

Capacity Remuneration Mechanism (CRM)

FUNCTIONING RULES V.4

Cover Note for the Public Consultation by ELIA

December 2023

Contents

COVER NOTE INTRODUCTION	3
1 INTRODUCTION	4
2 GENERAL PROVISIONS	4
3 DEFINITIONS	4
4 SERVICE TIME SCHEDULE	4
5 PREQUALIFICATION PROCESSES	4
6 AUCTION PROCESS	5
7 CAPACITY CONTRACT SIGNATURE	6
8 PRE-DELIVERY CONTROL	6
9 AVAILABILITY OBLIGATION	6
10 SECONDARY MARKET	8
11 FINANCIAL SECURITIES	8
12 PAYBACK OBLIGATION	9
13 LIABILITY AND FORCE MAJEURE	9
14 DISPUTE RESOLUTION	10
15 FALLBACK PROCEDURES	10
16 TRANSPARENCY AND MOTIVATION	10
17 DIRECT AND INDIRECT FOREIGN CAPACITY PARTICIPATION	10
18 ANNEXES	10

COVER NOTE INTRODUCTION

From December 1st 2023 until January 5th 2024, a public consultation regarding the fourth iteration of the Functioning Rules of the Capacity Remuneration Mechanism (CRM) will be ran.

This cover note serves to guide stakeholders through the most notable changes in the Functioning Rules. It is intended to be used alongside the Functioning Rules, as a supportive compendium. Each chapter corresponds with the eponymous chapter of the Functioning Rules and lists the major alterations between version 4 and version 3, the latter of which was published in May 2023.

In case no significant changes were made to a chapter, "null" is used.

The table below summarizes the key milestones related to the Functioning Rules:

Date	Topic
01/12/2023 – 05/01/2024	Public consultation on the CRM Functioning Rules.
01/02/2024	ELIA submission of CRM Functioning Rules to the CREG.
15/05/2023	Approval of the CRM Functioning Rules by the CREG and publication.

The changes listed in this document are selected based on perceived impact and are in no way an exhaustive overview. This document is by no means legally binding. ELIA recognizes that for certain proposed changes an amendment of the legal framework is needed. This is especially the case for the indirect cross border participation, where the Royal Decree is yet to be adopted. Moreover, for the introduction of the Y-2 auction and the so-called dynamic 200h rule, a change in the Electricity Law and relevant Royal Decrees is needed. At the time of writing, these changes have not been adopted yet, but they are envisaged – pending the regular adaptation process – to enter into force in due time. By including these changes, ELIA does not want to pre-emptively assume the adaption, but introduced the changes already in the CRM Functioning Rules to ensure a coherent set of rules. This also implies that ELIA might make further changes to the Functioning Rules after the public consultation to ensure alignment with the rest of the legal framework.

1 INTRODUCTION

1. ELIA added the clarification that all timings are expressed in CE(S)T.

2 GENERAL PROVISIONS

null

3 DEFINITIONS

2. As per Article 8.2 of Regulation (EU) 2019/943, the Day-ahead Market will evolve from an hourly to a quarter-hourly granularity. Strictly speaking several definitions with regards to the Availability Obligation and other chapters already take this into account. For example, an AMT Hour is defined as "A Day-ahead Market segment (...)", thus not explicitly referring to an hour. Be that as it may, it is confusing to talk about AMT Hours when these are only one quarter hour long. As a result, ELIA proposes to replace AMT Hours and SLA Hours by AMT MTUs and SLA MTUs respectively (Market Time Units).
3. The definition of New Build CMU has been adapted as well. This adaptation is mainly explained by the broadening of the concept of New Build CMU to the Fast Track Process, i.e. some Fast Track CMUs might not contribute to Security of Supply despite having an obligation to prequalify. A Fast Track CMU will classify as a New Build CMU if it has not acquired yet all relevant permits in last administrative instance. For the CMUs going through the Standard Prequalification process, the definition has also been adapted in the sense that the connection capacity waiver has been dropped as an intermediate step towards being considered as a New Build CMU. However, in essence, the principle of classifying a CMU in the Standard process as a New Build CMU has not changed.

