

TF CRM #7 – Minutes

Tuesday 22 October 2019
10h00 – 16h00

Agenda

- Welcome
- Feedback from Stakeholders:
 - o FEBEG on CREG's presentation during last TF regarding the Methodology for the determination of the demand curve
- Volume Methodology – next steps (CREG)
- First feedback on consultation design notes part 1:
 - o Intermediate price cap (Glenn Plancke)
 - o Availability Requirements & penalties (Elmo Van Thielen)
- Secondary market - overview (Patrik Buijs)
- Further clarifications on important design concepts & terms (Elmo Van Thielen)
- Planning 2020 & next steps [ELIA]

Present

Name	Organisation/Company
Aertsens Walter	Infrabel
Baudhuin Serge	Eneco
Benquey Romain	Centrica Business Solutions
Bobula Adrian	Dils Energie
Boisseleau François	ENGIE
Boury Jonas	Yuso
Bruninx Jolien	BASF
Canière Hugo	BOP
Claes Peter	Febeliec
Claeys Bram	Ode
Clerbois Pierre	Inovyn
De Waele Bart	CREG
Debrigode Patricia	CREG
Ferlito Davide	Fluxys
Forrez Ilse	Essencia
Harlem Steven	Luminus
Jourdain Sigrid	FOD Economie
Kreutzkamp Paul	Next Kraftwerke
Meire Dirk	E-luminati
Meynckens Geert	Centrica Business Solutions
Mortier Jo	RWE Supply & Trading GmbH
Myngher Silvie	ENGIE
Otoy Pauline	VREG
Poismans René-Pascal	PWC
Schjelderup Ina	RWE
Selderslaghs Katrien	FOD Economie
Sijssens Yannick	Tessenderlo Group

Van Bossuyt Michaël	Febeliec
Van De Keer Lieven	T-Power
Van den Bosch Sven	Fluvius
Van den Kerckhove Olivier	ENGIE
Van der Biest Piet	Siemens
Van Dyck Sara	Bond Beter Leefmilieu
Van Renterghem Bart	Storm
Vandersyppe Hans	COGEN Vlaanderen
Vangulick David	ORES
Vanneste Aron	Actility
Vermeiren Christian	Varioza bvba
Verrydt Eric	BASF
Waignier Jean-François	FEBEG
Willemot Guy	EM GB

Minutes

Welcome & Agenda

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

Minutes of meeting TF CRM5 – 26.09.2019

The minutes of the last TF meeting were provided a few days before the meeting. No comments were received yet. Some additional time for feedback is provided until Friday October 25th.

Minutes of the TF meeting of September 5th will be made available as soon as possible.

Feedback from Stakeholders: FEBEG on CREG's presentation during last TF regarding the Methodology for the determination of the demand curve

Next Kraftwerke remarks that also other parties are reflecting on multi-year contracts. FEBEG recognizes that other technologies can participate however they don't see how capital-intensive technologies could run for a limited number of hours.

Febeliec states it is an economic problem. FEBEG agrees but adds that technical aspects are also important; FEBEG is concerned that the market will not resolve the problem by itself.

Next Kraftwerke asks for clarification regarding FEBEG's slide 8. FEBEG answers that it is concerned of what will be done with the result of the multiplication of VOLL and EENS. Rather than focussing on the formula itself, FEBEG is only concerned about the implication of the outcome.

Febeliec intervenes by asking if FEBEG believes if the energy only market does not work. Febeliec understands from the presentation that apparently the market will be short despite the fact that every BRP has the obligation to be in balance and if not in balance they would be exposed to potentially very high imbalance prices (up to 13.500 €/MWh). In case every party would follow this BRP obligation, there would be no problem. FEBEG answers that such empirical question is difficult to answer. Since many years academics continue discussing between the energy only market and a capacity market without a consensus yet prevailing. It is clear there is no straightforward solution to the problem, otherwise it would exist. However at some point a decision has to be made to go forward.

Infrabel questions the word "society" used on the slide. He states that society is a very general term, but it is not clear who concretely has to pay in the end. The VOLL is something different than the cost for society. FEBEG agrees that indeed each one has a different VOLL. FEBEG adds that it also wonders if the proposed approach is the right one.

Infrabel wonders who has to pay from society. FEBEG replies that this is indeed a difficult question to answer as the definition of society can be very broad.

Next Kraftwerke asks clarifications about FEBEG's point on the slide about minimal volume. FEBEG confirms the point that the volume for the Y-4 auction should not be too low, otherwise no new capacity can realistically be auctioned in the Y-4 auction.

