TF CRM #14 – Minutes

Thursday 9 July 2020
10h00 – 11h00

Agenda

- Welcome & Agenda
- Approval of the minutes of meeting 28.05.2020 – no comments received
- Approval of the minutes of meeting 18.06.2020 – comments may be sent until 24.07.2020
- Feedback on the Public consultation on Intermediate Price Cap (Glenn Plancke)

Present

Name	Organisation/Company
Benquey Romain	Centrica Business Solutions
Bobula Adrian	Dils Energie
Bruninx Jolien	BASF
Catrycke Mathilde	ENGIE
Claes Peter	Febeliec
Clerbois Pierre	Inovyn
De Waele Bart	CREG
Debrigode Patricia	CREG
Desimpel Lara	Eneco
Harlem Steven	Luminus
Mortier Jo	RWE Supply & Trading GmbH
Ramm Peter	Dils Energie
Schjelderup Ina	RWE
Van Bossuyt Michaël	Febeliec

Van De Keer Lieven	T-Power
Van de Pol Lorenzo	VoKa
Van der Biest Piet	Siemens
Vandersyppe Hans	COGEN Vlaanderen
Vermeiren Christian	Varioza bvba
Verrydt Eric	BASF
Willemot Guy	Eneco

Minutes

Welcome & Agenda

James Matthys-Donnadieu welcomes the audience and goes through the agenda of today's meeting.

Approval of the minutes of meeting TF CRM #12 - 28.05.2020

No comments were received on the Minutes of meeting of TF CRM meeting of May 28th and consequently Elia proposes to approve the minutes of meetings.

Febeliec mentions they have submitted comments on the minutes of May 28th. Elia replies that it concerned the minutes of meeting of May 5th. Since these minutes have already been approved during last TF meeting on June 18th and have been published on the website in the meantime, Elia proposes to have this comment discussed bilaterally between Elia and Febeliec. If modifications to the minutes of May 5th would be needed, this will be communicated to the TF CRM distribution list.

Approval of the minutes of meeting TF CRM #13 - 18.06.2020

Regarding the minutes of meeting of June 18th, comments may be provided until July 24th.

Feedback on the Public consultation on Intermediate Price Cap (Glenn Plancke)

Elia gives an overview of the remarks received during the public consultation on the input parameters for calibrating the intermediate price cap and some feedback on the Fichtner study.

General messages

FEBELIEC asks if the methodology proposed by CREG for fixing net-CONE and X-factor is compatible with the Fichtner study. CREG answers that it did not use the Fichtner study in its recent project of proposal which is currently consulted upon.

Detailed feedback & answers

Febeliec wonders when the consultation report will be published. ELIA answers it will be published at the latest beginning of next week.

Regarding slide 18, Febeliec clarifies that their comment was mainly on the fact that Elia uses general values for equity beta, equity risk premium and cost of debt.

Following Febeliec the assets covered by the CRM have lower risks than assets that are not covered by the CRM. Febeliec believes that there must be some impact of the CRM since that this is a kind of insurance to make sure that capacity is available and to cover the missing money. Febeliec does not understand why there is no impact on the risk profile for CRM-covered assets. Elia answers that it understands the comments from Febeliec and that Elia can agree to some extent in terms of risk impact. Due to the remuneration some risks may indeed be lower, but Elia believes that there remains some important risks (revenue volatility, CRM obligation, asset operation…), and it does not fully eliminate the risk which justifies that you should take into account significantly different inputs for all parameters. Febeliec cannot believe that the investment climate is the same with or without the CRM. Following Febeliec, Elia is suggesting that the CRM introduces new risks which compensate the lower risks due to the CRM. For Febeliec it is unacceptable that the risks remains the same even with the spending of a significant remuneration. Elia repeats that Elia understands the arguments from Febeliec and that it can agree to some extent with them. Elia adds that for instance in the Adequacy & Flexibility study, Elia has already taken into account the lower risks however Elia believes the CRM does not fully derisk everything. Elia reminds also that regarding the value of the WACC, the next steps reside rather to the CREG as described in the proposed Royal Deree. Febeliec answers that there is a difference between full derisking and no derisking. Since CREG is responsible for it, Febeliec hopes they take the arguments into account, otherwise it would undermine the rationale for the CRM.

T-Power remarks that the WACC value is also highly dependent on the debt/equity ratio which highly depends on the level of the CRM capacity fee. If the risks are taken into account, this would mean that higher equity shares will be necessary in (FID) Financial Investment Decision. Elia takes note of the remark.

Regarding the last bullet on slide 19, Febeliec states that uncertainties in the market are actually reducing. It is the combination of effects that lower the uncertainties in the market for the energy sector for those participating to the CRM. Elia takes notes of Febeliec's remark. Elia has now provided an answer on the elements it has consulted upon and the next steps resides not at Elia (but at CREG).

