

# TF CRM #17 – Minutes

Thursday 15 October 2020

09h00 – 12h30

## Agenda

- Welcome & Agenda
- Approval of the minutes of meeting 19.08.2020 (TF Implementation)
- Approval of the minutes of meeting 10.09.2020
- CRM Functioning Rules – feedback on the reactions received during the public consultation
  - o Prequalification process and Opt-out (Sybille, Glenn)
  - o Auction process (Glenn)
  - o Pre-delivery Control (Sybille)
  - o Availability Monitoring & testing (Elmo)
  - o Secondary Market (Nicolas)
  - o Financial Securities (Julie)
  - o Payback obligation (Nicolas)
  - o Cross-Border participation (Nicolas)
- Next meetings
- AOB

## Present

Name	Organisation/Company
Bayart Pierre	Rent-A-Port Green Energy N.V.
Benquey Romain	Centrica Business Solutions
Bobula Adrian	Dils Energie
Boisseleau François	ENGIE
Boucquey Pascal	CREG

<b>Boury Jonas</b>	Yuso
<b>Bruninx Jolien</b>	BASF
<b>Carnier Marc</b>	ENGIE
<b>Catrycke Mathilde</b>	Electrabel
<b>Chafaqi Laïla</b>	Luminus
<b>Claes Peter</b>	Febeliec
<b>De Waele Bart</b>	CREG
<b>Debaere Elias</b>	Yuso
<b>Debrigode Patricia</b>	CREG
<b>Ferlito Davide</b>	Fluxys
<b>Harlem Steven</b>	Luminus
<b>Lambert Arnaud</b>	ENGIE
<b>Ramm Peter</b>	Dils Energie
<b>Selderslaghs Katrien</b>	FOD Economie
<b>Strosse Tom</b>	Eneco
<b>Van Bossuyt Michaël</b>	Febeliec
<b>Van De Keer Lieven</b>	T-Power
<b>Van den Bosch Sven</b>	Fluvius
<b>Van der Biest Piet</b>	Siemens
<b>Vandersyppe Hans</b>	COGEN Vlaanderen
<b>Vercruyssen Luc</b>	Haulogy
<b>Verrydt Eric</b>	BASF
<b>Wagnier Jean-François</b>	FEPEG
<b>Willemot Guy</b>	ENECO

## Minutes

### Welcome & Agenda

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

Elia announces that the decision of the European Commission in the framework of the in-depth investigation has been published on the website of FPS Economy. All interested market parties are invited to answer to the consultation ending by mid of November. Elia will send the link to the concerned document to the TF CRM distribution list.

Febeliec wonders about Elia's position following this notification of the European Commission as well as the approval by ACER of the ERAA methodology regarding adequacy assessments. Febeliec asks if Elia will apply the ERAA methodology and how the in-depth investigation will influence the planning and process of the CRM implementation if there is no decision by end of March 2021 by DG Competition. Elia refers in its answer to the statements of the Minister of Energy made during the Energy Commission in the Belgian parliament on October 14<sup>th</sup> 2020 which indicate clearly that the Belgian government is in charge of security of supply. In terms of the planning Elia also refers to the statements of the Minister of Energy who seems optimistic regarding the outcome and the timing of the approval. Regarding the ERAA methodology, Elia answers that after its approval the methodology will have to be implemented in the different European resource adequacy assessments which will take quite some time given its complexity (ENTSO-E expects full implementation by 2023). Regarding the Belgian Adequacy & Flexibility report, Elia can indicate that - even if Elia already had a well-established methodology - some investigations are ongoing to see which elements of the new ERAA methodology can already be taken on board in the next report to be published at the latest by June 2021. Elia will inform the stakeholders soon on these investigations.

Febeliec has understood Elia's position and will see what comes out of these investigations but will continue to contribute to the process as before. However Febeliec believes that the chances are small that the European Commission will take a decision within the originally scheduled timeframe.

### Approval of the minutes of meeting 19.08.2020 (TF Implementation)

The revised minutes including comments received from ENGIE, Febeg and Febeliec have been circulated to the TF distribution list last week. Since no additional comments are received, the minutes are approved and will be published on the website.