4 SERVICE TIME SCHEDULE

null

5 PREQUALIFICATION PROCESSES

4. Based on the ongoing discussions in CdS ELIA has opted to include the changes relevant for the introduction of a Y-2 auction. Furthermore, ELIA has detailed the rules linked to the participation of low voltage capacities. It is worth mentioning that the proposal of Functioning Rules, for the auctions organized in 2024, only foresees a participation of low voltage connected capacities to the Prequalification Process as Additional Capacities.
5. (*Section 5.2.3*) Adjustments have been made in the "Prequalification File requirements" section in order to clarify and/or simplify several aspects linked to the submission of a Prequalification File (permit requirements, technology requirements, etc.)
6. (*Section 5.3.2*) The freeze period foreseen taking place at the end and after the Prequalification Process has been shortened to allow the CMUs to launch their process evolve from Additional to Existing at a later stage.
7. (*Section 5.4.2*) The opt-out classification rules determine how volumes are considered in terms of contribution to Security of Supply. The following elements deserve to be highlighted:

- First, ELIA would like to stress that the broadening of the New Build CMU definition (as described above) has an impact on the consideration of certain capacities towards Security of Supply. While under the previous rules, all Fast Track CMUs were typically considered as opt-out "IN" (notwithstanding some technical possibilities to still be classified as "OUT"), the Fast Track CMUs that will now be considered as New Build CMU will be classified as opt-out "OUT" under the new rules;
- Secondly, ELIA has broadened the rule that capacities without an obligation to submit a Prequalification File are to be considered as opt-out "OUT", regardless of the derating factor chosen. As a reminder, under the previous rules there was the additional condition that the CMU had to be associated to an SLA category. However, ELIA believes that with a view on technology neutrality, it makes sense that all capacities without an obligation to submit a Prequalification File are considered as "OUT", regardless of the derating factor chosen;
- Third, ELIA proposes an opt-out volume (and consequently classification as "IN/OUT" in line with the general opt-out classification principles) for all capacities that have submitted a Prequalification File but that drop out of the CRM process before bidding into the auction. This way, the consideration of opt-out volumes is attached to the CMUs and this information can be taken into account towards other CRM Processes (e.g., to determine the Secondary Market Remaining Eligible Volume). More precisely, ELIA proposes to convert the following cases into a "full opt-out":
 - rejection of PQ file by ELIA;
 - archive of PQ file by Candidate;
 - no access to the Auction because of insufficient Financial Security;
 - not bidding in the entire prequalified volume at least once;
 - bid not selected of a participating and at the time of the determination of the Demand Curve considered non-eligible CMU.

6 AUCTION PROCESS

8. The Auction chapter has been modified to include the addition of a new auction that will take place two years before the start of the Delivery Period: the Y-2 auction. This auction will be identical to the Y-4 auction, except from the fact that no virtual CMUs are allowed to participate to the Y-2 Auction.
9. (*Section 6.3.1*) A placeholder (as the proposal still has to be developed in the Royal Decree on "methodology") for a new upward volume correction of the Demand Curve was introduced for both the Y-4 and Y-2 auctions in order to incorporate the partial reduction of the volume reserved for later auctions (also known as the dynamic 200h-rule).
10. (*Section 6.2.1.1*) The rules have been reviewed to accommodate mutually exclusive Bids which can be submitted across Auctions organized in the same year. This is deemed relevant for projects with significant investments that require a multi-year contract and are indifferent about whether this project should be developed in e.g., 2 or 4 years.
11. (*Section 6.2.1*) Changes regarding indirect Foreign Capacity Participation:
 - The Bid Price and volume for a Foreign CMU Bid should be equal to the price and volume of the Bid selected in the Pre-Auction;
 - A downward volume correction in the auction will apply when and to the extent that the total volume submitted from Foreign CMU bids in the Auction is lower than the volume of the Pre-

Auction Demand Curve.