CBS wonders how many GW should be auctioned in the Y-4 auction. After some quick calculations it is stated that probably around 6 GW should be auctioned in Y-4. FEBEG replies that it will be impossible to close a gap of 6 GW in Y-1. FEBEG states that the risk remains, given that there is no plan B after the Y-1 auction.

Next Kraftwerke asks FEBEG to clarify the 6 GW figure used on the slide and to confirm that this number is not to be interpreted as the need for new capacity. FEBEG confirms that this is not new capacity. It only shows that following the interpretation referred to around 6 GW will be needed for less than 200 running hours, regardless of whether it is new or existing capacity. According to Febeliec it does not indicate that this capacity should be auctioned in Y-1 auction.

Febeliec requests Elia to clarify if the 13,7 GW is the volume to be auctioned in the CRM or not. Elia answers that the CRM aims to guarantee adequacy issues and that the peak load should be covered. If the peak load would be 13,7GW, it needs to be ensured that these 13,7 GW can be available at moments asked by the market. However this does not mean these 13,7 GW needs to be auctioned through all the different auctions (some capacities are excluded from CRM etc). The volume of 13,7 GW is needed to meet the reliability standard (LOLE of 3 hours, following the law). The goal is to have this volume available, not to be contracted completely. The figure 4-43 in Elia's study referred to should be interpreted as follows: in case the structural block is filled with different technologies, some GWs will run all the time (except forced outage), other GWs will run less. Until the structural block is filled up, the running hours drop per technology. If the structural block would be filled with a certain technology at the assumed short run marginal cost at which it will be dispatched, the figure shows the expected running hours. For example, if the structural block would be filled with a technology with a short run marginal cost equal to the price cap, and 6 GW would be added of this technology, it would have about 200 running hours.

FEBEG repeats that not all capacities are new, but that there is no back-up plan after the Y-1 auction.

COGEN Vlaanderen wonders what the price will be in the Y-1 auction if 6 GW should be auctioned. FEBEG replies that in this case last minute capacity has to be searched for, like was the case last winter. The possibilities in the Y-1 auction are more limited. Besides some existing capacity and DSM, it may be that only very expensive capacity is still available. COGEN Vlaanderen reacts that in such case, the market will not bid in the Y-4 auction, but would only bid in the Y-1 auctions when the prices will be higher. FEBEG answers that this is withholding of capacity.

Febeliec states that no problems were noticed last winter, as BRPs took up their responsibility to be in balance, in order to avoid to be exposed to potentially high imbalance prices. COGEN Vlaanderen then wonders how Elia will proceed in case a BRP is not in balance. Will Elia switch off the customers of that specific BRP? Elia answers that the "afschakelplan/plan de délestage" is not defined on a BRP-level.

CBS tries to understand FEBEG's conclusion: he wonders if FEBEG is afraid that new capacity can only take part in the Y-1 auction (in case the low volume in the Y-4 auctions was already fully used by existing capacity). CBS states that in such case it should be analysed how existing capacity should behave and he wonders if they could be excluded from the Y-4 auction. FEBEG replies that he is not comfortable with the idea that a volume of 6 GW should be auctioned in the Y-1 auction.

Febeliec then states that only 6 GW will be auctioned in Y-1 in case Elia has identified a gap of 6 GW. Elia replies that this statement is not correct. Elia adds that it can follow the reasoning made by CBS. If the Elia's adequacy & flexibility indicates a gap, it means that there is a need for new-built capacity. If the volume in the Y-4 auction is too low and filled with existing capacities, it may result in a situation where the volume for the Y-1 auction will be unachievable. The volume may be so high that it excludes the possibility of having the needed new capacities. This may lead to very high prices in the Y-1 auction or that the auction may not be cleared at all hence not meeting the adequacy criteria. In both cases this would be very detrimental for society. It is therefore crucial to find the right balance between the volumes to be auctioned Y-4 and Y-1. Elia reminds in this respect its proposal for the 200h as outlined in the adequacy & flexibility study and which is based on the load duration curve. The order of magnitude in such a case would be around 2GW.

Febeliec repeats its statement that apparently there are BRPs not respecting their obligation to be balanced. Elia answers that this topic is not linked with the current discussion. Elia adds that the figure does not mention that 6 GW will only run for 200 hours. The figure shows that filling up the structural block with different technologies will lead to different running hours.

FEBEG adds that the presentation is only trying to interpret what CREG presented during last TF CRM meeting.

CBS states that the fact that new capacity is only contracted in Y-1, does not mean that this new capacity cannot already be built in Y-4, anticipating the Y-1 auction. FEBEG replies that this is based on an expected situation, but the investment banker will not agree with such expected potential selection.