## Approval of the minutes of meeting 10.09.2020

Some parties have requested a small delay to provide their comments so the deadline will be extended until October 16<sup>th</sup> 2020. If no comments are received, the minutes will be considered as validated; if comments are received they will be circulated to the Task Force.

## CRM Functioning Rules feedback on the reactions received during the public consultation

Elia introduces the topic by indicating that the most relevant comments received during the public consultation on the proposed CRM functioning rules will be discussed today per chapter. Minor comments will not be presented during the meeting but will obviously be answered in the consultation report. This consultation report will be published in parallel with the submission of the updated CRM functioning rules to the regulator in November 2020. Both an updated version of the CRM functioning rules as well as a version with track changes will be made available.

T-Power wonders how feedback will be received on confidential questions. Elia answers that Elia will provide answers on the confidential parts which will be sent to the relevant stakeholders. Additional meetings can be organised if this would be necessary.

The topics discussed during this meeting are: the prequalification process and opt-out, the auction process, the pre-delivery control, the availability monitoring & testing, the secondary market, the financial securities, the payback obligation and the cross-border participation. During the meeting of October 30<sup>th</sup> the chapters of legal & governance and disputes will be handled, in line with the discussion on the CRM capacity contract. Since Elia has been designated as the contractual counterparty, Elia will share a draft version of the CRM capacity contract in the course of next week.

Elia also indicates that a TF implementation meeting is foreseen for November 18<sup>th</sup> to share with the stakeholders the first views of the tool that is being implemented to handle the operations processes in 2021.

## Prequalification process and Opt-out (Sybille, Glenn)

Regarding slide 9 Febeliec wonders if these bilateral meetings will be organised with each DSO individually as they would like to have the same principles applied by all the DSOs. Elia answers that these discussions will be organised through the working groups at Synergrid. Since a year the topic of CRM has been added to the

working groups handling the balancing topics. Consequently all DSOs are informed equally and the goal is to have the same common framework for all DSOs. Elia adds that the DSOs will be invited in the near future to present in the Task Force their set of requirements to ensure that all market parties have a clear view on these specificities.

Regarding slide 10, BASF asks if Elia is also planning on having such a bilateral meeting with the CDSOs before the next TF CRM meeting of October 30<sup>th</sup>. Additionally Febeliec also wonders who will be invited to such meeting. Elia confirms that a meeting will be organised before October 30<sup>th</sup> with Febeliec and CDSO concerned parties and that each party interested in the role of the CDSO within the CRM will be invited as well.

Febeliec wonders if Elia will proactively check the files and itself contact the candidates in case it notices some discrepancies (slide 15). Elia confirms that Elia will indeed take contact in case there are some questions during the verification of the information received. Febeliec adds that this is also linked to the discussion related to the CDS as there is an information exchange in many directions. Elia agrees that the CDS operator will most probably be responsible for some data in the prequalification process and that he will as such be involved. Febeliec believes that if a CRM candidate does not involve de CDSO then Elia should take the initiative to inform the CDS operator if something goes wrong. Elia replies that this topic will be discussed during the specific CDSO meeting.

Febeliec believes that the proposal to possibly increase the threshold of 400 MW for the virtual CMU volume over time will have much less impact as the first T-4 auction will be the most important one in volume (slide 19). Febeliec is of the opinion that the impact will be the biggest at the first T-4 auction and states that the limit of 400 MW is a stringent cap. Elia answers that it is a significant volume that still needs to be contracted in Y-1 and the limit is already quite high compared to balancing products. Elia adds that a cap for the first auction is necessary in terms of risk management. Febeliec states it has always indicated in previous discussions that this cap of 400 MW is considered as too low. Febeliec gives the example that a delay of a new power plant of 800 MW has bigger impacts than a delay for a part of the same volume of virtual capacity. The cap of 400 MW is considered as a total for all the different candidates and not only for demand side response, but also for small cogeneration units, batteries, electric vehicles, heat pumps etc. Elia mentions that a participant can also apply via the trajectory of additional capacity (in case of projects with a location) for which there is no cap foreseen. There are different trajectories possible with different levels of certainty and for which some thresholds are foreseen because otherwise the risk would become too high for the first auction. Febeliec reiterates that the proposed threshold of 400MW is an undue barrier and it is too low. Elia takes note of this statement.

