

**Public Consultation Task Force Princess Elisabeth Zone**  
**Reaction Next Kraftwerke Belgium**  
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adaodafonseca@next-kraftwerke.be, kreutzkamp@next-kraftwerke.be, kormoss@next-kraftwerke.be

Next Kraftwerke thanks Elia for the transparency about the ongoing and past work related to the PEZ provided by Elia, as well as the organisation of the Working Groups about the PEZ.

We don't support the implementation of an offshore bidding zone (OBZ) because of the following reasons:

- Elia moves the congestion issues that arise in the Belgian onshore grid to the Energy Island instead of providing a grid connection that meets both the capacity of the PEZ and the new UK-interconnector
- Elia has not provided sufficient insights in the cost-benefit analysis, including alternative set-ups such as more connection capacity between the island and onshore, proving that the proposed solution is the best

Also, we don't support the following aspect of the balancing approach:

- Technology specific dispatch limitations for offshore wind should be replaced by technology neutral market products

Please find below our elaborated view on the consultation report. We focus on parts (3) Market Design and (4) Balancing Design.

## **1. Market design**

### **1.1. About home market VS offshore bidding zone (OBZ)**

- Bidding zones are not only designed to optimally manage congestion, but also to indicate where congestion arises structurally and give a strong investment signal to solve it.
- From the moment Nautilus is active, there will be a structural congestion and a strong price signal to invest in more interconnection capacity between the Energy Island and the shoreline. Or to increase consumption in the OBZ, which is not possible.
- Elia suggests implementing 'advanced hybrid coupling' to further optimise congestion management. This increases complexity and thus reduces transparency and, it seems to be a workaround solution. We strongly believe that the solution is to increase the interconnection capacity between the Energy Island and the shoreline
- Finally, reorganising bidding zones should be done on a European scale, not only in a small bidding zone like Belgium. Inefficiencies resulting from bidding zones containing structural congestion, such as the German bidding zone, can have an impact on the 'splitted' Belgian bidding zone which are difficult to foresee, let alone to understand

### **1.2. About the subsidy mechanism as a solution to lower the risk for the producers of low capture prices in the OBZ**

- the Belgian government aims to maximise the use of corporate power purchase agreements (50%) and direct citizen power purchase agreements (25%)
- The low capture prices for producers in the OBZ are not covered by the two-sided contract for difference, as it could only be applicable on 25% of the volumes produced.
- Making society pay for the lower revenues perceived by the producers as a result of the implementation of an OBZ is questionable. The cost and extra benefits of possible alternatives, such as increasing the interconnection capacity between the Energy Island and the shoreline, have not been documented transparently enough by Elia.
- Using an OBZ, or even the possibility that there could one day be an OBZ, will make it more difficult to set up corporate and citizen PPAs.

## **2. Balancing design**

- We understand that after the addition of the PEZ, it can become more challenging for Elia to keep the Belgian grid balanced
- However, we emphasize that all limitations imposed on grid users as a result of grid design, grid congestion, balancing needs, etc. are to be considered as a service offered by grid users to the market (we also refer to chapter 2.3.1 *700 MW flexible connection access*)
- All ancillary services offered are to be remunerated in a transparent, market driven and technology neutral way. This would not be the case here