

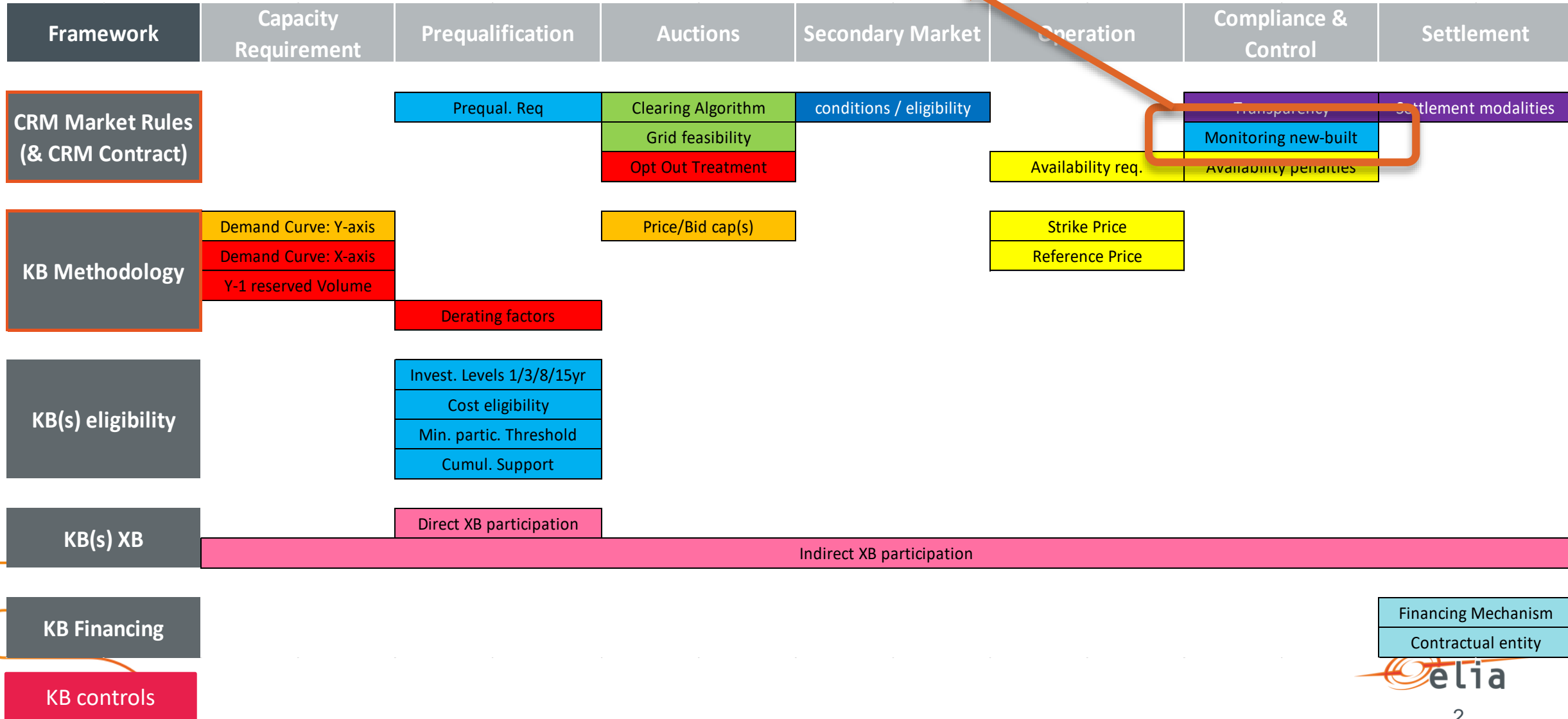
# Monitoring

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# Scope

Prequalification & monitoring design note –  
consultation between 2<sup>nd</sup> October and 30 October

Volume assessment	Secondary market
Eco. Param. Dem-curve	Transversal topics
Product design	Cross-border aspects
Auction design	Financing
Prequal. & eligibility	

