

Flexible agreement for lot 1 tender Princess Elisabeth Zone

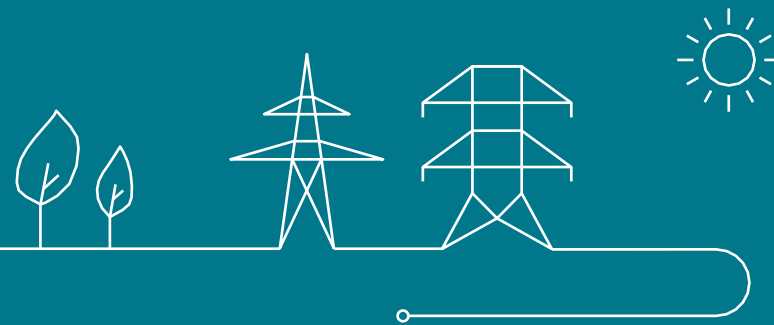
25 November 2024 - the official information as well as the tender documents are available on the SPF website. These updated slides are purely for non-binding informational purposes and as being the end of an user-group track.



Flexible agreement

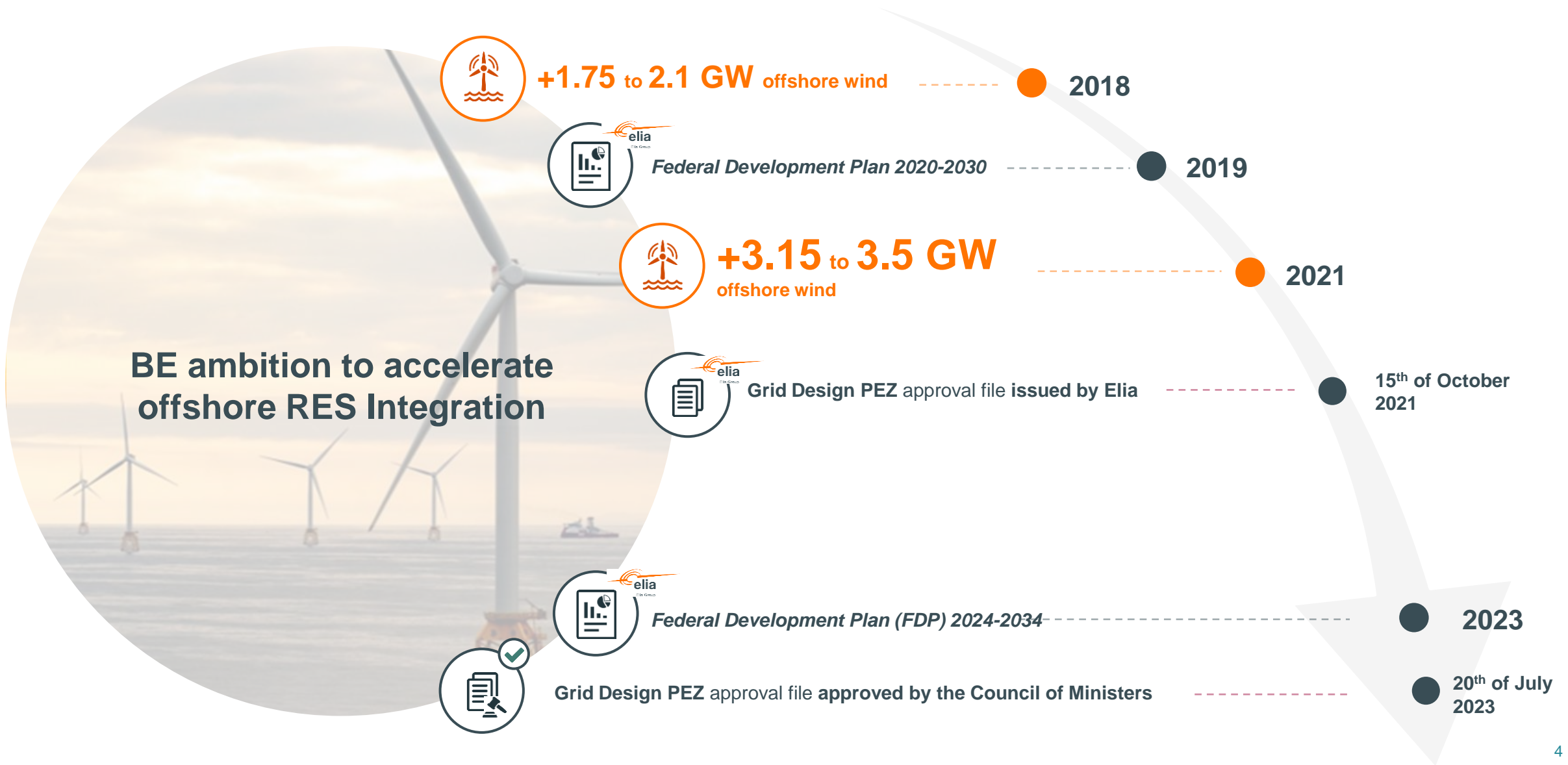
- Context - reminder
- Concept and application for lot 1 PEZ
- Process and planning foreseen

