auction the multi-year contract will be applied for.</p> |
| 8 | FEBEG       | Page 18 : As stated by ELIA the prequalification requirements need to be aligned with the legal framework... What modifications is ELIA expecting to do? Will there be significant modifications? Will market parties be informed upfront?   | ELIA takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the Low Carbon Tender which is out of the scope of this public consultation.  |

9 Febeliec

On the prequalification requirements, Febeliec considers the proposed text completely insufficient to provide any input as it refers to those of the CRM, except where they would diverge without any further specification. The design note thus does not provide any valid description of the design.

ELIA takes note of Febeliec's comment and hopes to clarify the divergences better through the public consultation of the Low Carbon Tender Functioning Rules.

## Link With CRM

| # | Stakeholder | Received Comment  | Elia's answer in EN   |
|---|-------------|---|---|
| 1 | FEBEG       | <p><b>On impact on future auctions</b></p> <p>Considering that the Y-1 auction, for which a volume is specifically “reserved”, is targeting capacities with shorter lead-time, such as small batteries and DSR, or that prefer not to commit in the Y-4, FEBEG believes that the capacities contracted in the frame of the low carbon tender 2024-2025 should be reduced, in function of their contract duration, from the Y-1 capacity for the upcoming CRM auctions. Indeed, no doing so would risk to have an important volume reserved for Y-1 auctions while an important part of the targeted capacities would already be captured by the low carbon auction.</p> <p>Therefore, at the very minimum, FEBEG proposes to not change the volume that was computed for the T-4 and to reduce the volume contracted with multi-year contracts from the reserved volume for T-1 auction.</p>  | <p>Elia takes note of FEBEG's comment but remarks that this comment refers to the legal framework of the CRM and LCT which is out of the scope of this public consultation.</p>   |
| 2 | FEBEG       | <p>Page 12: Capacities contracted under the CRM can participate in the LCT. Although FEBEG doesn't object this principle, it leads to a discrimination between technologies as, for example, the CO2-emission limits are different. Speeding up a contracted battery project allows participation in the LCT, but speeding up a gas turbine project does not.</p>   | <p>Elia refers to the LCT consultation report on the CO2 threshold from FPS Economy in annex of this public consultation report.</p>  |
| 3 | FEBEG       | <p>Page 14: FEBEG proposes to not change the volume that was computed for the T-4 and reduce the volume contracted with multi-year contracts from the reserved volume for the T-1 auction (see main comments).</p>  | <p>Elia refers to the comment above (cf. row 2 of this sheet).</p>  |
| 4 | Febeliec    | <p>On the link with the design of the capacity remuneration mechanism (CRM), Febeliec regrets that this also means that all flaws of this mechanism will also be introduced into this tender. Febeliec has over time provided ample examples of a wide range of issues with the CRM and will not repeat all of them here, but wants to highlight in particular the issues that the CRM is a year-long product (with a.o. implications for maintenance periods, availability monitoring and secondary markets), while the tender is supposed to “ensure security of supply during Winter 2024-2025” which does not require availability over an entire year and could alleviate important concerns from demand facilities and thus demand side response which have been voiced over the years vis-à-vis the CRM. Because Elia wants to ensure a perfect transition between both products, it however introduces an additional barrier to participation (on top of the non-technology-neutrality) which could (again) jeopardize Belgian system security.</p> | <p>Elia understands Febeliec's concern on the Availability Obligation holding up for the entire year rather than only during the winter period. However, Elia wishes to highlight that among others in the proposal of the Functioning Rules that was submitted for public consultation on 25 November 2022 it put forward substantial design changes with regards to the Availability Obligation: among others, based on an analysis by Elia no Availability Tests would be performed during Summer. Elia has already taken the liberty to perform such an analysis to verify the results in current market circumstances, and if a Delivery Period were to take place now no Availability Tests would be carried out during Summer. Moreover, Elia maintains that the current design that makes use of, among others, Declared Prices and Announced Unavailable Capacity, provides enough flexibility for Capacity Providers and safeguards them from excessive obligations during periods with a low risk of adequacy.</p> |
| 5 | Febeliec    | <p>Moreover, by incorporating the Functioning Rules for the LCT Tender in those of the CRM, this creates an additional complexity as this could lead to additional retrospective modifications whenever the latter change (as has been the case, with future changes being already discussed), increasing the risks and thus creating an additional barrier.</p>  | <p>Elia acknowledges the concerns on complexity. Elia is writing these sections on the LCT in a manner which allows to remove or phase out the LCT Functioning Rules from the CRM Functioning Rules when they are no longer relevant.</p>   |
| 6 | Febeliec    | <p>On the design note itself, Febeliec is concerned as it refers to be aligned “as much as possible” with the CRM framework except where it deviates from this in the design note or with future (not yet known) versions or any changes that might be brought in the future, which does not improve readability nor provides any clear view on the rules that will be applicable.</p>  | <p>The design note has listed all changes compared to the CRM based on Elia's initial design proposal. Following feedback during the public consultation, Elia has included further changes to the rules. A detailed and exhaustive overview of the LCT changes compared to the CRM is publically consulted upon via the LCT Functioning Rules.</p>   |
| 7 | Febeliec    | <p>Febeliec also does not fully understand how capacities contracted in the CRM could be allowed to participate to the LCT tender and how it would be ensured that no excessive remuneration and potential windfall profits are granted.</p>  | <p>Capacities already contracted under the CRM are eligible to participate to the LCT if the eligibility criteria are met and if these can be made available by the delivery period '24 - '25. An Intermediate Price Cap will apply to the already contracted capacities to avoid excessive remuneration.</p>   |