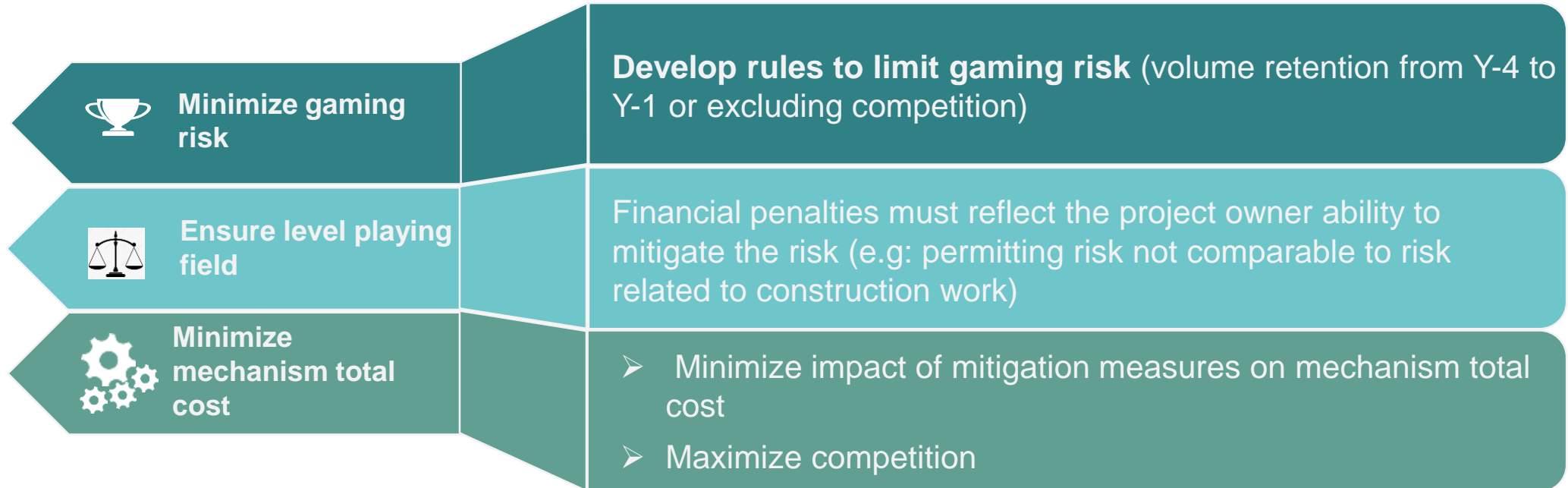


# Monitoring process

## Objective and structuring principles



Monitoring process aims at verifying that Y-4 and Y-1 awarded capacity will effectively be there as of 1<sup>st</sup> day of delivery period for which they have been contracted;



# Monitoring process

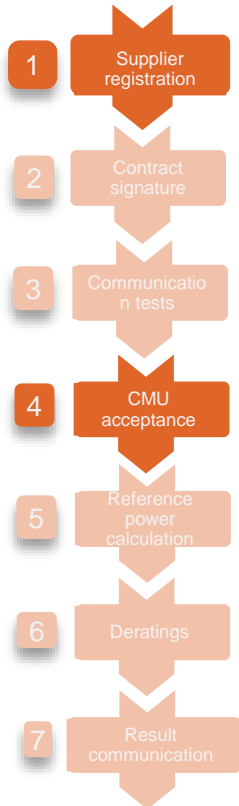
Requirement from prequalification process related to monitoring



Minimize gaming risk



Minimize mechanism total cost



- Bank guarantee (€ / MW)** proportional to contracted volume (MW);
- Secured from moment contract is awarded at auction (within 60 WD)
- Only financial incentive** that can be used by ELIA during monitoring phase (as remuneration of CRM only starts with delivery period and is capped to contractual value)

## For new capacities; specific requirements:

- Sector plan** must be adapted according to the project (e.g: industrial zone);
- Proof right to use the field (ownership; signed offer with suspension clause; signed agreement)
- Firm commitment of third party on infrastructure work feasibility (if relevant) (e.g: Fluxys)
- Information used to get production permit (CRM law)
- Positive technical assessment** (ELIA connection process)
- Project's planning and detailed info(template in contracts to keep consistency between projects)
  - ❖ **Intermediate milestones** (quarterly and yearly)
  - ❖ Link with third parties and periodic reporting (quarterly and yearly) (e.g: Fluxys infrastructure work)
  - ❖ **Hard deadlines for key deliverables** : permits; construction; commissioning