Infrabel states that business plans only count on CRM revenues. FEBEG does not agree and replies that it is part of the plan.

Elia concludes that there are still some question about the presentation made last time by CREG and introduces CREG's presentation.

Volume Methodology – next steps (CREG)

RWE wonders if stakeholders could receive some inputs from the CDS meeting of October 25th before the ad-hoc workshop at CREG on this topic on November 4th in order to be well prepared?

CREG answers that some valid feedback from FPS Economy and ELIA during the CDS meeting might need to be taken into account before the presentation on November 4th. CREG cannot guarantee that some inputs will be available before the ad-hoc TF CRM. Feedback raised during the meeting on November 4th can be taken into account before the consultation starts.

Febeliec asks if CREG foresees a consultation report or a feedback during one of the next TF CRM meetings on the public consultation which finished yesterday on "Investment Threshold and Eligibility Criteria". CREG answers that answers will be provided on each received comment. Normally it should be possible to give feedback during next TF CRM of November 12th.

First feedback on consultation design notes part 1:

Intermediate price cap (Glenn Plancke)

FEBEG (Luminus) clarifies that initially FEBEG reacted to the consultation of Elia, but recently also to the consultation of CREG on "Investment Threshold and Eligibility Criteria". FEBEG now wants to further clarify on the Elia consultation due to the link between the eligibility criteria and the investments related to lifetime extensions. These investment costs could not be eligible for multiyear contracts given the criteria proposed by CREG. Due to the uncertainty of generation eligible for a 1year-contract about being selected in a future auction, some investments should be taken into account with a mark-up.

Febeliec clarifies on slide 10 that its provided feedback made during last TF CRM of September 26th is linked to the switching/swapping of strike prices.

Elia wonders at the end of the presentation if Elia has correctly understood the provided feedback during the consultation. Elia indicates that Elia will formally react to all provided feedback. Design notes will be updated accordingly.

Febeliec states that if no comment is provided on a specific topic, it should be considered that Febeliec agrees with what was mentioned in the design notes. Nevertheless, as some topics are transversal, comments are sometimes raised in other/related discussions and design note consultations.

For example, on the cost calculation issue, Febeliec did not have a negative comment, so nothing is mentioned in its reply.

Elia summarizes that if you did not comment, we consider you agree.

Febeliec wonders if all answers received on all the different public consultations organised by Elia and CREG are shared within the CDS. Elia indicates it shares all received comments within the CdS. CREG indicates it will do the same.

CREG reminds that if a stakeholder mentions its comment should be made confidential, it will be normally be shared within the CdS. However if a stricter confidentiality is needed, please indicate it might not be shared within the CdS or if the answer should be considered as anonymous.

First feedback on consultation design notes part 1:

Availability Requirements & penalties (Elmo Van Thielen)

On slide 4, Febeliec states that there are currently discussions ongoing related to the CDSO. Febeliec did not highlight each instance where CDSOs are or might be implicated in the design specifically at this point, since Elia and Febeliec are still identifying where such specifications might be needed.

Febeliec makes the same comments on slide 7 regarding the current discussions related to CDSO. It is not clear how this will be solved. That's why Febeliec did not react to this during the consultation for this reason. ELIA answers that rules need to be defined to integrate this.

Febeliec states that they prefer no testing outside of winter, as winter is the only relevant period with respect to adequacy concerns for Belgium, as shown in all the concerned Elia studies in the past.

Elia wonders if the presentation gives a fair reflection of the comments provided during the public consultation.

RWE wonders about the way forward. Elia answers that several deliverables will be drafted based upon the different design notes: some parts will be written in a Royal

Decree, other parts in the Market Rules. These will be discussed within the “Comité de Suivi (CdS)” and they will be part of the formal notification file towards the European Commission. Also a consultation report will be foreseen, in which answers will be provided on each received comment. In the next TF CRM meetings, Elia will present updated proposals of some design aspects.

Several stakeholders also wonder if these draft Market Rules and draft Royal Decree can be shared with the stakeholders. Elia replies that the Belgian State will notify the mechanism to the European Commission. It will be discussed within the CdS if and when these draft/final deliverables could be shared with the stakeholders. The main focus will be the coming weeks on the preparation of a good notification file. Elia adds that the EC is closely following up on what is being prepared.

Elia states that everything related to the design and the public consultation will be published on the webpage of the TF CRM. The updated design notes will be provided early 2020.