Context – reminder





Belgium has set high RES targets for 2030 as well as a strong ambition to accelerate RES integration as much as possible





Since the Federal Development Plan (FDP) 2020-2030, **Ventilus** and **Boucle du Hainaut** are known as critical to create onshore grid hosting capacity and open doors for **further offshore RES integration**.



+1.75 to 2.1 GW

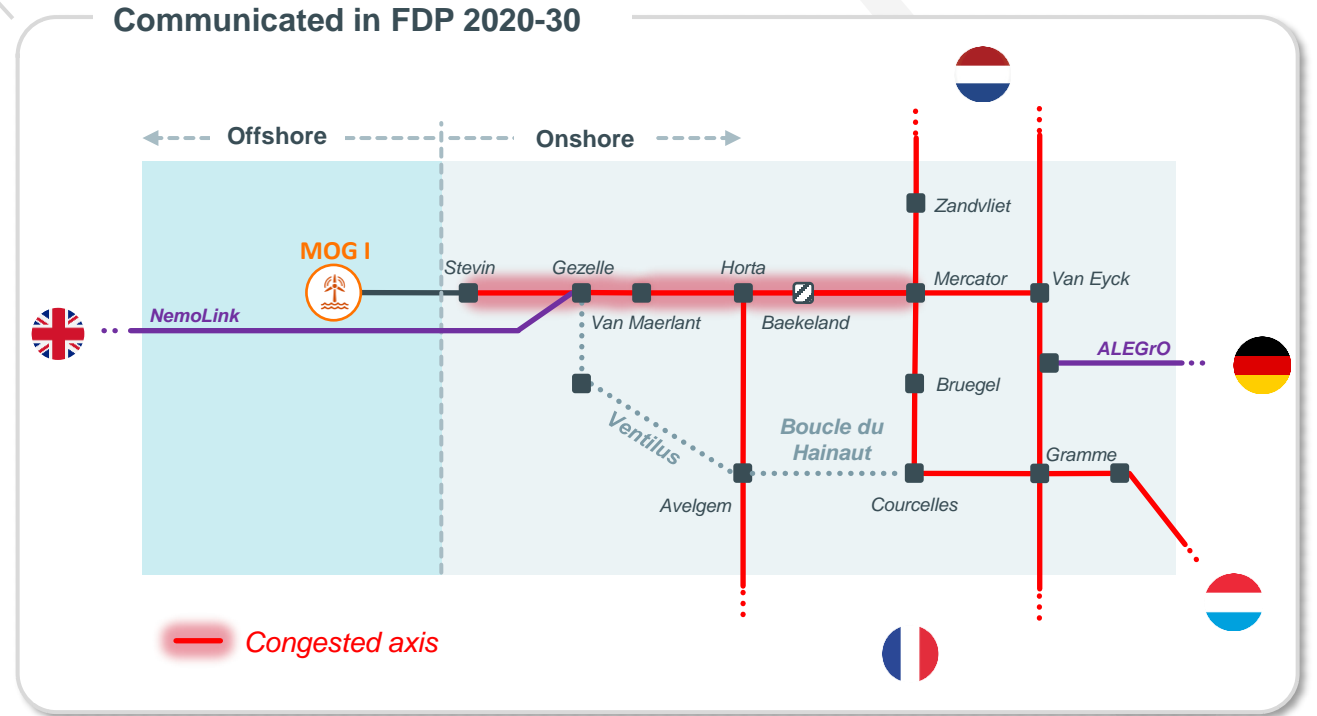
