

**From:** Adrian Bobula <abobula@advancedpower.sk>  
**Sent:** Friday, 21 June 2019 18:24  
**To:** TaskForce CRM <taskforce.CRM@elia.be>  
**Subject:** RE: TF CRM - Your preference is requested

Dear Martine,

we would like provide our feedback to questions asked by ELIA in the last TF CRM meeting and summarized in your Email (below) with regard to following topics:

**“Strike and Reference price” and clearing algorithm for the CRM auction (“Pay-as-Bid” or “Pay-as-Cleared”).**

#### **“Strike and Reference price”**

We believe that Belgium energy market participants, mostly owners of existing assets, with clear and visible rout-to-market and hedging strategies will have the strongest opinion on this issue. Since Dils-Energie is an advanced development project, we are still evaluating several commercial strategies in parallel for our future commercial operations in order to create the best position of our project for the CRM auction. With this in mind, we don't have a strong position on this element of the CRM currently, but in general would prefer simple and transparent structures as opposed to ones that are based on complex assumptions and may be difficult to calibrate and implement in reality. As Belgium will need significant new capacity to replace the phased out nuclear power generation, a CRM methodology based on relevant SRMC which rewards efficiency and reliable flexibility, (as described in Option 3 and 1), might be the better fit.

#### **“Pay-as-Bid” vs. “Pay-as-Cleared”**

Although, we believe that the choice between Pay-as-Cleared and Pay-as-Bid is one of the most important components in providing fair and efficient price signals to investors, we are also of the opinion, that it is very difficult to make a definitive choice on this issue in isolation. For example, the preferred choice may depend on host of factors, such as expected number of projects participating in the auction, volume procured, derating factors, etc. Moreover, when making a choice on clearing algorithm, it is very important to properly assess the risk of the EC blocking or delaying its approval. This may overweight the benefit of creating the most efficient clearing algorithm, since one can argue that even imperfect market signal is better than no signal at all. Finally, since owners of existing assets in Belgium may have different motivation, hence bidding behavior from investors in new efficient flexible generation power projects, we believe that it is important to make a distinction between price signals that may benefit each of these groups of investors. An intermediate price cap to distinguish between 1-year and multi-year contract is one way to address this issue, but as stated by ELIA, a good calibration, which may be hard to achieve in practice, could be the key. In balance, but with the caveat that we lack information on some of the key components that may influence the choice of this element of the CRM structure, we lean toward “Pay-as-Bid” as a preferred option of the clearing algorithm.

Best regards

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