Febeliec is concerned about the provided explanation on the next steps. They are afraid that the stakeholders might not see the final texts. Elia replies that the CdS will reassure that everything will be done in a transparent way.

Febeliec has a question related to the public consultation. All topics are treated separately while there are cross-links. Febeliec wonders how these will be treated. Elia replies that all comments will be treated and a motivated answer will be provided. CdS will have a holistic view on this. If incoherencies remain, they will most probably be indicated by the stakeholders during the TF CRM meetings;

During the next TF CRM a short explanation on process will be provided.

Secondary market - overview (Patrik Buijs)

T-Power wonders if there could not be a number 4 option with transfer of remuneration of party A to party B while keeping the initial party A liable. Elia believes that this option is a bit more exotic than the current proposals and sees general difficulties in its added value, but in theory it could be an option. It is however not further developed.

ENGIE wonders if the complete transfer (first possibility) can work under PaB assumption only. Elia replies this can also work for PaC. RWE asks if this information would be available in PaC. Febeliec reacts that it will be an issue if this is to be done bilaterally (and anonymously). Elia agrees that in the first possibility the process becomes more complex if there is a willingness to do the transfer anonymously.

ENGIE replies that a market party also reveals its price when trading bilaterally. Elia answers that in such case the price revealed by a market party will not necessarily be the bid auction price; the market party chooses which price he wants to reveal.

Febeliec states that the complete transfer has an advantage for society: the volume is kept and the service is maintained at the same price, while no additional risks are created towards society as compared to the initial situation. Elia agrees that the initial cost remains the same.

Febeliec mentions that there could be credit exposure for society in case the first party does not want to show its initial price; the first party is free of risk, which is transferred to society. Elia answers that penalties should be severe in case of non-performance in such case. Elia adds an indirect effect is the fact that it raises the entry barrier.

Febeliec opposes to the 2nd obligation transfer possibility as it poses a risk for society. T-Power asks Febeliec to explain the risk to society. FEBELIEC answers that there is a transfer of obligations and penalties, but there is no transfer of the capacity remuneration. In case the second party does not honour its obligations, no capacity remuneration can be clawed back from party A. So Elia has no stick to punish the initial party, who keeps his capacity remuneration but loses its obligations. FEBEG replies that this might indeed be a risk, but there should be a possibility to still keep the initial party liable (and punishable). Elia adds that there are no bank guarantees for availability obligations in the primary or secondary market.

Febeliec states that between the first and the third option, society has to take extra risk and gets nothing in return. Elia does not necessarily agree. Elia wonders how much risk is created compared to the benefits of this approach.

T-Power states that the secondary market is becoming very complex in an already complex CRM design.

T-Power asks if the spark spread is taken into account in the determination of the reference price. Elia replies that the day-ahead market price (EPEX Spot or Nordpoolspot) is proposed as the reference price. The strike price is a unique price without corrections for the gas price. T-Power reacts that this could be a big risk for every party. ENGIE believes that T-Power refers to one of Elia's first presentations on the topic. Elia answers that in the beginning it was mentioned that market evolutions could be taken into account. In the current proposal, no indexation on gas prices is proposed.

Febeliec states that option 1 and option 2 perform the same in terms of monitoring the volumes. Elia replies that in option 1 the obligation remains at the first party which might hinder liquidity. Febeliec adds that transferring the contract price is complex in bilateral agreements. Elia answers that it becomes more complex when a third party would want to facilitate secondary market liquidity.

Luminus wonders if Elia has to assess to what extent party A applies its obligation. Elia answers this is not Elia's favourite solution since it is uncertain how many solid party B's could be found. This will hamper the liquidity.

Febeliec asks if there is an obligation to offer in the secondary market when available, as liquidity problems could/will occur when parties do not want to participate. Elia replies that this is not the case according to the current proposal. Elia adds that further on an overview of "possible volumes" that can participate in the secondary market is shown. Febeliec insists that such aspect should be considered in order to guarantee sufficient liquidity.

Febeliec states that in the energy market, as well as in the CRM primary auction, you have an obligation to offer capacity and capacity cannot be withheld. In this sense, it is strange that there is no obligation to offer capacity in the secondary market. This will hamper liquidity. Elia answers that mechanisms exist to avoid anti-competitive behaviour. Febeliec replies that it has taken a lot of time to solve in the energy market (and is still on-going) so it should be considered to build in already from the start. Liquidity is one of Elia's main concerns. Elia agrees it is a valid comment and that a balance should be made.