7 CAPACITY CONTRACT SIGNATURE

null

8 PRE-DELIVERY CONTROL

12. *(Section 8.2)* The Pre-delivery Monitoring has been slightly rephrased, thereby not impacting already contracted units. In the previous edition of the Functioning Rules, the Pre-delivery Period consisted of two phases, at the end of which a moment of control took place. By effectively only defining the moments of control, the phases become redundant and have been removed for the sake of simplicity.
13. *(Section 8.3.1 & 8.3.3)* The introduction of a Y-2 Auction impacts the Pre-delivery Monitoring since the Auction takes place right in the middle of the Pre-delivery Period. ELIA proposes that CMUs first contracted in a Y-2 Auction are also subject to two moments of control, the first of which takes place on August 31st Y-1 and the second right before the start of the Delivery Period, i.e., October 31st Y. The modalities with regards to how the Pre-delivery Obligation is verified and the amounts of penalties, if necessary, are identical to already existing moments of control.
14. *(Section 8.6.1)* Precisions have been added to the process for an additional CMU to become an existing CMU. The general process remains the same as in the previous version. However, some added clarification can be highlighted:
15. *(Section 8.6.1)* The Prequalification file to evolve from Additional CMU to Existing CMU should be submitted either by the Prequalification File submission deadline or by 5 Working Days before Auction Gate Closure Time. Depending on the deadline chosen, the timing for the compliance check of the Prequalification File taking place in the framework of the evolution from Additional to Existing will differ. The timing for ELIA to review the file and for Capacity Holder to finalise the file are shorter when the chosen deadline is 5 Working Days before Auction Gate Closure.

The determination of the Nominal Reference Power of the CMU is set according to the general process described in Chapter 5. Prequalification Process with some exceptions specific to the CMU evolving from Additional to Existing.

- Neither the organization of a Prequalification test nor a contestation of the Nominal Reference Power can be used.
- Timing must be set in order to finalize the process of evolving from Additional to Existing before the moment of control t control 2.
- Commissioning data can be used in the framework of such Prequalification test.

9 AVAILABILITY OBLIGATION

16. ELIA has restructured the chapter on the Availability Obligation. Multiple sections have been modified for the sake of clarification and simplification, but this does not necessarily mean that the rules themselves change.
17. In order to streamline and further improve readability of the Availability Obligation chapter, several elements have been moved to Annex 18.3. In particular, this involves the methodology

for the determination of the SLA MTUs, the calculations for the corrections on Ancillary Services and Redispatching Services and the baselining methodology.

18. (*Section 9.3.1*) The larger framework of the energy markets is closely tied to the iCAROS programme. To further align with the roll-out of iCAROS, ELIA proposes to closer integrate the data submitted in the framework of the Outage Planning and Daily Schedules. These changes are proposed in order to reduce the administrative burden for Capacity Providers during the Delivery Period. In particular, for CMUs with a Daily Schedule, ELIA proposes to:
 - Starting from Thursday in week W, the Availability Plan for week W+1 is used to automatically determine the Unavailable Capacity notifications for the CMU during this week W+1, rather than creating a separate notification process in the CRM-IT Interface. This design evolution avoids possible discrepancies between the Outage Planning and a notification and simplifies the process for Capacity Providers;
 - Use both the Availability Plan and the Daily Schedule for the determination of the Available Capacity for Daily Schedule CMUs (see also later).
19. (*Section 9.3.2*) ELIA furthermore proposes the introduction of Scheduled Maintenance in the CRM. In the previous design, Capacity Providers could declare Announced Unavailable Capacity in case of Scheduled Maintenance, but even then, they would be penalized when Missing Capacity was determined (albeit much less excessive). In order to not let the CRM, disturb normal market behavior, ELIA proposes a framework in which Capacity Providers can notify ELIA of a period of Scheduled Maintenance during which they are not penalized in case of reduced Available Capacity.
20. (*Section 9.4.3*) The previous version of the Functioning Rules already included the distinction between Proven and Unproven Availability. ELIA has further clarified this distinction for Non-daily Schedule CMUs. For Daily Schedule CMUs, the distinction is introduced following the use of the Availability Plan and the Daily Schedule for the Available Capacity. Seeing as the Daily Schedule does not include volumes reserved in Ancillary Services or Redispatching Services, ELIA has added the correction (which, as stated above, has been moved to Annex 19.3.4) in order to determine the Proven Availability more accurately.
21. (*Section 18.3.3*) ELIA proposes to modify the methodology for the determination of the SLA MTUs. The previous methodology could, in some cases, lead to an incorrect or indecisive selection of SLA MTUs. The proposed methodology tackles these issues and aims to select MTUs in such a way that normal market behaviour for Energy-Constrained CMUs is not disturbed. As already mentioned, this methodology is now available in Annex 18.3.3
22. (*Section 9.6.1*) ELIA furthermore proposes to modify the formula for the Missing Capacity. In the specific case of and ex-post Secondary Market Transaction, the principle has always been that the acquired obligations are met by Proven Availability. In the previous Functioning Rules the ex-post Secondary Market Remaining Eligible Volume prevented transactions to be concluded in case of no Proven Availability, but the practical delays for validation of measurement data means that ELIA cannot always be sure whether there is Proven Availability before it needs to validate an ex-post Transaction. As a result, ELIA proposes to allow the Transaction to take place even when it is not sure whether there actually is Proven Availability, but to formally validate the Proven Availability during the Availability Monitoring.
23. (*Section 9.6.2*) As explained previously, the evolution towards a quarter-hourly day-ahead market prompted ELIA to use AMT MTUs rather than the previously existing AMT Hours. In order to correctly take into account this, change, ELIA proposes to slightly modify the formula for the Unavailability Penalty. The result is a new element Q that ensures that the Unavailability Penalty remains exactly the same, whether it is expressed for, for example, 2 consecutive hours or 8 consecutive quarter hours.

