From: FEBELIEC <febeliec@febeliec.be>
Sent: Monday, 24 June 2019 17:32
To: TaskForce CRM <taskforce.CRM@elia.be>
Cc: Van Bossuyt Michael <mvanbossuyt@febeliec.be>; Baerts Marie-Pierre <mpbaerts@febeliec.be>
Subject: RE: TF CRM – Your preference is requested

Febeliec thanks Elia for being given the opportunity to express our preferences for the proposed options.

Febeliec is of the opinion that the proposed options for the selected parameters cannot be seen separately from other parameters (e.g. bidding process, control of bids, bid parameters and selection criteria, neutralisation of portfolio bidding, …), as only the whole of the mechanism to be put in place can be assessed as guaranteeing adequacy at the lowest possible cost as imposed by the Law.

Febeliec agrees with Elia that a "sealed bid" auction procedure reduces the risk of speculative bidding behaviour. It would, however, be useful if the bidding behaviour were to be monitored by the regulator or another relevant authority.

As for the choice between Pay-as-Bid (PAB) and Pay-as-Cleared (PAC), a priori PAB gives the lowest cost of the CRM as no inframarginal rents are paid to the selected capacity providers (and given the specific characteristics of the "product", no inframarginal rents seem to be necessary…). It is, however, possible that the application of PAB leads to higher costs, e.g.

- *If bidding behaviour is not based on costs (this can be tackled by intermediate price caps or by verification of the bid by the regulator or another authority);*
- *If the selection process looks only at the price of capacity and not at the full cost of the asset*

In conclusion, Febeliec a priori supports PAB but underlines the need to look at the whole of the mechanism before a final decision can be taken.

As for the strike and reference price and the payback obligation, again other parameters of the mechanism could influence the final choice.

- *A priori, Febeliec assumes the capacity payment covers the "missing money" of the asset, and therefore pleads in favour of a 100% payback of the difference between the reference price and the strike price of each hour of activation. The receipts above the strike price should thus be fully reimbursed to the contracting party.*
- *For Febeliec, the only valid reference price is the day-ahead price (hedging is the free choice of the asset owner and its risk should not be passed through to consumers).*
- *As for the proposed options, Febeliec has a preference for Option 2 (Multiple Strike prices formulas & No payback obligations exemption). Indeed, a single strike price for all capacity providers will probably lead to windfall profits for some of them.*

CAUTION: Febeliec would like to underline that this reaction is a response to the specific questions asked to the members of the Task Force. Febeliec's formal position on the proposed CRM can and will only be taken and communicated once the full Elia proposal will be on the table.

Peter Claes*
on behalf of Febeliec
Federation of Belgian Industrial Energy Consumers
BluePoint Brussels
Bld A. Reyers, 80
B-1030 BRUSSELS
☎ +32 496 59 36 20
febeliec@febeliec.be
www.febeliec.be
* acting as Manager of Econergy VOF, General Manager of Febeliec
Febeliec represents the industrial consumers of electricity and natural gas in Belgium.