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| 8  | Febeliec | <p>On multi-year contracts and remuneration, Febeliec is concerned about the possible impact on the CRM, including a.o. impact on secondary markets, issues with diverging applicable derating factors, and wonders what would be the (positive and/or negative) impact on the Y-1 auction of the CRM.</p>   | <p>Multi-year CRM capacity contracts and Y-4 and Y-1 Auctions related to the same delivery period also result in diverging applicable derating factors. The evolution in derating factor, including the impact on the secondary market, is taken into account in the same way as in the general CRM processes.</p>  |
| 9  | Febeliec | <p>Moreover, Febeliec also wonders how the Functioning Rules and Capacity Contracts of the LCT Tender and CRM would seamlessly be integrated to avoid any perverse and negative effects, including on the costs for consumers.</p>   | <p>The detailed and exhaustive impact on the LCT Functioning Rules and LCT Capacity Contract will be publicly consulted upon via dedicated public consultations.</p>  |
| 10 | Febeliec | <p>Concerning the bidding, Febeliec has many concerns and questions on the impact of the LCT tender on the CRM, both the Y-1 auctions as well as (past) Y-4 auctions and overlapping transaction periods and how this element would be solved (e.g. for capacities that have already been selected for the CRM in any possible timeframe or constellation, as e.g. already parts of offered and selected capacities could be offered in the LCT tender).</p> | <p>Capacities already contracted under the CRM are eligible to participate to the LCT if the eligibility criteria are met and if these can be made available by the delivery period '24 - '25. An Intermediate Price Cap will apply to the already contracted capacities to avoid excessive remuneration. Finally, Elia confirms that the LCT contracted volumes (under multi-year contracts) are deducted from the volumes to be procured in the CRM Auctions covering a same Delivery Period.</p> |