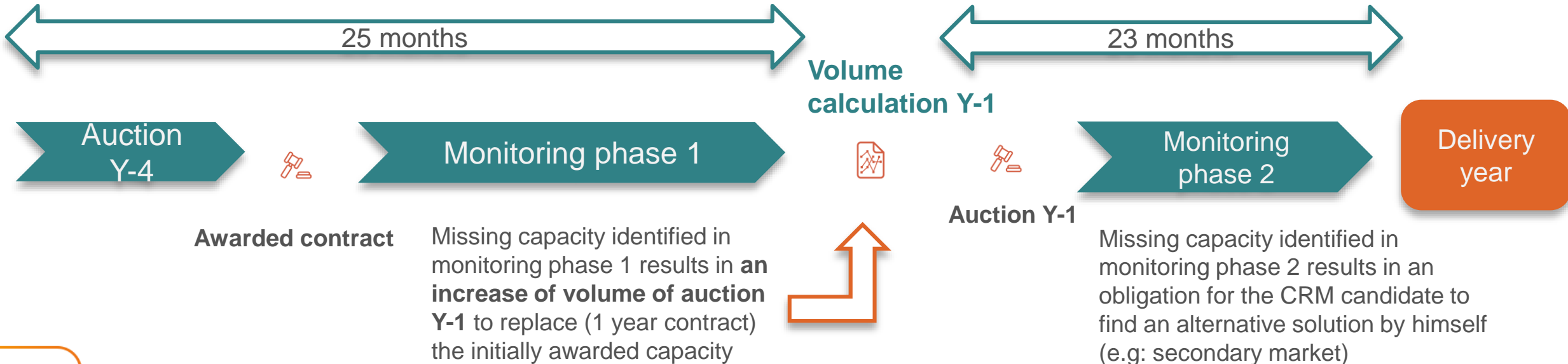
Uncertainties cannot be avoided (e.g: permitting risk; delay in construction work) in the prequalification process → monitoring rules needed

# Monitoring requirements



Minimize mechanism total cost

**Principle # 1** : No matter the reason; there are two possibilities to cover for missing capacities (2 monitoring phases)



# Monitoring requirements



Ensure level playing field



Minimize mechanism total cost



Minimize gaming risk

**Principle # 2** – the financial penalty must reflect the project owner possibility to mitigate related risk and must increase in time



Financial penalty **either via bank guarantee** and/or via a **reduction of initial contractual duration/obligation**



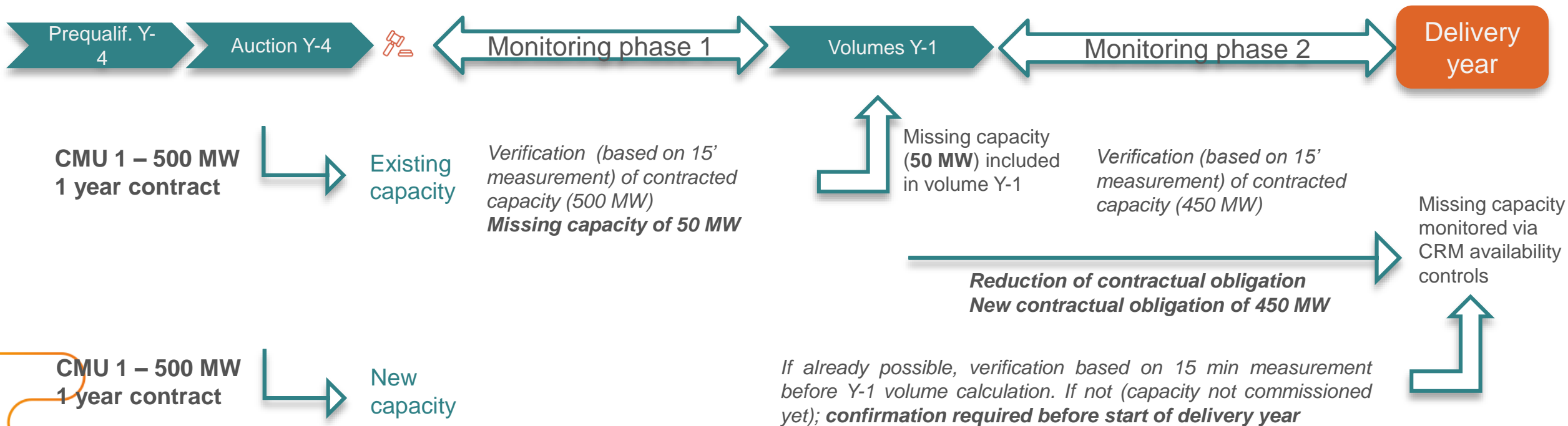
Financial penalty **higher in monitoring phase 2** (limited time left to find alternative solution and risk not being adequate for concerned delivery period)