Febeliec states that if all the different elements are taken into account, this could have a considerable impact on the WACC values and consequently in general on the total cost of the CRM, which should be as low as possible following the law. Elia replies that on some elements it might not be that straightforward in terms of lower risks or lower prices or lower rates. Elia adds that the WACC value of a participant will drive his missing money and his bidding and not an estimated WACC by Elia or a study. In case of a lower WACC value and with a Pay-as-Bid clearing mechanism, this will result in a lower cost. The WACC value being discussed here is not the obliged WACC for each participant. Febeliec agrees but this is only the case insofar there is sufficient competition. Elia agrees but replies that a participant will always bid with its own WACC value and not with a value that Elia, or somebody else has suggested.

T-Power remarks that in order to have enough competition, the rules of the game should be fair. Elia takes note of the comment of T-Power.

Related to slide 20 Febeliec is surprised about the fact that, to avoid that one or more DSR “technology solutions” might arbitrarily be excluded, all DSR technologies are excluded arbitrarily. Elia replies that those technologies are not excluded from participation in the CRM, they are only excluded from the short list for setting the reference technology for calibrating the demand curve, because it is not straightforward to identify a reference technology based on DSR being characterized by huge diversity. For the other technologies the same principles are applied, but there it is more straightforward to select a reference installation in that type of technology and costs are less volatile. Additionally, if a reference technology would be considered, that would have been chosen very arbitrarily because DSR is so diverse. That would risk to exclude some technologies from participation in the CRM which is not a preferred solution; not even for DSR (especially at the higher end of the DSR curve) but also not for other technologies. Febeliec answers that it does not understand the second argument. Elia replies that possible reference technologies can be identified, however some will be abundantly available in the market, while others might be more limited. If the latter would have been chosen as best new entrant in the calibration of the demand curve, Elia considers that this is not a fair choice because it should be a technology that can be included in the market as best new entrant with a sufficient potential to ensure Security of Supply. Febeliec repeats it statement that it is does not agree with the fact that all technologies are excluded in order to exclude some technologies. Elia clarifies the role of the reference technology: it is used to calibrate point B of the demand curve, which corresponds to the level of security of supply to be attained by the country. Elia states there would be a problem in case the chosen reference technology would imply that the demand curve becomes sufficiently infeasible towards other technologies to guarantee Security of Supply at lowest cost. The risk comes from the heterogeneity of costs for DSR and its potential. Febeliec states it does not have any problem to include 25 technologies in the list. Febeliec has the impression that Elia wants to have a CRM, but does not want to consider that DSR might be able to fill the gap on its own. Elia does not agree with this statement as the choice of the reference technology and the participation of a technology are to be considered separately. Elia states that it fully embraces DSR as core participants in the CRM and that there is a clear distinction with the choice for the reference technology for calibrating a specific point on the demand curve.

Febeliec has the feeling that Elia does not believe DSR can contribute to adequacy at the same level as generation. Elia replies that every technology can participate to adequacy proportionate to a well calculated derating factor. Febeliec remarks that Elia does not believe that DSR can make a difference on point B on the demand curve. Febeliec considers this is as discrimination. Elia does not agree to this statement and believes there is a misunderstanding related to the concepts. Elia substantiates that there is a considerable gap to guarantee that point B can be met. Given the fact that DSR comes with a certain derating factor (~40-60%), a high volume of capacity

with such derating (most probably around 5 to 9 GW) is needed to actually meet point B. Elia believes that this cannot be realistically met with only DSR. Elia adds that it does not consider this as discrimination towards DSR. Additionally, Elia states that DSR is fully welcome in the Belgian CRM and that the design foresees all the possibilities for full participation for DSR.
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On slide 22, Febeliec is surprised that Elia continues to use data from sources that are outdated. Elia answers that the reference source will be kept, and in case the latest numbers have been updated, then they will be taken into account. Elia adds that in case the estimations used in the Fichtner study are outdated, it is not a problem towards the Belgian CRM because those particular numbers will not be used for the calibration exercise.

Febeliec asks to find other reputable sources that are releasing more recent data because 23,6 €/MWh as a price for natural gas is overestimated (prices are currently around 5-6 €/MWh. Elia will take the comment into consideration but repeats that this particular value from the Fichtner study will not be used as input data.

Febeliec wonders if an email will be sent when the consultation report is published. Elia confirms.

Next meetings

The meeting on August 19th is mainly planned for the implementation session as the public consultation on the functioning rules will be launched shortly afterwards. Early August Elia will communicate if a design session in the morning of August 19th should be kept or not, depending of the number of topics and sense of urgency.

After the summer it will be evaluated whether the meetings in blue will take place or not. It is requested to block the dates in the calendars for the time being. Elia foresees the usual design TF CRM meeting in the morning and the Implementation session in the afternoon.

TF CRM #15 : Wednesday 19 August 2020
TF CRM #16 : Thursday 10 September 2020
TF CRM #17 : Thursday 1 October 2020
TF CRM #18 : Thursday 15 October 2020
TF CRM #19 : Friday 30 October 2020
TF CRM #20 : Wednesday 18 November 2020
TF CRM #21 : Friday 11 December 2020