

Treatment of opt-out volumes

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Opt-out context: the CRM-law foresees the possibility to opt-out from the CRM

Opt-out **gives CRM candidates the option to not (or only partly) participate in the CRM**. In line with the CRM law, prequalification is obligated for some, but their (full) participation in the CRM is not (cf. CRM law citation below)

- There could be various reasons for a CRM candidate to (partly) opt-out for a CRM auction: temporary or definitive closure, maintenance plans, alternative technical derating views,...
- Depending on the reason for opt-out, an opt-out might have implications for particularly:
 - *volume requirement*: is the to be contracted volume to be reduced or not with the opt-out volumes?
 - *secondary market*: Is opt-out capacity entitled to participate in secondary market? How to avoid double counting of capacity? How not to overly limit liquidity in the secondary market?

CRM law (Article 7undecies, §6):

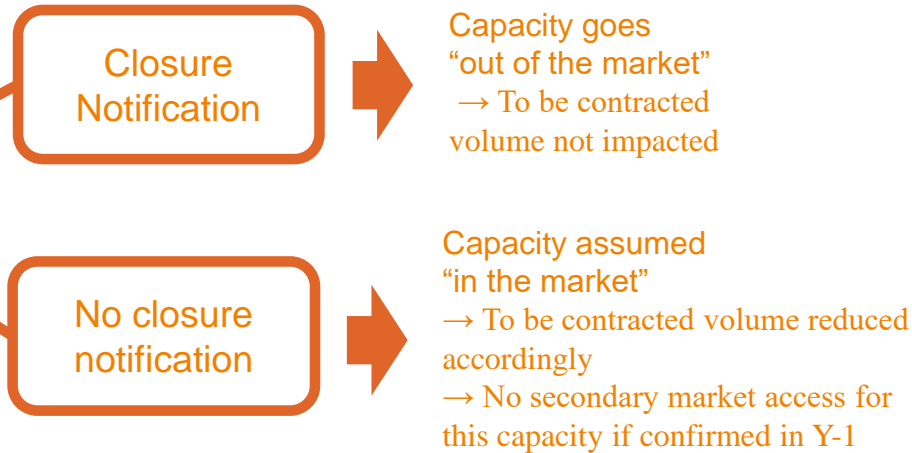
Elke capaciteitshouder die na het doorlopen van de prekwalificatieprocedure in aanmerking komt en geselecteerd is, mag deelnemen aan de veiling. Een capaciteitshouder kan beslissen om geen bieding in te dienen in het kader van de veiling voor het geheel of een deel van zijn capaciteit, op voorwaarde dat hij de netbeheerder er voorafgaand aan de veiling van op de hoogte brengt. De netbeheerder houdt rekening met deze niet-aangeboden capaciteit voor de veiling overeenkomstig de werkingsregels van het capaciteitsvergoedingsmechanisme bedoeld in paragraaf 8.

Tout détenteur de capacité éligible et sélectionné au terme de la procédure de préqualification peut participer à la mise aux enchères. Un détenteur de capacité peut décider de ne pas remettre offre lors de la mise aux enchères, pour la totalité ou une partie de sa capacité à condition de le notifier au gestionnaire du réseau préalablement au début de la mise aux enchères. Le gestionnaire de réseau tient compte de cette capacité non offerte pour la mise aux enchères conformément aux règles de fonctionnement du mécanisme de rémunération de capacité visées au paragraphe 8.