**Permitting risk subject to specific monitoring principle** (see example next slides) as long as the permitting process is respected by the project owner and seen its limited influence on it (delay can easily be caused by third parties)

# Monitoring requirements

**Principle # 3** : awarded volume must be verified and confirmed **at least once** before delivery period (applicable to both existing and new capacities)



**CRM monitoring process**  
**How to deal with risk of delay**  
**(new capacities)**  
**Concrete examples**





# Monitoring process

*Concrete examples in case of delay (new capacity)*

Scenario 1

- ✓ Any project risk (except permitting)
- ✓ Detection in monitoring phase 1 or 2

Scenario 2

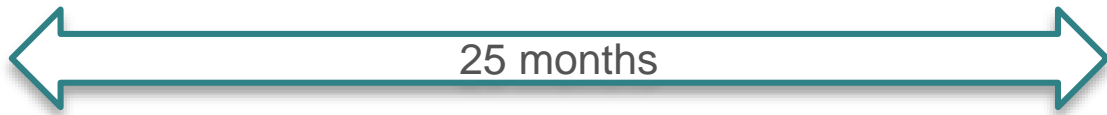
- ✓ Permitting risk
- ✓ Detection in monitoring phase 2

Scenario 3

- ✓ Permitting risk
- ✓ Detection in monitoring phase 1

# Monitoring requirement

## Scenario 1



CMU 3 – 400 MW  
3 years contract



Delay identified

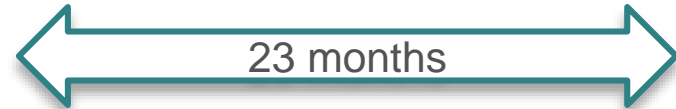
Financial penalty via bank guarantee (gaming risk)

Contractual delivery period **reduced** (lose 1 year of remuneration)

Delivery years  
2026-2028

- ✓ Any project risk (except permitting)
- ✓ Detection in monitoring phase 1 or 2

Volume calculation Y-1



+ 400 MW



Y-1 auction



Replacement of missing capacity with Y-1 auction



Delay identified

Contractual delivery period not adapted

CRM candidate responsible to find an alternative + subject to CRM availability monitoring principles

In case of no delivery, loose bank guarantee

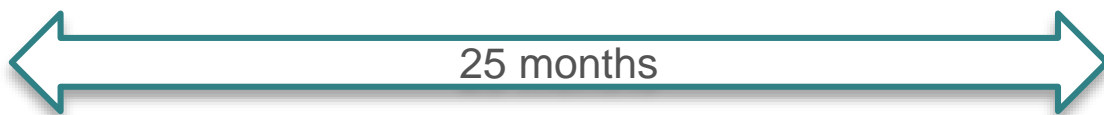
Delivery years  
2025-2028

Delivery years  
2025-2028



# Monitoring requirement

## Scenario 2

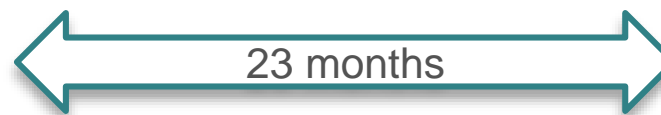


CMU 2 – 100 MW  
3 years contract

A CRM candidate takes the risk to wait after the volume calculation of Y-1 (last moment to find an alternative volume via auction mechanism)

- Becomes its responsibility to find an alternative solution
- Subject to financial penalty (no report of contracted period)