## Eligibility

| # | Stakeholder | Received Comment  | Elia's answer in EN   |
|---|-------------|---|---|
| 1 | Synergrid   | The DSOs propose to base the verification of the 'newness' of the capacity for batteries on the notification date towards the DSO (in line with the regional notification requirements)   | Elia takes note of Synergrid's comment and has aligned its proposal (cf. section 18.5.1.2 of the Functioning Rules).  |
| 2 | Centrica    | Centrica asks Elia to further clarify the definition of new capacities when it comes to battery projects to give better visibility to project developers and allow them to participate when possibly being eligible. The design note indicates that "New Build" capacities are defined as not "in service" at the moment of the Auction": as discussed in the WG adequacy, a couple of battery projects that are being developed will find themselves within the transition of new to existing capacity around the timing of the LCT auction. Depending on (i) the exact criteria to define the "in service" requirement, as well as the (ii) the exact limit of the "at the moment of the auction" criteria, some projects could decide to shift their planning to be eligible to the auction or not. For the (i), Centrica asks Elia to clarify further what this term means for a battery (connected to the grid, energized, selling MWs,...) in order to avoid any doubt. For the (ii), Centrica asks Elia to clarify what this means the gate closure of the auction, the auction results, or any other date related to the auction.   | Elia takes note of Centrica's comments and has clarified both the definition of "in service" and the exact timing that will be taken into account (cf. section 18.5.1 of the Functioning Rules).  |
| 3 | Centrica    | Centrica points out the risk of double counting DR MWs that needs to be discussed and solved. Centrica supports the proposal of Elia and the rationale with it to target only the DR MWs that are not already contributing explicitly or implicitly to adequacy, as the LCT is not a market-wide mechanism but rather intends target a specific capacity gap that would be identified to ensure adequacy. However, looking at the criteria proposed, Centrica believes there is a risk that implicit DR MWs could pass the eligibility test, being allowed to take part to the LCT, while already being counted in the adequacy exercise: for example, a DR MW that would today implicitly contribute to adequacy via the overall "market response" volumes considered by Elia, but would do so with an activation price high enough to not having been activated sufficiently often in the past to impact its baseline, could very well pass the "No implicit participation in the energy market" filter proposed by Elia, and be allowed to take part to the LCT. If it consumes for example 10 MW, and can lower its output to 0 MW in case of need, as long as its baseline shows 10MW as a result which will be the case if the site did not activate in the past) then it will pass the test. Centrica believes that in this case there is a risk to double count these MWs, as they would already be counted in the adequacy exercise, and therefore not help to close the adequacy gap if they would explicitly contribute via the LCT. This of course links to overall design discussions around the CRM that can't be addressed in the specific exercise of the LCT but still. Centrica therefore points out the need to collectively work on finding a way to either (i) make sure the implicit MWs that are already counted in via the market response MWs are not made eligible to the LCT in order not to be double counted, or (ii) that the CRM design is modified in order to not anymore count in these MWs in the implicit part if they become explicit. As option (i) is probably the more realistic one to implement by the LCT timeline, Centrica suggests Elia to assess whether looking at the supply contracts of the DR sites that would apply to the LCT could not provide some elements to guarantee that they are not already providing some implicit participation to adequacy. | Elia takes note of the comment and realizes that this is a tight line between double counting and excluding legitimate MWs and answers this through a system of "partial exclusion" where the Existing DSM is estimated and excluded. As to the second suggestion on the supply contracts, Elia notes that it is not Elia's role to look at the supply contract since this will typically contain confidential information. |
| 4 | Centrica    | Centrica asks Elia to consider implementing a qualitative assessment of files for new DR capacity that fail the proposed eligibility test. Centrica considers it is important to add an additional qualitative filter to the eligibility test for DR MWs in order to make sure that eligible MWs would not be lost in translation because of failing the proposed criteria involving the baseline check. Considering the limited size of the LCT, there should be sufficiently manageable number of cases to allow for a qualitative case by case assessment of the files. Also, Centrica believes that such an assessment could be made by an external third party, and should be based on elements provided by the applicant with no specific and too rigid ex-ante template proposed by Elia or the CREG: indeed, the possible cases would probably be too specific to fit into a standard document, and the information/knowledge would lie in the hands of the applicant, thereby making acceptable to put the burden of the proof on him to demonstrate its capacity should be considered as eligible.  | Elia takes note of the suggestion and is currently investigating a qualitative assessment by an agreed-upon and independent third party.  |