CBS makes the parallel with the ancillary service secondary market (where also the obligation transfer framework is used) and wonders why the same mechanism is proposed. Elia replies that the equivalence with the ancillary service secondary market is not a reason as such to propose the obligation transfer framework also in the CRM. While it nevertheless gives comfort that that this mechanism works for ancillary services, there are more fundamental reasons to propose this option. CBS wonders if it could be cross-checked that the mechanism could work for CRM. CBS adds that the same drivers should be observed (e.g. liquidity), but other different drivers could be noticed.

CBS asks if the other mechanisms are not to be exempted because it is not straightforward to transfer only part of an obligation (e.g. an obligation transfer for just one specific day). CBS mentions that in option 3 it could be decided how much a contract is worth in a given period, whereas in option 1 Elia has to artificially split. (e.g. if 1 day out of 30 is taken, the remuneration is 1/30). Next Kraftwerke adds that capacity during winter might be more expensive. Elia answers that this topic might be part of the bilateral agreement. Elia adds that this would add extra complexity. It is however not investigated if this would be impossible to overcome.

CBS states that the experience from the ancillary service secondary market could be used to check if for instance a bank guarantee could be used to hold parties sufficiently liable in the secondary market when its obligations are transferred but not its primary remuneration. Elia replies that currently the proposed solution does not include bank guarantees. T-power propose to use existing bank guarantees. Elia answers that using existing bank guarantees may create problems in terms of

precise roles providing the bank guarantee and using the same guarantee for multiple purposes risk to dilute the effect of the provided guarantee.

T-Power states that ex-post possibility to transfer means that the adequacy situation and hence the opportunity cost for this situation is already perfectly known. Elia replies that there may be individual deviations, but a lower system wise shortage. Therefore, why not allow market participants to net their positions instead of penalizing all individual players Elia indicates that this is entirely comparable to the ex post settlement of imbalances.

CBS states that the settlement must be organised at CMU level. Elia agrees.

T-Power asks what a market party should pay to the party taking over the obligation in the secondary market if the reference price is above the strike price. Elia answers that Elia will ask a payback from the party to whom the market party has sold. T-Power reacts that the party would have gained a high reference price since this is managed ex-post. There is a payback because the party takes over the obligation. Elia answers that this should be agreed with the other party.

ENGIE asks how non-full schedule CMUs are tested in case the party is active on the secondary market. Elia answers that tests will be organised in the same way if a contract is concluded during a period. This will be further analysed.

ENGIE wonders if a party can be tested if it is only active in the secondary market. Elia answers that this question is linked to a remark received during the public consultation ("Can tests be organised outside AMT hours?") and that it will have to be further analysed. It is expected that the issue is automatically solved when tests are only organised during AMT hours in case of secondary market. It has to be checked which modalities have to be added if tests are organised outside AMT hours. Elia can understand that there are probably not many reasons to test for the system, in case of prequalification and no deals are done.

RWE asks whether transactions from the primary to the secondary market for energy constrained assets versus non-energy constrained assets will be checked by Elia. Elia answers that every secondary market transaction is subject to Elia's approval, e.g. in order to avoid short-selling.

T-Power wonders how to deal with a scheduled outage for a month: in case replacement capacity is not found, the market party has to contract 12 SLAs for 2 hours per day? Elia refers to the examples that will follow later in the presentation.

Febeliec opposes to Elia's proposal to apply the most recent strike price to secondary market transactions. Febeliec explains this with an example: in the assumption that the initial contract had a very low strike price, but strike price is very high later on. In such case, there is no (or little) payback obligation after the secondary market transactions. Consequently, society pays again. Febeliec has a

general problem with the fact that all risks are shifted towards society. Elia replies that in the proposed design, by de-risking, Elia aims to attain a lower cost of the CRM. Moreover, Elia deems it realistic to assume differences in strike prices over the years, the deviation is not expected to be very large.

FEPEG wants to avoid wash trading, i.e. creating an incentive to trade (without a value) but just to make use of a currently higher strike price. . Febeliec is concerned that if such mechanisms are put in place, liquidity will be impacted. Febeliec is strongly opposed to and concerned by the possibility of trading in secondary markets only to lock in higher strike price levels. Elia replies that the point has been noted, but an appropriate solution should be analysed. FEPEG adds to the point that liquidity on the secondary market will be high when strike price gets higher, and low when the strike price lower.

RWE states that in option 2 there will be high liquidity when strike price increase. The impact on liquidity will only be noticed in some cases.

Febeliec suggests an alternative to Elia's strike/reference price proposal: use the last published strike price, but only when it is lower than the original.