24. (Section 9.6.4) Lastly, ELIA proposes to slightly simplify the process of the downwards revision of monthly remuneration in case of multiple occasions of Missing Capacity. When certain conditions are met, in the previous Functioning Rules the Capacity Provider had to manually request the reinstatement of the original remuneration. ELIA proposes to automatically reinstate the original remuneration when the conditions are met. ELIA also noticed that it would be unfair to apply the downwards remuneration for the entire month when the third occasion of Missing Capacity is detected. ELIA proposes to apply the downwards remuneration pro rata depending on the day during which the third occasion of Missing Capacity took place.

10 SECONDARY MARKET

25. (Section 10.4.8.2) The validation rules of ex-post transactions on the Secondary Market have been adapted, in a way that no validated metering data is needed anymore during the validation. The validation of ex-ante and ex-post Secondary Market transactions now happens in exactly the same way. However, it is important to point out that obligations taken over ex-post still have to be covered by Proven Availability. This will be verified during the Availability Monitoring process.
26. (Section 10.5.1) In case of an ex-ante transaction on the Secondary Market, the Buyer of an Obligation may still have to provide the following information: initial choice of NEMO and initial choice of Declared Day-ahead Price.
27. Changes regarding indirect foreign capacity participation include:
- No Secondary Market transactions with Foreign CMUs are allowed before the Y-4 auction results have been published;
 - No Secondary Market transactions with Foreign CMU are allowed with a granularity less than one or more full Delivery Periods before the Y-1 auction results have been published;
 - An Additional requirement concerning the Secondary Market Capacity has been added, i.e., for a Buyer of an Obligation with a Foreign CMU engaging in a transaction on the Secondary Market with a CMU located in another country, the Secondary Market Capacity cannot be higher than the Remaining Maximum Entry Capacity. The latter represents the margin that is still available on the border to take over additional obligations. It is calculated as the total volume selected in the Auction from Foreign CMUs across the border, reduced by the Total Contracted Capacity of Foreign CMUs across this border. In other words, additional obligations can only be acquired by Foreign CMUs in a country when capacities in this country have traded away obligations to CMUs located in another country after the Auction(s).

11 FINANCIAL SECURITIES

28. (Section 11.2) The cases allowing to share a Financial Security across CMUs have been bundled together in an attempt to clarify and simplify the rules and thus make them more readable. Note however that the underlying principles have not changed.
29. (Section 11.2.1.1) The rules now require 100% of the Secured Amount to be covered to get access to the Auction instead of 90% as was the case under the previous rules. Also, this change aims to simplify the rules. Moreover, ELIA does not see a good reason anymore to allow market parties to only cover only 90% of the Secured Amount by the Bid submission deadline, as the Financial Security only has to be provided by September 1st and market parties are free to anticipate the amount to be covered by the bid submission deadline. Also, very soon after the

selection of the Bid the Financial Security would in any case have to be replenished to cover 100% of the Secured Amount.