2018



Federal Development Plan 2020-2030

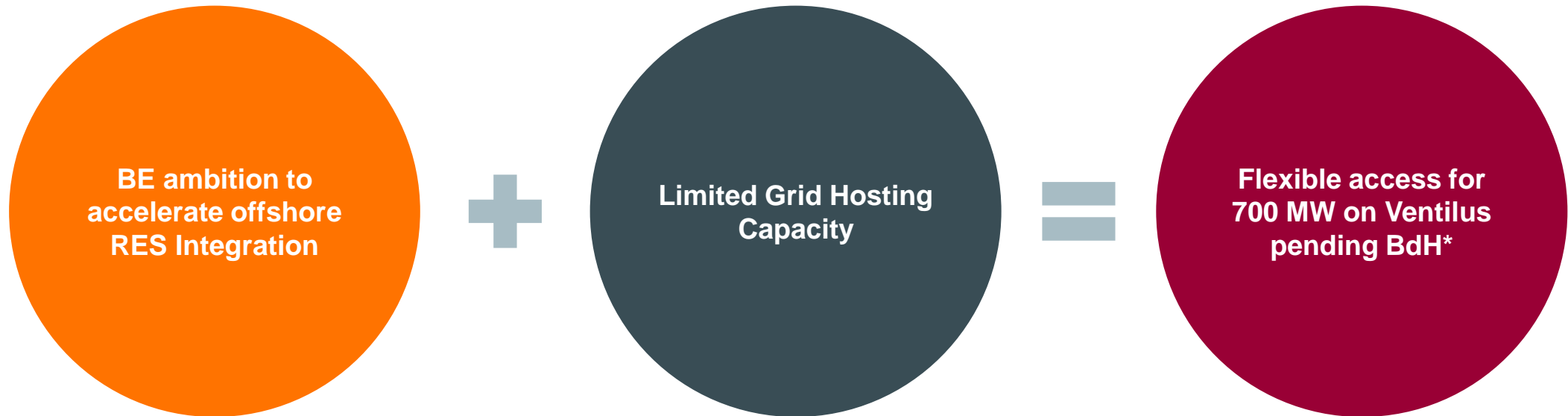
2019

Limited Grid Hosting Capacity



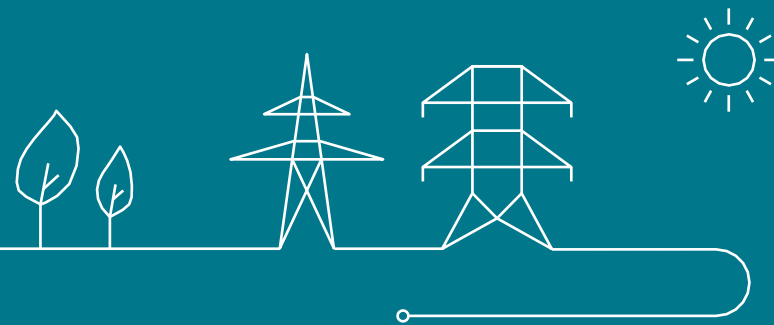


Flexible access on the Princess Elisabeth Island is a logical answer to Belgium's ambition



The same answer is provided to any other client wishing to connect sooner than the required reinforcements of the network