Related to slide 18, Febeliec wonders if for the first option a volume-weighted cost of his obligations could not be considered for party B taking over from different parties. Elia replies that in case everything is transferred, including remuneration, this can indeed be considered.

CBS asks whether there is not a risk that someone subject to intermediate price cap sells its obligation to someone not subject to the intermediate price cap. CBS is afraid that two categories are created: the one subject to the intermediate price cap versus the ones not subject to the intermediate price cap since the penalty risk is different between the parties. There is an incentive to sell at higher prices or to block parties you can sell to. Elia answers that party B will assess the risk. CBS states that potentially these two categories cannot communicate with each other and it influences the market-wide contracted price. Elia agrees that it will have an impact but wonders if this would be a negative effect.

T-power questions the capacity obligation transfer principles and asks how this works. Elia explains that common denominator is the derated capacity. For each participant, the eventual obligation is calculated taking into account its specific product and how a derated capacity translates to the obligations.

Elia comes back to question of T-Power: how to deal (or not) with a SLA in case of a scheduled outage in a certain period. Homogeneity in terms of eligible volume is assured in the primary auction through the derating factor. The same reasoning applies in the secondary market. By rule of 3, SLAs can be compared between each other. T-Power wonders if 12 other parties are needed to cover all hours of the day.

Elia replies that this is not necessarily needed in case the counterpart's nominal reference power is high enough. Elia adds that the SLA covers the entire day: it is sufficient that party is available during 2 hours. This SLA is valued as X MWs.

T-Power asks what happens if there is an AMT hour with test. Elia answers that the party has to be available during 2 hours, but not for the rest. Elia mentions that the explanation is provided in the design note on derating.

RWE asks some clarification on the transferring of obligations and wonders if Elia applies the availability constraints of the one who is taking over. Elia answers that Elia always looks at the SLA of the one taken over.

T-Power asks what the equivalent obligation is between a MW from a thermal unit versus a MW from the SLA. Elia replies that for a thermal unit 1MW should be considered as 1MW.

RWE states that wording about transfer is confusing. It should rather be: cancelling party A's obligations and introducing new obligations to party B according to his SLA. Party A is no longer liable and party becomes liable to his SLA. Elia confirms the interpretation.

Febeliec asks what happens when all products are of the same SLA type: all availability at the same AMT hours? Elia replies that it is the energy market which determines the availability of the parties, not the CRM. Besides, the example is very theoretical. Febeliec wonders how a generation unit will find a party with the same mechanism. Elia answers that we are not talking about energy delivery but about availability.

Further clarifications on important design concepts & terms (Elmo Van Thielen)

Febeliec asks if tests can also occur at a much later stage. Elia confirms this is the case when no historical measurements are known.

Febeliec wonders if the Nominal Reference Power of 25 MW for CMU2 refers to the demand or to volume of the demand response. Elia answers it refers to the volume of demand side response.

Febeliec asks if the two auctions are considered. Elia explains that always the two auctions results are considered to calculate the weighted average price.

Febeliec has some concerns: CMU 1 has been awarded a contract giving him a certain amount for each MW provided. In case of non-delivery, CMU1 will have to pay a defined penalty, but it results in a much higher volume that has to be auctioned in Y-1. This will impact society as it will have to bear a higher clearing price. Elia answers that this will depend on the clearing price in the Y-1 auction.

Febeliec replies that the current proposal is to switch to a PaC mechanism after 2 years. This could lead to a much higher price for the total volume. In case of PaC, society is exposed to a lot of infra-marginal rents. Elia adds that the design choice to start first with a PaB mechanism and to switch after two years to PaC has been taken according to the discussions in CdS. It is considered that this would lead to the cheapest overall option. Some additional clarifications are given by Elia regarding the penalties in the pre-delivery monitoring. Febeliec remains convinced that there will always be a higher risk exposure for society which will represent a cost.

Elia concludes that the comment will be taken into account. Elia adds that there will be enough incentives to deliver on time given the foreseen monitoring and high penalties. However better alternatives may be provided through the public consultation.

Febeliec remarks it does not have to provide other alternatives but it needs to point out the issues, even though Febeliec always tries to propose some alternatives. It seems that the current proposals always shift the risk from the participants towards the society, because otherwise it could increase the cost of CRM. However increasing the risk exposure has also a cost for society and results in privatisation of benefits and socialization of risks. Elia replies that always a trade-off has to be made. Elia is convinced that the current proposal will lead to the overall lowest cost.

Febeliec wonders how the 25 MW of CMU 2 are taken into account in the volume assessment: in case the 25 MW of consumption are not built in time, these 25 MW should not be considered. Elia replies that the consumption could already be available however it may not yet be flexible.