Volume calculation Y-1



Y-1 auction

Detected delay

Delivery years  
2025-2028

- ✓ Permitting risk
- ✓ Detection in monitoring phase 2



No delay of contracted period

Delivery years  
2025-2028



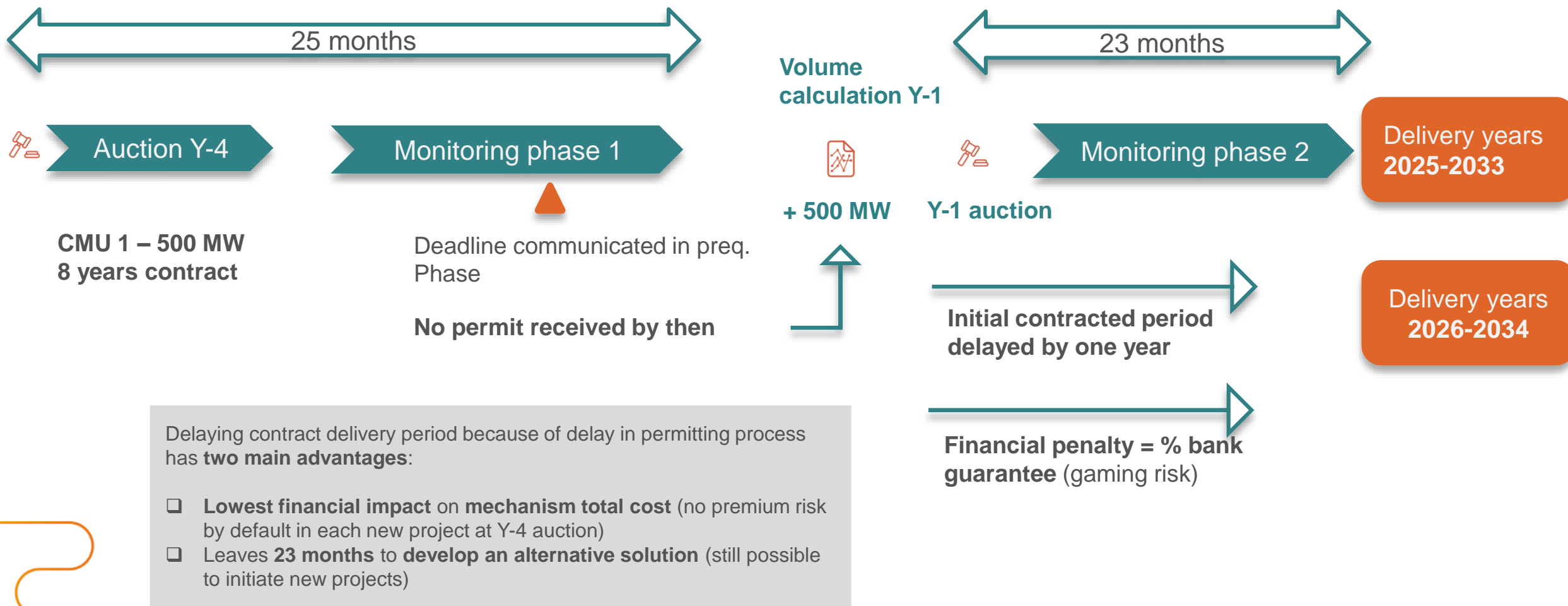
Subject to availability control and related penalties



If never able to deliver, loose bank guarantee

# Monitoring requirement

## Scenario 3



# Additional monitoring requirements

From a certain MW threshold (proposal: 400 MW), a CRM candidate **must** produce the project' needed permits **in monitoring phase 1**

- Not realistic to finalize both permits and construction work within 23 months;
- From adequacy perspective, risks are too high to be accepted
- Secondary market not designed to cope with these additional volumes

In parallel to the permit; ELIA may require additional proof of concrete project realization (e.g: invoices; order of main component;...)  
**Exact penalty (% of bank guarantee) will be determined in function of these additional proves (work in progress)**

Proportionality of the specific penalty regime foreseen to cover permitting risk

- **1<sup>st</sup> permitting delay (phase 1):** report of delivery period by one year + % of bank guarantee
- **2<sup>nd</sup> permitting delay (next year, phase 1):** No report of delivery period (i.o.w: reduction of contractual duration)
- **3<sup>rd</sup> permitting delay (3<sup>rd</sup> year; phase 1):** termination contract + no reimbursement of bank guarantee