Flexible access

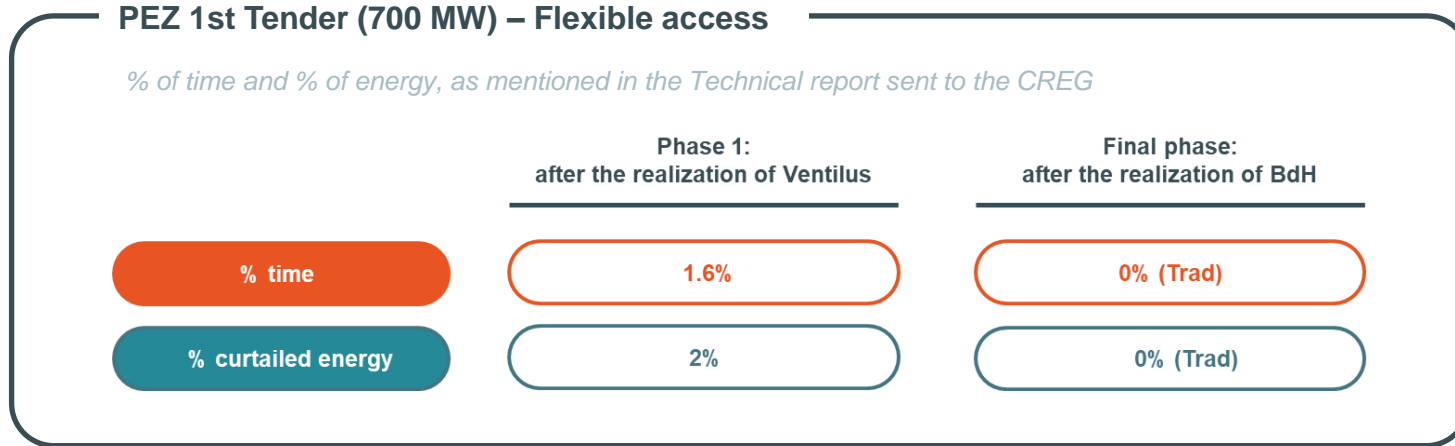




The decision process for flex access PEZ has been taken by CREG on 25/10/2024 Evolution of design grid user for flexible access will cap the risks in all dimensions

AS-IS

Flexible access with current Code of Conduct foreseen for first lot PEZ



Status

- CREG **public consultation** on their draft positive decision for flex access **closed this 30th of August**
- This formal decision was communicated by CREG this 25th of October 2024 (see CREG website for official information)

Improvement of the generic framework for flexible connection agreement ongoing

TO BE

- Improvements to the generic framework for flexible connection agreement are being discussed with market participants and CREG, and should lead to a new approach for which CREG intends to take the **decision by end of year on all relevant principles and key parameters related to the guaranteed offered to grid users, and on other aspects by Q1 2025** (with an update of CREG's Code of Conduct) - *Elia refers to CREG to receive latest information on the planning in this regards*
- The improvements are aiming at providing guarantees to the grid users (cap on duration, cap on volume, cap on prices) in order to quantify the risks that they are facing for their business case. **The caps covering all the dimension of the risks make it fully quantifiable.** This is meant to offer an answer to the criticisms that the flex access was making the projects (PEZ and others) non financeable.

Cap price

Cap volume

Cap duration

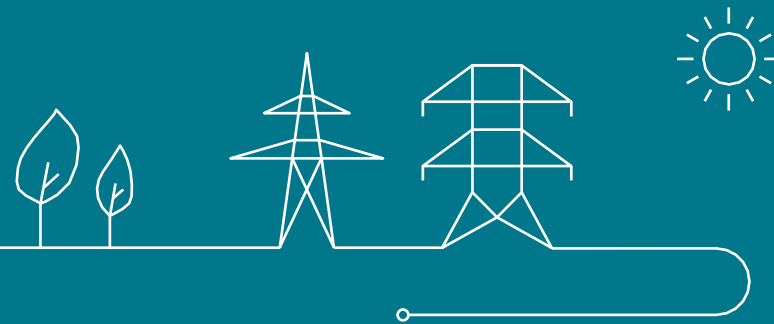


Additional clarifications

Flexible access with current Code of Conduct foreseen for first lot PEZ:

- The contract identifies the % of time the energy is exceeding the limit during the year and needs to be curtailed. The amount of energy to be curtailed is different from one moment to another and represents, when cumulated on the year, 2% of the expected annual energy produced by the 700 MW offshore wind capacity
- The currently applicable Code of Conduct for the flexible connection don't foresee compensation in case of the cap in % of time or % of curtailed energy is reached.
- The ongoing improvement of the generic framework for flexible connection agreement aims to mitigate this aspect.
- Elia proposed to have the possibility, once for each connection contract, to extend the temporary period or to postpone a phase within the temporary period for reasons strictly limited to permits (which are not in Elia's control). Elia understand that this possibility brings an uncertainty for the grid user but Elia believes that it remains important to have the Grid User concerned by the permitting process. Note that Elia is already doing whatever is in its own power to deliver the infrastructure projects on time and that all other risks for delay that can also be out of Elia's control such as major supply chain issues aren't borne by the grid user.

Concrete application of the proposed CoC to PEZ flex access





Concrete application of the proposed CoC to PEZ flex access

Status

- Elia submitted a new version of the Code of Conduct (CoC) on 28/10. The CREG will now start its decision process, including a public consultation. Changes could be brought by CREG.
- Elia is willing to clarify the current view of the concrete implications of the CoC as proposed by Elia on the specific case of PEZ lot 1, also considering the broader regulatory framework.