|    |          |   |   |
|----|----------|---|---|
| 5  | FEBEG    | Page 9 : The definition of 'new build' in the LCT is different than the one in the Functioning Rules. As no deviation is foreseen, the new build capacities also need to sign the waivers. So, it is possible that a project that is under construction still loses its connection?   | A new and specific definition for "in service" is included in the LCT Functioning Rules. This "in service" definition is used as an additional eligibility check towards participation in the Low Carbon Tender.<br>The "New Build" definition still applies in function of the remainder of the prequalification chapter, so the related waivers do apply as long as a capacity is "New Build" (in line with the CRM process).   |
| 6  | FEBEG    | Page 9 : The concept 'in service' is not explained. Is the criterion metering? Does it mean that a capacity can be additional at the moment of the prequalification but existing at the moment of the auction? How will this work – also in the perspective of the definition of non-discrimination - as several concepts are linked to this status: bank guarantee, contract duration, pre-delivery control, etc?  | Elia takes note of FEBEG's comment and refers to the clarification of the "in service" concept (cf. section 18.5.1 of the Functioning Rules). 'This "in service" definition is used as an additional eligibility check towards participation in the Low Carbon Tender. However, all other sections (cf. the financial security obligation, contract duration and pre-delivery control, etc). follow the same classification of CMUs (existing/additional/new build) as already exists in the CRM.                               |
| 7  | FEBEG    | Page 9 - 10 : FEBEG regrets the exclusion of existing capacities. In this context, FEBEG would like to avoid that another discrimination would be added, i.e. capacity already existing because active in the market would be able to prequalify as new. Therefore, FEBEG supports the criteria for the identification of 'new capacities'.   | Elia takes note of FEBEG's input.   |
| 8  | FEBEG    | Page 26: The concepts 'not in service' and 'in service' are not defined. It is not clear to what extent they will be different from 'new' and 'existing'.   | Elia takes note of FEBEG's comment and refers to the clarification of the "in service" definition in the LCT Functioning Rules (cf. section 18.5.1)   |
| 9  | Febeliec | On the scope of the mechanism itself, Febeliec is very worried, apart from the issue of non-technology-neutrality, about the focus on "new" capacities while the definition of "new" is lacking. Febeliec wants to refer also to all the comments on this topic made during the meetings as well as during the discussions on a.o. the strategic reserve (where a similar discussion existed) as well as bilateral meetings with Elia on the subject, as a too strict definition would exclude important volumes of a.o. demand side response (e.g. because a (small) part of an installation already participates to e.g. a balancing product but the rest of the installation does not, because an installation historically was prequalified (but not necessarily selected nor activated) for an ancillary service, because an installation reacts to a market signal (which under the current climate of sometimes extremely high market prices is not only normal but also often at the request of the government to reduce overall consumption and be more flexible), and so on. Febeliec is very strongly concerned that if an important security of supply issue were to be found for winter 2024-2025, the framework would be too restrictive exclude very important volumes of flexibility, which would drive up the overall cost and maybe even in itself jeopardize system security (especially also taking into account the fact that the government for example pushes for the reservation of 250MW additional balancing capacity, thus already greatly cannibalizing the available potential in the system). | Elia takes note of Febeliec's comment and refers to the Functioning Rules for the definition of "new" capacity (cf. section 18.5.2). Based on feedback from the Market Parties, the eligibility has been adjusted towards a "partial exclusion" in order to provide additional possibilities of offering capacity in the Low Carbon Tender.<br><br>In terms of technology neutrality, this aspect has been covered by the fact that only a CO2 threshold will be used when determining the eligibility of a certain technology. |
| 10 | Febeliec | In any case, Febeliec finds it extremely worrisome that at this point a definition of "new" (or "low carbon" for that matter) are not yet available. The proposal of Elia (which is apparently not yet validated by the Federal nor European relevant authorities) is for Febeliec unacceptable as it is too restrictive and excludes too many flexibility assets, as described above and discussed before.   | Elia takes note of Febeliec's feedback. Definitions of both "new" and "low carbon" have been further detailed in respectively the LCT Functioning Rules (cf. section 18.5.2) and by the FPS Economy (CO2 threshold, cf. section 18.5).  |
| 11 | Febeliec | Moreover, any justification for the period of "the last two years" is given, while in particular 2020 and 2021 were marked by the impact of the covid-19 sanitary crisis (which also impacted overall demand levels) and 2021 and 2022 were marked (in an extreme way) by rising price levels and direct and explicit requests from the government to reduce consumption and activate flexibility (in many cases not even remunerated) to alleviate the financial impact of the energy crisis for all consumers. Febeliec would find it very odd and even contra-productive to now punish the responsible behaviour of the actors that acted upon these requests by ex post excluding them from participation to the LCT tender, as results from the past (under extreme system conditions) are no guarantee for the future.  | Elia takes note of Febeliec's feedback. As defined in the LCT Functioning Rules capacities are allowed to indicate non-representative days for the determination of "Existing DSM" (cf. section 18.5.2.1). Furthermore, Elia is exploring the option of a qualitative assessment (cf. section 18.5.2.3.2).  |
| 12 | Febeliec | Last but not least, Febeliec insists that in case explicit or even more concerning implicit participation to the energy markets (and in particular ancillary services) were to be considered a criterion, that activation (or at least reservation) would be taken into account and not only prequalification as prequalification without any remuneration in the past is no guarantee for participation in the future as these capacities might no longer be flexible and willing to react to signals.   | Elia takes note of Febeliec's feedback and points out that Ancillary Services are taken into account for the LCT in the same way as already defined in the CRM Functioning Rules.   |