Rent-a-Port wonders if the derating factors are already defined in function of the SLA duration, and if not, when they would become available. Elia answers that the

derating factors are part of the process defined by the draft Royal Decree. Elia will have to propose values to the minister in its report of the month of November and upon which a decision will be taken by the minister by the end of March 2021. The derating factors are thus not defined in the CRM functioning rules. Rent-a-Port understands that the example for the Electric Vehicles on the slide should be considered a theoretical value. Elia answers that the exact derating factors for Belgium are not yet defined. However some insights can be learned from other countries and some ranges for Belgium are available in the last Adequacy & Flexibility study from Elia (published mid-June 2019). Rent-a-Port wonders if some proposals on the derating factors will be available in the month of November. Elia replies that Elia indeed should provide some proposal to the minister in the month of November following the draft Royal Decree. After some advices from the regulator and the Energy administration, the minister should take a decision by the end of March 2021.

Febeliec believes that there could be a discrimination between different units of the same technology category due to an increasing derating factor over time. In case the derating factor increases, the eligible volume decreases. Febeliec finds it strange that in case a unit is contracted in year 2021 with a certain derating factor that a newer unit that would be contracted one year later with a higher derating factor, would have a lower eligible volume. T-Power agrees with Febeliec. T-Power already requested Elia in other settings to deliver more data on the derating factors of thermal units. Elia agrees that due to the evolution over time of the derating factor, it might give different values for the same technology as derating factors not only depend on the technology but on how the technology contributes to solving adequacy situations, which may vary according to how the market and context evolves. Elia explains however that there is still the possibility to use the opt-out mechanism. In case a specific unit does not feel comfortable with the proposed derating factor there is the option to reduce the Nominal Reference Power with an opt-out volume. Elia explains that the evolution over time of the derating factor is a consequence of the analysis performed based upon the most recent data and that new derating factors can only apply for future contracted capacity and may not impact capacity contracted in the past. Febeliec can agree with the fact that derating factors may not be changed retro-actively however it believes it is discriminatory that different derating factors will be applied for future units within the same technology. Febeliec remains convinced that it is weird that a newer and better unit could have a higher derating factor (thus lower eligible volume) than an older unit which has received a capacity contract based upon a higher derating factor in the past (thus higher eligible volume). Febeliec refers to its feedback given during the public consultation on the CRM functioning rules. Febeliec believes this is the same problem as with all references calculated yearly and which can consequently change value over time (like the strike price). Febeliec states that for each value a reference should be added to which year it relates. Elia replies that the foreseen platform will precisely be developed that way in order to apply the correct parameters per contracted capacity. Febeliec repeats that it believes that different derating factors for the same technology category might be considered as discriminatory.

During the public consultation Fluvius requested to extend the G-flex opt-out category to also include DSO-connected points assigned to a red zone after a NFS study (slide 25). In principle Elia is not against, but Elia believes that opt-out might not be the appropriate mechanism to deal with the issue of DSO-connected points assigned to a red zone. Fluvius and Elia agree to discuss this topic on a bilateral basis.

### Auction process (Glenn)

On slide 28 Fluvius remarks that they agree with the explanation from Elia, but they want confirmation that the software does not only accept constraints for additional capacity as the potential issue on the DSO grid is for existing capacity. Elia confirms and adds that the grid constraints can – at least concerning the software – cover both additional and existing CMUs.

### Pre-delivery Control (Sybille)

No questions or comments were raised on this part.