Within the limits applied on the contract

■ There are 2 contractual limits to the use of Gflex for PEZ:

1 Temporary period

- Latest communicated date for the project Boucle du Hainaut: 2030
- A standard 2 year margin is taken into account for the uncertainty on a project which is still in "study" phase. **The temporary period will then end at the end of 2032.** In case of duly justified reason related to permitting issue, this temporary period can be extended once by Elia. This extension cannot go further than 15 years as from the moment of the sending of the EDS (2024). So at maximum the temporary period will end in 2039.
- After the temporary period and in case BdH is not yet commissioned, **the flexible access will still be technically present, but with the modalities described here below** in the "Outside of the limits applied on the contract"
- **Once BdH is commissioned, irrespectively of before or after 2032, the access will become permanent.**

2 Cap on volume

- **Annual cap of 2% of the estimated annual production**, based on the figures from the EDS
- **Possibility to report unused volume to subsequent years up to 3 years**

■ **Financial aspects within contractual limits**

- The perimeter of the BRP will be corrected* taking into account the difference between the available active power and the real-time flex limitation
- There is no remuneration of the grid user for that volume *by Elia (hence this excludes potential other financial flows from market or from support scheme)*
- The grid user has to pay a fee for that volume corresponding to the imbalance tariff, with a **cap on price of 1000 EUR if the zone is short, and a cap of -700 EUR if the zone is long.**

Cap duration

Cap volume

Cap price

Outside of the limits applied on the contract

For financial aspects outside of the temporary period and the annual cap, the frequency of activation in real time will significantly decrease and, in case of activation:

- The perimeter of the BRP will be corrected* taking into account the difference between the available active power and the real-time flex limitation
- There is a remuneration of the grid user for that volume. In a cost-based approach applied to a wind park under a double-sided CFD support scheme, there is no saved fuel cost to consider and no loss of support scheme. Hence the remuneration to be paid by the wind for this downward activation is zero.
- The grid user doesn't pay a fee

*Note that if the activation occurs while the imbalance price is negative, the BRP of the wind park would be expected to already have reacted by limiting by themselves their injection, and hence a limitation sent by Elia is unlikely to have any effect.



Additional clarifications

- **The BRP perimeter correction within the contractual limits** is not meant to reduce the financial exposure of the Grid User but to provide exactly the same financial impact for the grid user as the initial proposal. Elia is convinced that all costs related to an activation (including balancing costs) have to be borne by the grid user for the reasons developed during the workshops and in the documents submitted to the regulator. In the initial proposal, the costs linked to the imbalance caused by an activation would anyway be transferred by the BRP to its grid user. This new proposal was the result of discussion with the CREG and provides the advantage to avoid multiplying the number of involved parties but remains exactly the same from a financial point of view.
- **Correction of BRP perimeter:** The volume to be corrected will be the estimation of the volume modulated (which corresponds to the difference between the baseline and the modulation signal). The baselines used for the different technologies are described in section 6.4.2 of the design note and will be further discussed with market parties beginning of next year. For wind parks, grid users shall use the AAP method. If not available, the control group method shall be applied.
- **Clarification on “possibility to report unused volume to subsequent years up to 3 years”**

These are 2 distinct topics:

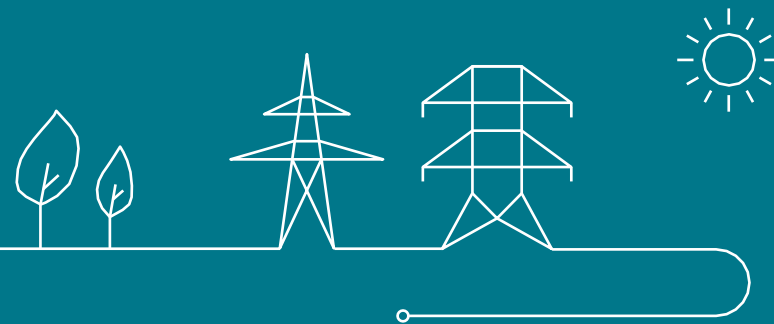
- 1) The 2 years of margin relate to the duration of the temporary period and is linked to the uncertainty on the duration of the infrastructure projects.
- 2) The carrying over of the volume not used during one year to the subsequent year (and this up to 3 years if never used) is linked a.o. to the fact that the annual volume estimations are averages over a phase.