- |    |          |  |   |
|----|----------|--|---|
| 13 | Febeliec | <p>On the proposed baselines by Elia, it is unclear how outages, maintenance, shutdowns for sanitary reasons (e.g. covid), shutdowns on government or system operators requests (in case the coming winter would lead to adequacy or other concerns), preventive shutdowns this or following winters to avoid potentially important damages from unplanned curtailments, etcetera would be taken into account to ensure that no capacities are unduly excluded, exacerbating the problem to ensure that sufficient capacities are prequalified to participate to the tender to ensure the lowest possible cost for consumers, in case an adequacy concern would be identified.</p> | <p>Elia takes note of Febeliec's feedback and, as defined in the LCT Functioning Rules allows the capacities to indicate non-representative days for the determination of "Existing DSM" (cf. section 18.5.2.1). Furthermore, Elia is exploring the option of a qualitative assessment (cf. section 18.5.2.3.2).</p>  |
| 14 | Febeliec | <p>Febeliec in the design note also does not find a clear answer on how "new" capacities would be able to prequalify their volumes and also wonders how for existing assets with no validated metering how metering data from an access point could be used as proxy, knowing that multiple independent (new and/or existing) installations behind an access point might be offered for prequalification.</p>  | <p>Elia takes note of Febeliec's question. New capacities will be able to prequalify as they are, under a new DP, which will as such not have any "existing DSM".</p> <p>Non-DSM installations behind a meter will bid in through the regular way and will have to prove that they are not "in service".</p> <p>DSM behind a meter will require the assessment of the total Existing DSM for that specific meter.</p> <p>The new set of Functioning Rules for the LCT addresses the concerns expressed here (cf. section 18.5.2).</p> |
| 15 | Febeliec | <p>Febeliec also wants to add that there is a risk by introducing this tender that flexible assets which were to come available in the market in the near future (and thus would help alleviate the currently high prices in the energy markets including those for ancillary services) might be postponed in order to (potentially) capture subsidies from the tender, which would have an upward effect on costs for consumers in the near future. This issue was also raised during the meeting by other actors than Febeliec as a point of concern.</p>  | <p>Elia takes note of Febeliec's feedback and indicates that this could indeed be the case, but this would entail a significant delay which is often not beneficial for an already-developed flexible asset.</p> <p>The new set of Functioning Rules for the LCT addresses the concerns expressed here (cf. section 18.5.2).</p>  |

## Calibration

| # | Stakeholder | Received Comment   | Elia's answer in EN  |
|---|-------------|--|--|
| 1 | Febeliec    | <p>On the input scenario selection, Febeliec wonders why only one single scenario is to be selected to be simulated, as it is clear that, especially under the current very volatile market conditions which will presumably continue to have effects over the coming years, it would be advisable to simulate different scenarios in order to have a clear picture of the impact of different sensitivities and thus get a clear view on the robustness of Belgian system security. Febeliec thus most strongly opposes the approach of only one single scenario and considers this approach a clear and irresponsible risk for system security in Belgium.</p> | <p>The objective of the LCT is to contract a defined amount of new capacities in order to be able to satisfy the reliability standard in Belgium for the delivery period 2024-25. This objective is clearly different from an Adequacy and Flexibility study which provides different indicators on different time horizons and takes into account different scenarios and sensitivities.</p>  |
| 2 | Febeliec    | <p>On the derating factors, Febeliec reiterates its comment on the potential impact of diverging derating factors between the LCT tender and the (subsequent) CRM period and wonders how this will be tackled concerning a.o. the secondary markets. This impact could even become worse if assets would consider cancelling CRM contracts in order to participate (under more favourable conditions as there would presumably be less competition) to the LCT tender instead.</p>   | <p>Multi-year CRM capacity contracts and Y-4 and Y-1 Auctions related to the same delivery period also result in diverging applicable derating factors. The evolution in derating factor, including the impact on the secondary market, is taken into account in the same way as in the general CRM processes. Last but not least, Elia notes that a contract cancellation would lead to financial penalties for the capacity provider.</p>  |
| 3 | Febeliec    | <p>On the global auction price cap, Febeliec is surprised to see that here all (eligible) technologies will be included for the preselected capacity types while such approach is not taken for the CRM and thus wonders what will be the impact on both.</p>  | <p>Elia thanks Febeliec for its remark on the preselected capacity types in the determination of the global auction price cap. Elia would like to clarify that not all eligible capacity types will be included in the preselected capacity types. The design note solely specifies that the preselected capacity types would have to be capacity types that are eligible in the LCT. This was further clarified in the public consultation on the scenario for the LCT where it is specified that the preselected capacity types are batteries and DSR.</p> |