30. *(Section 11.4.1)* The Required Levels have been adapted with respect to the impact the Permitting Milestone has on these levels. For New Build CMUs, the Required Level is proposed to be equal to 20 000 €/MW but can be lowered to 15 000 €/MW if the Permitting milestone has been achieved during the Pre-delivery period. For any other Additional CMU, the Required Level equals 11 000 €/MW (hence here there is no distinction anymore based on the Permitting milestone). All other Required Levels remain the same. This adaptation also means that the Permitting milestone information is not required to be provided and verified anymore during the Prequalification Process, which entails another simplification.
31. Rules have been integrated across the chapter regarding indirect foreign capacity participation. These include:
 - Financial Security for Foreign CMUs to be provided before the Pre-Auction, i.e., by May 10;
 - Different Validity Period for Foreign CMUs, i.e., starting on the Pre-Auction Bid submission deadline;
 - For Foreign CMUs, towards the Volume to be Guaranteed, the volume of the Bid submitted in the Pre-Auction is considered;
 - Financial Security for Foreign CMUs can be called upon as from the Pre-Auction result notification;
 - Additional release moment, i.e., at the moment of the Pre-Auction result notification.
32. *(Section 18.5)* Finally, please note that the Financial Security templates have been adapted in the annexes. With these updated templates, it is now possible to provide a general Financial Security that can be used for a combination of Primary and Secondary Market transactions. Whereas under the previous rules, a choice always had to be made between providing the Financial Security for a Primary or Secondary Market transaction.

12 PAYBACK OBLIGATION

33. The switch from hourly to quarter hourly Day-ahead MTU (Market Time Unit) has been integrated as well in the entire Payback chapter. However, it does not impact the way the Payback Obligation is calculated or applied.
34. *(Section 12.3.2)* Due to the lack of approval from the European Commission on the Payback Obligation exemption for DSM, these aspects have been removed from this version of the Functioning rules.
35. *(Section 12.3.2 and 12.3.1.3)* The formula calculating the Payback Obligation for a Non-energy Constrained CMU's transaction has been reviewed to take into consideration the partial activation of CMU without Daily Schedule in case of partial Declared Prices. Therefore, in addition to the Availability ratio, an Activation ratio has been added into the formulas. For CMUs with Daily Schedule, this Activation ratio defaults to 1. For CMUs without Daily Schedule, this Activation ratio is obtained by looking at the minimum value of a CMU's equivalent capacity and the Required Volume for a Market Time Unit, divided by the CMU's equivalent capacity of that Market Time Unit.

13 LIABILITY AND FORCE MAJEURE

36. *(Section 13.2)* Minor clarifications with regards to Force Majeure have been added.

14 DISPUTE RESOLUTION

null

15 FALLBACK PROCEDURES

null

16 TRANSPARENCY AND MOTIVATION

null

17 DIRECT AND INDIRECT FOREIGN CAPACITY PARTICIPATION

37. The Y-1 Auction for the Delivery Period 2025-2026 allows Foreign Indirect Capacity Market Unit to participate from Adjacent European Member State. For this reason, all the processes specific to cross-border participation have been integrated into this version of the functioning rules, namely Light Prequalification and Pre-Auction.
38. Foreign capacities are subject to two additional processes: Light Prequalification and Pre-Auction. The rules and procedures for participating in these processes are set out in this chapter. An overview of the design principles for cross border participation can be found in a dedicated design note published on ELIA website. ([Adequacy Working Group \(elia.be\)](https://www.elia.be))
39. Generally speaking, for all other processes with the exception of Light Prequalification and the Pre-Auction, the rules have been integrated into the relevant chapters, i.e. the rules specific to Prequalification are integrated into "Chapter 5. Prequalification Process", the rules specific to the pre-delivery process have been integrated into "Chapter 8. Pre-delivery control", and so on.

18 ANNEXES

40. Certain appendices have also been modified to reflect the changes mentioned in the body of the text. The modified appendices are as follows:
 - (*Section 18.1: Annex A*) Prequalification Process:
 - Adaptations to the appendices to include the Cross Border dimensions;
 - Adaptations to the Guidelines for the quantification of CO2 Emissions;
 - The commitments and waiver of allocation for capacity participating to the CRM as New Build CMUs has been added to the Annexes instead of being provided apart;
 - Moreover, low voltage connected capacities must provide a mandate instead of a Grid User Declaration to participate to the CRM: the mandate has been added to the Annexes as well.
 - (*Section 18.3: Annex C*) Availability Obligation: the changes with regards to Annex C have already been discussed in the respective section on Availability Obligation. The appendices have been modified to remain consistent with the body of the text.

- (*Section 18.5: Annex E*) Financial Securities: Harmonization of the Financial Securities template.
- (*Section 18.6: Annex F*) Transparency : Introduction of the Y-2 Auction in the Annex.