Treatment of opt-out capacity in Y-4 & Y-1 capacity auctions

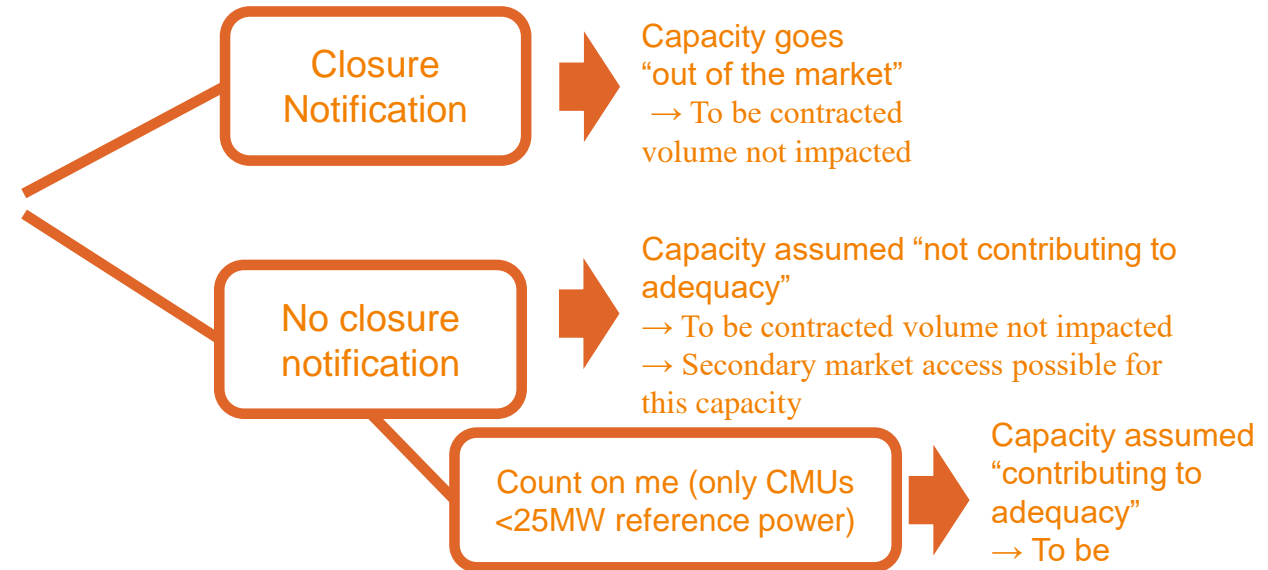
In line with the CRM law, a CRM candidate (eligible & prequalified) is allowed to opt-out (partially) from the CRM, meaning he does not commit to a bid for this opted-out capacity in the CRM. However, the way we treat this opt-out capacity depends on 1) the capacity auction (Y-4 vs Y-1) and 2) whether or not the opt-out is backed by means of a (temporary or definitive) closure notification, as meant in Art. 4bis of the E-law.

Y-4 capacity auction



- ✓ **Avoid over procurement**
- ✓ Opt-out capacity without notification is assumed in the market since we are only in Y-4, there is still time
- ✓ Avoidance of strategic behavior by abusing opt-out

Y-1 capacity auction



- ✓ **Final call for adequacy**, i.e. last chance for primary market contract
- ✓ No longer the possibility to secure adequacy in an auction closer to the delivery period
- ✓ Trust in capacity holder opt-out decision

Note: Capacity opted-out for Y-4 may revise its position towards Y-1.

Further design implementations of opt-out

- Y-4 opt-out decision has no implications for Y-1 opt-out possibilities (**Y-4 opt-out does not imply automatically Y-1 opt-out**). Opt-out decision of Y-4 has to be reconfirmed or revoked in Y-1.
- **To be contracted volume** will be done via a dummy bid (i.e. artificial bid by Elia at 0€/MWh, not linked to a CRM candidate, not resulting in contractual obligations), instead of through a demand curve shift.
- **Access to secondary market** depends on the option chosen. In general, to avoid double counting, capacity is only allowed to participate in the secondary market if this capacity has not been contracted in the primary market and is not (in Y-4 in absence of a notification) considered in the market and contributing to adequacy
- In case of “**implicit**” **opt-out**, i.e. no prequalification despite an obligation to do so, and regardless of other legal implications, this capacity will be treated as contributing to adequacy, i.e. no access to secondary market, and as such an incentive to prequalify!