## Auction

| # | Stakeholder | Received Comment   | Elia's answer in EN   |
|---|-------------|--|---|
| 1 | Synergrid   | The DSOs propose to include the possibility to choose the bid volume also in the CRM design as it will allow taking into account limitations through NFS in the bid  | ELIA takes note of the comment of Synergrid but would like to point out that the CRM design is out of scope of this public consultation.  |
| 2 | FEBEG       | Connection to the grid of storage assets: FEBEG also sees a risk of limited competition in the auction due to connection constraints on the grid. Timely obtaining a connection to the transmission grid can be complex for project developers due to congestion issues. Storage assets are considered as injecting in the worst grid configuration for injection and off taking in the worst grid configuration for offtake. This approach makes storage assets highly subject to grid congestion and completely neglects their positive impact on grid integration. FEBEG invites Elia and the authorities to reflect on alternative mechanisms to foster the development of storage and solve congestions issues. | Grid connection studies for batteries or energy storage devices in the broader sense, currently occur within the boundaries of the given regulatory and legal framework. As such, flexible connections are already proposed by the TSO, where relevant, in order to deal with expected grid congestions, awaiting further grid reinforcements. Elia acknowledges the need for further investigations into future evolutions of this framework in order to bring more flexibility option to market operation and grid management and is engaged to take such actions.    |
| 3 | FEBEG       | Page 19: ELIA states that there's no bidding obligation and, hence, not an obligation for an opt-out. So, also, no opt-out for a longer term contract. How will the volume that is de facto opt-out taken into account for future volume calculations?   | In future (CRM) Auctions, the Prequalification files will have to be renewed, in line with the Functioning Rules. Hence, when not the full eligible volume is offered in the LCT Auction, depending on the situation, it may be that additional volumes can be offered in the Auction or that corrections to the Demand Curve are performed (possibly after an opt-out of the CRM Actor).<br>It is an exception that the opt-out notification does not apply for the Low Carbon Tender. For all CRM Auctions, the opt-out notification and related rules do apply.      |
| 4 | FEBEG       | Page 20: As regards the auction clearing, ELIA doesn't explain how the grid constraints are taken into account (see also previous comment on waivers). If necessary, non-selected capacity holders will lose their connection capacity?  | The grid constraints in the Low Carbon Tender will be applied in a similar way as in a CRM auction. This is further detailed in the Functioning Rules. It may indeed be that CMUs that participate in the LCT auction - as is also the case for participation in a CRM Auction, that are in the connection process and hence are required to submit a waiver of connection capacity rights, lose their connection capacity rights, depending on the applicable grid constraints. ELIA also here refers to the Functioning Rules for a detailed description of the rule. |
| 5 | FEBEG       | Page 20: Will the same tie break rules apply?  | ELIA confirms that the same tie breaking rules will apply. However, please note that the optimization methodology that is applied first is different. It is only when the optimization phase does not result in one unique solution, that the tie breaking rules will be applied.   |
| 6 | Febeliec    | For the clearing, Febeliec insists on a cost minimization approach while also ensuring that no unnecessary (large) capacities are selected to bridge a very small (or even insignificant) gap.   | ELIA takes note of Febeliec's comment and refers to the Functioning Rules for a detailed description of the auction algorithm (optimization phase + if necessary, tie breaking rules) that will apply for the Low Carbon Tender.  |

## Financial Securities

| # | Stakeholder | Received Comment  | Elia's answer in EN  |
|---|-------------|---|--|
| 1 | FEPEG       | Page 19: ELIA states that the same rules for the financial guarantee applies... How will it work for a CMU changing status from 'not in service' to 'in service'? | <p>The "in service" definition is used as an additional eligibility check towards participation in the Low Carbon Tender and takes place on the level of the unit.</p> <p>The Financial Security obligation though applies on CMU level, and follows the same classification of CMUs (existing/additional/new build) as already exists in the CRM. The "in service" check has no impact on the classification of CMUs.</p> |

## Pre-Delivery

| # | Stakeholder | Received Comment  | Elia's answer in EN   |
|---|-------------|---|---|
| 1 | FEPEG       | <p>Page 21: What does the status 'not in service' or 'in service' mean for the pre-delivery control? How will it work for an already contracted capacity that is, for example, in a predelivery control period up to the first delivery period 2025-2026. Will this party have the double control? Which of the two will be applied? How to avoid discrimination?</p> | <p>Even though there are many similarities, the LCT is a separate product that runs alongside the CRM. In that sense, a CMU can be in a Pre-delivery Period for both the LCT and the CRM at the same time. However, this is not different from the CRM itself: when a CMU obtains one-year contracts in subsequent Delivery Periods in the CRM, he will likewise be subject to both Pre-delivery Periods. Elia does not find that this could lead to any form of discrimination and wants to stress that the Pre-delivery Obligation of the LCT and the CRM, much like the Pre-delivery Obligations from different Pre-delivery Periods from the CRM itself, are not summed in any way.</p>   |
| 2 | Febeliec    | <p>On pre-delivery monitoring, Febeliec wonders how this will be done for not yet existing capacity and how it will be guaranteed that this capacity will be available in time.</p>   | <p>Elia wishes to highlight that the pre-delivery monitoring process envisaged for the LCT is largely identical for Additional - New Build CMUs to the process that needs to be followed in the Y-1 Auctions of the CRM. Elia will apply financial penalties when after the determination of the Pre-delivery Measured Power, it turns out that the CMU does not attain its Pre-delivery Obligation. In doing so, Elia intends to provide enough incentive for Capacity Providers to be ready with their projects in time. Moreover, failure to meet the Pre-delivery Measured Power does not relieve the CMU from the Availability Obligation during the Transaction Period: if the unit is not present, the Capacity Provider will need to find alternatives on the Secondary Market.</p> |