### Availability Monitoring & testing (Elmo)

Regarding the request raised by Febeliec to discuss the basis of the Availability test procedure with the market (slide 42) Febeliec clarifies they do not want to know when the test will happen, but they want to know which criteria will be used. They want to understand if the methodology which will be applied will be based upon good criteria and if a good process will be in place. Febeliec also makes reference to the current public consultation on smart testing as it could be interesting to see if smart testing could also be applied for the CRM. Elia answers that it already provides some indication on testing principles in the functioning rules. Some factors that could trigger the need for testing : the proven availability based upon the availability monitoring, the correlation between declared prices and the output of the unit, missing capacity in the past or previously failed tests. Elia indicates that the stakeholders may always provide some feedback if this list should be extended, or if some indicators are not relevant. However Elia is not able to provide more details on these principles in order to avoid that a CMU can anticipate a test. CREG will however dispose of the detailed functioning of the testing regime and will have to approve it, which should provide a guarantee that good criteria and a good process will be put in place.

Regarding the notification and contestation procedure, Febeliec has still some doubts about the principles of the amicable agreement (Slide 44). Febeliec is afraid that the consumer will have to pay too much in case there is no validation of the agreement Elia will reach with the capacity provider. Elia replies that it has proposed this principles to reach an agreement in order to avoid that the issue has to be settled in court. Elia adds that this principle will only be applied in case there is sufficient ground for contestation and for which the rules are supposed to be robust enough. Elia wants to retain as much as possible the incentive of the penalties. Febeliec agrees with this last statement however it proposes that the regulator or another neutral party could validate the decision since such cases are exceptional. Elia has noted down the position of Febeliec.

### Secondary Market (Nicolas)

Luminus requests some feedback on FEBEG's proposal to reduce the penalty factor (slide 51). Elia answers it cannot ensure the liquidity of the secondary market with a certain guaranty. Elia has decoupled the two topics of the liquidity and the penalty factor. Elia does not foresee any changes in the penalty factor related to the secondary market transactions.

ENGIE wonders what happens if a secondary market transaction takes place during the holiday period (e.g. Christmas holiday). In such case it might be difficult to find a counterparty and ENGIE asks if an extension of the 10 working days deadline could be foreseen. Elia replies that it in its view two weeks (including non-working days) should be sufficient to find someone in the framework of a continuous market.

On slide 52, ENGIE wonders about the remuneration of on-going contracts in case of "suspension". Elia replies that related to that clause the remuneration, as well as penalties, will continue. It considers a suspension for the counterparty to acquire new Secondary Market Transactions on the CMU in a first stage and to participate to the forthcoming Auctions in a second stage as described in the paragraph 576.

Febeliec reiterates its concern about the fact that the same technology class will have two different derating factors, although the factor is calculated per technology. Elia answers there will indeed be two derating factors as of 2024 for the same CMU technology category, as there will be derating factor for participating in the Y-4 auction and one for participation in the Y-1 auction. Elia adds that this will influence the way the secondary market will select the last published derating factor, which will be explained in slide 53. Febeliec repeats the fact that there will also be a different derating factor for the Y-4 auctions in 2022 and 2023 ... Elia states that by law and the different royal decrees it is foreseen that different derating factors for the same technology exist. The derating factor is not only driven by the kind of technology itself, it also depends on the scenario and the moment in time when it is to be applied. It is possible that the market may be different in 2030 which will also



results in a potentially different derating factor. From an Elia's point of view, it makes sense that a derating factor can vary over time. Elia states that the methodology to determine the derating factor has to be consistent. In that respect Elia does not consider this as discrimination, as previously mentioned by Febeliec during this meeting. Elia adds that in view of contractual certainty, it is of the utmost interest that the derating factor should remain fixed during a contract. Otherwise it poses an extra risk on the remuneration which will most probably be included in the bidding behaviour of a candidate. This will raise the cost of the CRM which is also not preferable in Elia's view. Febeliec repeats its concern by means of an example and still believes it unconceivable that a new gas plant will have a very bad derating factor due to very bad performance from other older gas plants. Elia understands that Febeliec is contesting the principle that a derating factor may be updated despite the fact that it is foreseen in the Royal Decree to have them calculated on a yearly basis. Elia believes that an update on a yearly basis makes sense. However Elia concludes that from a Functioning Rules' point of view, a derating factor is an input factor and that the Functioning Rules cannot change the methodology for the determination of the derating factors.