Related to the table on Slide 10, Febeliec wonders if the 0MW in the “available” column for CMU 2 means 0MW consumption? Elia answers it is a 0MW difference with the baseline (which is a rather theoretical case).

Febeliec asks if the 26 MW in the same column should then be understood as an increase of 26 MW compared to the baseline. Elia answers that in that point in time CMU2 consumed 26 MW less than its baseline, but the obligated capacity is 20MW.

Febeliec states that the higher the price gets, there is an incentive for a DSR unit to start consuming in order to have enough capacity available to be able to decrease the consumption. Elia replies this depends on the baseline and the DSR’s ramping restrictions, but it is not an incentive to consume.

CBS mentions that in case of the “High X of Y” method, it is possible to inflate artificially the baseline on several consecutive days to anticipate high market prices. It is not only the level of consumption just before the monitoring that counts. Elia confirms, but underlines that ‘the anticipation of high market prices’ may be wrong and hence there is as such no strong incentives to alter baselines ex ante on purpose.

Next Kraftwerke states that in such case the CRM mechanism pays for additional load, which seems strange. Febeliec agrees with this statement. Elia replies that the Declared Market Price (DMP) considers the possible DSR activation price. If the energy market would incentive you to be active in the market, this seems to be the most technological neutral way.

COGEN Vlaanderen asks if the DMP is the price at which the CMU will stop to consume. Elia confirms.

COGEN Vlaanderen states that a DMP of 250€/MWh is rather low for a DSR unit. Elia adds that each CMU can define its own DMP.

Febeliec wonders again what will happen if everyone has the same SLA and is being checked for the same 2 hours (since the first two hours are checked). Elia replies this cannot be the case. Elia picks the 2 hours by looking at the dispatching decision made by the market player and takes the 2 hours that are supposed to best meet what the market party was supposed to do.

ENGIE wonders if it would be a problem if CMU 2 would have reacted at 3 PM. Elia answers that this hour is not considered in the evaluation of the SLA.

ENGIE asks if it is problem if someone reacts below its DMP price. Elia replies it will look at the interval between 4PM and 7PM. If someone delivers also at 3PM, this is not a problem (extra capacity is available) however it will not be considered in the primary SLA obligations. ENGIE summarizes it is not a problem that a DMP is defined at 600€/MWh and someone starts reacting in the energy market at 200€/MWh. Elia confirms that as currently designed is indeed not a problem, but that this will not be considered as a demonstrated availability.

CBS states that if more hours are declared, there will be a better derating and there is an incentive to choose a right SLA in order to receive more money within the CRM. Elia adds there is also a second way of monitoring availability by checking if there is no reaction below the DMP.

ENGIE comes back to the example from a reaction at 3 PM if the available volume is lower than the required volume will there be a penalty Elia answers that the mechanism contracts availability, so only availability will be checked. Off course also energy is delivered in the energy market. The DMP will tell when there should be energy delivered in the energy market or not.

ENGIE wonders when a CMU with a SLA is liable to a penalty or not. Elia answers that depending on the day-ahead market price the formula is different within your SLA.

Regarding slide 12, T-Power asks if the first line is the theoretical capacity that a party is able to offer ex-ante to the secondary market. Elia confirms.

It is asked why in the table the obligated capacity goes up for CMU 3 at 6 PM. Elia explains it with an example (a power plant expecting to be available the next day, even taken over some obligations from another power plant in maintenance; however the day itself the power plant has a forced outage and is even not able to sell back its obligations).

It is asked if it would be possible to prepare three tables: before secondary market / ex ante / ex post. Elia will consider it however it will be difficult since there is no clear line between these different moments.

Some clarification are requested on the first table: “available” means “Forecasted available” while in the second table “available” means the “realized available”. Elia answers that in every table the “available” is the real observed availability, but due to secondary market the obligations have changed.

A market party states that it is confusing in the 1st table: before the Secondary Market, there is no real availability unless it is ex-post. Elia agrees and explains the spirit of the tables. It was the goal to explain in the first table what will happen if only primary obligations are allowed; while in the second table also secondary market transfers are allowed.

CBS adds that it would be good to add who has traded what. Elia agrees it would make sense but it will be difficult to add everything.

COGEN Vlaanderen asks about CMU 2 has a possibility to sell ex-ante 2,5 MW on the secondary market, and has an obligated capacity of 26 MW ex post. Elia explains it is very difficult to know why each trade on a secondary market takes place, but it could be presumed that CMU2 kept its initial obligation of 20 MW, and at 5 PM CMU2 had an excess which was sold whereas CMU2 had a shortage at 6 PM.