## Payback Obligation

| # | Stakeholder | Received Comment  | Elia's answer in EN  |
|---|-------------|---|--|
| 1 | Febeliec    | Concerning the payback obligation, Febeliec cannot validate the proposed design by Elia as it is unclear how indexation would be applied (and how this would then be integrated with the first Y-4 auction where no indexation exists for the strike price and the discussion on retroactivity is not yet concluded). | <p>Elia takes note of Febeliec's position regarding the current status of the Payback Obligation and acknowledges the ongoing discussion on the Payback Obligation indexation.</p> <p>Elia would like to remind that a proposal has been made on the matter in the framework of the public consultation for the CRM Functioning Rules. Furthermore, Elia reminds that there should be no distinction between CRM &amp; LCT Functioning Rules on the way the Payback Obligation is applied.</p> |



## Availability Monitoring

| # | Stakeholder | Received Comment   | Elia's answer in EN   |
|---|-------------|--|---|
| 1 | Febeliec    | On availability monitoring, Febeliec wants to refer to its comments on the year versus winter product above. | Elia refers to the reply to the comment on the year versus winter product in the 'link with CRM' sheet. |

## Secondary Market

| # | Stakeholder | Received Comment  | Elia's answer in EN   |
|---|-------------|---|---|
| 1 | Synergrid   | The design should clarify that secondary market transactions on LCT contracts will be notified to the DSO (to take into account in NFS process)   | The reporting of secondary market LCT transactions to the DSOs will be in line with the reporting process for the CRM.  |
| 2 | Febeliec    | Concerning the secondary market, Febeliec wants to refer to its comments on this topic above and wonders how the LCT tender and the CRM will be seamlessly integrated to avoid perverse effects in the secondary market (as well as on other topics).                 | Multi-year CRM capacity contracts and Y-4 and Y-1 Auctions related to the same delivery period also result in diverging applicable derating factors. The evolution in derating factor, including the impact on the secondary market, is taken into account in the same way as in the general CRM processes. Also, it should be noted that a multi-year Capacity Contract in the LCT will be transformed into a CRM Contract from the second Delivery Period onwards. Hence, the same framework and modalities will apply for the Secondary Market.  |
| 3 | Febeliec    | Moreover, it is unclear how non-selected capacities would be eligible to participate in the secondary market (and whether they would then also automatically be allowed to participate in the secondary market of the CRM).   | Elia confirms that non-selected, but successfully prequalified capacities (for the LCT) are eligible to participate in the LCT Secondary Market. For participation in the CRM Secondary Market, the capacity should successfully complete the PQ process for the relevant Delivery Period (cf. prequalification requirements for the secondary market in section 5.6.1), given that a Prequalification File is linked to a Delivery Period. This allows ELIA to assess the Prequalification File with respect to the specific prequalification requirement for the related Delivery Period. |
| 4 | Febeliec    | Last but not least, Febeliec has grave concerns concerning the liquidity of the secondary market for the LCT tender, especially also in combination with the issues concerning overall liquidity for this tender because of a too strict framework for participation. | As elaborated more in detail in the LCT design note, Elia repeats that the LCT scope only includes new capacities. Hence, Elia sees similar concerns regarding potential secondary market volumes. However, Elia refers to the efforts made (cf. feedback on the eligibility criteria) to broaden the eligibility criteria with the aim to increase the competition in the auction and the liquidity in the secondary market.   |

**LCT consultation report :**  
**CO<sub>2</sub> threshold**  
Directorate General Energy of the FPS Economy  
November, 14<sup>th</sup> 2022

# 1 Introduction

The DG Energy set a specific emission threshold of 29 g CO<sub>2</sub>/kWh in Elia's consultation over the Low Carbon Tender (LCT) mechanism. The mechanism was announced to fill in the projected supply gap of the winter 2024-2025. The CO<sub>2</sub> threshold proposed by the DG Energy was based on the point 345 of the Guidelines on State aid for climate, environmental protection and energy ('CEEAG') according which additional features can be added to capacity mechanisms to promote greener technologies.<sup>1</sup>

## 2 Summary

### 2.1 Centrica

No mention of the CO<sub>2</sub> threshold

### 2.2 FEBEG

On the technology neutrality: there is no reason to deviate from the current CO<sub>2</sub> emission limits and to limit the LCT to new capacity;

On top of that, the evolution of the proposed CO<sub>2</sub> emission limits for participation to the CRM is unacceptable. The CO<sub>2</sub> emission limits that are applied up till now seem to be at random, discriminatory and are difficult to explain:

- delivery year 2024-2025: specific emission limit of 29 g CO<sub>2</sub>/kWh;

- delivery year 2025-2026: specific emission limit of 550 g CO<sub>2</sub>/kWh or annual budget of 350 kgCO<sub>2</sub>/kWe for the Y-4 auction but not longer for the Y-1 auction for the same delivery year;

- delivery year 2026-2027: specific emission limit of 550 g CO<sub>2</sub>/kWh.