Once the temporary period is finished (even though there was still some margin from previous years), all activations will be considered as outside of the contractual limits and will hence be remunerated.

Once the project BdH is delivered, the contract becomes firm and there is no flexibility activated through the flexible connection modalities.

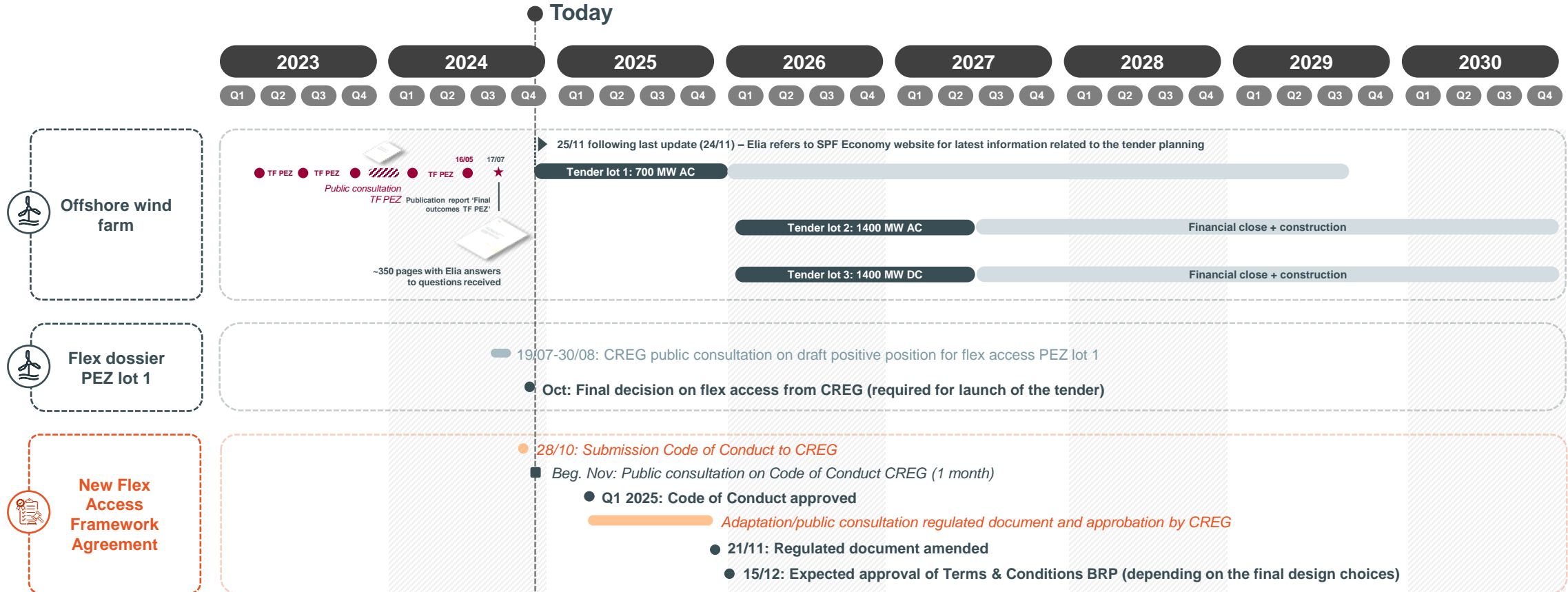
- **The principles of retro-active effect of the ‘New Flex Access Framework agreement’** will be covered in the approved Code of Conduct foreseen for Q1 2025, so during the PEZ 1 tender

Process and planning





The planning of the PEZ tender and of the flexible access agreement



Clarification on principles Code of Conduct will come early enough in the tender process to allow bidder to improve and take into account risk assessment in their business case evaluation



Additional clarification

Latest information related to the tender Princess Elisabeth Zone

- Elia refers to SPF/FOD Economy website for latest information related to the timing foreseen for construction and financial close

New Flex Access Framework Agreement

- Elia has submitted a proposal for Code of Conduct to the CREG, and published its proposal on its website by mid November. Elia cannot commit on the content of the final version of this document. In addition, Elia has included in the proposal of Code of Conduct the elements which we believe are the most relevant for grid users to be able to make their business case. The detailed modalities will be described in other regulated documents (connection contract, coordination rules, T&C BRP,...), for which the amendment process will be initiated next year.

Thank you.