Febeliec believes that the two principles Elia mentions (1° a fixed derating factor for the time of a contract and 2° the possibility to update the derating factor over time) cannot be combined. Elia replies it is a trade-off of on the one hand a micro-economic impact of ensuring a sufficient guarantee towards a participant and on the other hand making sure that the CRM in its calibration can evolve over time. In Elia's point of view, these principles are not conflicting and it seems not to conflict in other countries with a CRM either. Febeliec continues to see a conflict and is convinced that it not in line with the least-cost principle in the law. Elia believes it is in line with the least-cost principle and at the same time in line with guaranteeing adequacy in an appropriate manner. Febeliec states it does not agree.

T-Power remarks that it has made a counterproposal for the secondary market in its remarks raised during the public consultation and he invites the *Comité de Suivi* to read this counterproposal. CREG confirms it will read the counterproposal from T-Power. Elia ensures that it will replies in the consultation report to all feedback received.

Regarding slide 54 Febeliec wonders if a gas plant takes over the obligation from another gas plant it could receive a higher derating factor although being the same technology, even if both would have been built at the same time. Elia confirms that the last published derating factor related to the transaction period will be considered. T-Power states that this principle is the same for strike price and considers that this is a very complex principle.

Febeliec comes back to the principle of updating the derating factor over time. The derating factor is used for the volume calculation to define whether an additional volume is needed in a future auction. In case the derating factor increases, Febeliec states that, for example, the gas plants will be counted for with a lower availability and that the volume to be contracted will become higher. Febeliec does not agree

with the fact that the consumer must pay for the high availability of the gas plant (contracted initially with the lower derating factor) while a lower availability is counted for in the volume calculation.

Elia replies that there will be no double payment for the same capacity. Elia explains that any already contracted capacity will be reduced from the auction volume to be procured. Also the market party that has signed a contract with a certain derating factor remains liable for that obligation. So in case the derating factor deteriorates the market has nevertheless to make sure he can accomplish the contracted volume. A signed contract has to be honoured. ENGIE adds that there are many and important penalties in case availability cannot be guaranteed. Febeliec repeats that new gas plants will be punished due to this principle and Febeliec believes the consumer will have to pay for more contracted capacity. Elia repeats that no additional capacity will be have to be bought based upon an updated derating factor.

#### Financial Securities (Julie)

No questions or comments were raised on this part.

#### Payback obligation (Nicolas)

No questions or comments were raised on this part.

#### Cross-Border participation (Nicolas)

ENGIE understands that there is still some work to be done in collaboration with the neighbouring TSOs which is linked to DG Competition's statement on this topic. ENGIE recognizes that this is not only Elia's responsibility but wonders if there are already some proposals available. They believe these topics need to be addressed in the near future. Elia replies that a framework needs to be developed first. In order to do so, some ACER approved methodologies should become available especially on the indirect foreign capacity participation. These methodologies will further determine the framework and what should be implemented. In the near future the context with the neighbours needs to be set-up. However a sufficiently firm framework is to be present to them to bring them on board. It is clearly Elia's ambition to further progress on this topic within the scope of the law. Concerning the comment from DG Competition on this issue, Elia's reading does not consider this as a blocking element. Elia understands that the framework needs to be developed and that it may require some time. Elia states that the CRM Task Force will obviously be informed on the progress.

## General comments

Febeliec asks when the consultation report will be available. Elia answers that it will be published on the website together with the updated version of the CRM functioning rules at the moment it will be submitted to the regulator for approval. This is foreseen beginning of November.

Febeliec states they might still have some questions after the publication of the consultation report. Elia replies that the stakeholders may still contact us in case something is not clear.

## Next meetings

Elia explains the tentative agendas for the upcoming TF CRM meetings which will be completed and finalised at the latest one week ahead of the planned date.

## AOB

Elia announces that Nicolas Koelman will move to the Customer Relations department as of November to take up the responsibility as a Key Account Manager for the CRM. General CRM design and implementation questions will continue to be answered by the known experts, however more specific cases or projects related to the CRM can be discussed with Nicolas. Elia considers that concentrating the specific knowledge at one specific Key Account Manager is to the benefit of all concerned grid users.