Febeliec asks for a clarification on the 224 MW missing capacity for the Primary Market on slide 12. Elia explains that CMU3 was in forced outage but still liable to the penalties for its obligations in primary and secondary market. First the missing capacity towards the secondary market obligation will be calculated, and then towards the primary market obligation. The maximum volume at the secondary market was 38 MW; for two hours this will be counted for 76MW. Total missing capacity was 300MW. Of the 300MW, still 224 MW is left for the primary market penalty (300MW – 76 MW).

Febeliec wonders if the 4MW missing capacity of CMU2 at 6PM cannot be taken over by CMU 1 or CMU3. Elia replies this is not possible ex-post, since obligated capacity is verified with available capacity.

T-Power wonders why the obligated capacity of 20MW became 26 MW at 5PM for CMU2 ex-post. Elia answers that CMU3 bought extra obligations, because its available capacity was equal to 26 MW.

T-Power wonders then CMU 3 cannot increase its available. Elia answers that CMU 3 is in forced outage and can do whatever he can ex-ante or ex-post to fill its gap. However he cannot increase its gap by taking over the missing capacity from other CMUs. Elia adds that trading on the secondary market means that the obligations can be changed (i.e. the left columns).

Febeliec wonders what happens for CMU 2 at 7PM if the available capacity would have been 30MW instead of 8W, which means that the AMT hours would be OK and it would be possible to sell. Elia agrees because CMU2 has delivered more energy at that moment.

Febeliec has still a concern about the number of hours for which the observed price is above the DMP. What will happen in case it would not be 3 hours like in the example but 10 hours? Any missing capacity is always divided by 2 in the CMU2 case, while the other can divide the missing capacity over more hours, so their penalty will be lower. Elia explains that if this happens sometimes, there is a possibility of making a deal on the secondary market. However the CMU is consistently available for more hours than the ones chosen for the SLA, another SLA should have been taken.

Febeliec replies that there is also the possibility to change the DMP. Elia replies that there are enough incentives to declare the correct DMP.

Regarding slide 16 Febeliec asks if the Strike Price applicable to that CMU is being looked at. Elia answers that it is the one applicable to the Secondary Market.

CBS wonders about the self-derating for CMU 3 (slide 4) if it isn't easier to allow the unit to choose a derating lower than 0.9. Elia replies that mathematically it is the same whether a lower derating is declared or if the reference power is reduced. For all other formulas applicable in the CRM, it seems easier to derate on the reference power. CBS further explains its statement. Elia summarizes that CBS would like to differentiate the definition of derating between energy-constrained and non-energy constrained assets. Elia states however that it has chosen to work on reference power to make other formulas easier.

Febeliec has a question related to the last slide: if you swap two CMUs with the same capacity but with higher strike prices, than society gets less back due to strike prices. Elia answers that this topic has already been discussed in the secondary market; it has to be seen if swapping is to be avoided or that strike prices can be inherited. Moreover, availability might play a role as well as the strike price will have an influence as well. Penalties will always give an incentive.

ENGIE is surprised by the use of average shortage to calculate the penalty (it was calculated per hour over an AMT). Elia agrees it is already more specific than what has been drafted in the design note. The applied principle is that it is impossible to over shoot to compensate for a deficit at another moment. For an AMT monitoring, the penalty will be divided over the different AMT hours and will be allocated proportionally with the missing capacity.

CBS wonders why for CMU2 there is an obligated capacity of 26 MW while the reference power is 25MW. The answer is given by COGEN Vlaanderen: this is due to ex-post secondary market. Elia adds that with demand profiles, it cannot be excluded that a CMU goes even lower than its reference power. CBS states that the prequalification process exists to avoid that more volume can be used and suggests to put boundaries on the prequalified MWs. Elia will have a look into it.

Elia concludes that the exercise was useful.

Planning 2020 & next steps [ELIA]

Elia explains the topics which will be treated in 2020 after submission of the notification file towards the European commission by the end of the year:

- A public consultation on the Market Rules
- The contractual aspects
- Focus on implementation aspects (prequalification, auction,..)

Around 4 TF CRM meetings will be foreseen in the first half of 2020. Dates will be sent after the meeting.

RWE wonders if the same alignment with CREG and FPS economy could be possible on all residual topics from their side (templates, investment files, ...). This would help to identify all the deliverables and have a general overview in a structured approach to have everything ready on time.

Elia adds that it is foreseen to present a survey to get feedback on the process of this year in order to see how things can be improved regarding organisation, content,...