The lack of clear trajectories for the evolution of CO<sub>2</sub> emission limits by delivery period – applicable for both the Y-4 and Y-1 auction for a delivery period – is clearly undermining the investment climate.

FEBEG also notices that references to specific technologies, like batteries and Demand Side Response (DSR), are made in relation to the low carbon tender while the design note mentions that for the LCT, the specific emission limit is set at 29 g CO<sub>2</sub>/kWh.

how can market parties still have confidence on the legal and regulatory framework to make their business case? Will those specific recurrent auctions not become more frequent? Will the legal and regulatory framework continue to (retroactively) change?

### 2.3 Febeliec

Febeliec would like most strongly to voice its concerns, as it has already done during the meetings where this tender was discussed. In case there is a real and important risk for Belgian system adequacy for the winter 2024-2025, Febeliec considers the framework too restrictive, as the tender is not technology-neutral and could thus jeopardize system security by excluding volumes and technologies that could alleviate these concerns. Moreover, by explicitly excluding technologies, it is not ensured that the outcome of the tender will lead to the lowest possible costs for the system and consumers. Alternatively, if no adequacy concern would exist for winter 2024-2025, there would be no need for this tender nor for all the related work by all concerned parties. Last but not least, Febeliec also wonders about the approval of this subsidy scheme by the relevant authorities, which does not seem to have been granted at this moment.

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<sup>1</sup> [Guidelines on State aid for climate, environmental protection and energy \('CEEAG'\), Chapter 4, 4.8.4.3, 345.](#)

## 2.4 Nyrstar

No mention of the CO2 threshold

## 2.5 Synergrid

No mention of the CO2 threshold

# 3 DG Energy replies

## 3.1 FEBEG

A distinction shall be made between the two capacity mechanisms: LCT and CRM. Although the aim of ensuring security of supply is their common ground, these mechanisms differ. As a reminder, the CRM is based on the article 7undecies of the electricity market law of 29/04/1999 and starts at the delivery year 2025-2026 with a 550 g CO<sub>2</sub>/kWh threshold just as the CRM's second delivery year 2026-2027. On the other hand, the LCT would be a tender made to fill the supply gap of the year 2024-2025 based on the article 7duodecies of the electricity market law of 29/04/1999 with low carbon capacities of up to 29 g CO<sub>2</sub>/kWh.

All capacities can apply to the LCT mechanism given that they respect the low carbon threshold. The 29 g CO<sub>2</sub>/kWh threshold applies to all participating capacities independently of the technology.

Over the CRM-specific CO<sub>2</sub> trajectories, the DG Energy has launched since September a consultancy in order to define the trajectory that would suit the current framework and suit the best the different elements in place: the aim to reduce the specific emissions in the CRM, take into account the uncertainties and unsettles of certain CMU holders as well as the requests coming from more ambitious stakeholders while complying with the European competition framework.

The foreseen project of a designated trajectory might be applied from the delivery year 2027-2028 and would be part of the CRM functioning rules update. It is worth insisting that this trajectory will not have any retroactive effect on the two prior delivery years.

The current consultancy work has provided its final recommendation during the WG adequacy on the 16<sup>th</sup> of December. The competent cabinet is currently reviewing this recommendation.

## 3.2 Febeliec

A supply gap has been described by Elia in its projections for the winter 2024-2025 according to the previous Adequacy and Flexibility study 2022-2032<sup>2</sup>. As it has been discussed in the working groups Adequacy, the LCT mechanism has been described as the most cost-efficient solution.

The DG Energy would like to point out the fact that only eligible capacities (which did not apply to the CRM and respect the 29 g CO<sub>2</sub>/kWh threshold) will be considered in that auction for multiple-year contracts. Therefore it is only a one-year contract for the capacities that have already applied to the CRM and have been qualified or are currently in an "opt-out in" for the following delivery years. All technologies are free to participate to the tender as long as they respect the 29 g CO<sub>2</sub>/kWh threshold.

Finally, according to the CEEAG, Member States are encouraged to introduce additional criteria of features in their security of supply measures to promote the participation of greener technologies necessary to support the delivery of the Union's environmental protection objectives<sup>3</sup>.

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<sup>2</sup> [Adequacy and Flexibility study 2022-2032](#)

<sup>3</sup> [Guidelines on State aid for climate, environmental protection and energy \('CEEAG'\), Chapter 4, 4.8.4.3, 345.](#)