

Secondary Market Use Case 1

Offtake: Industrial process on a site – Oven & Melting



DISCLAIMER



This document provides different fictive examples, so-called use cases, related to the Capacity Remuneration Mechanism being developed in Belgium. It has, as sole purpose, to explain the Functioning Rules and its annexes by means of examples.

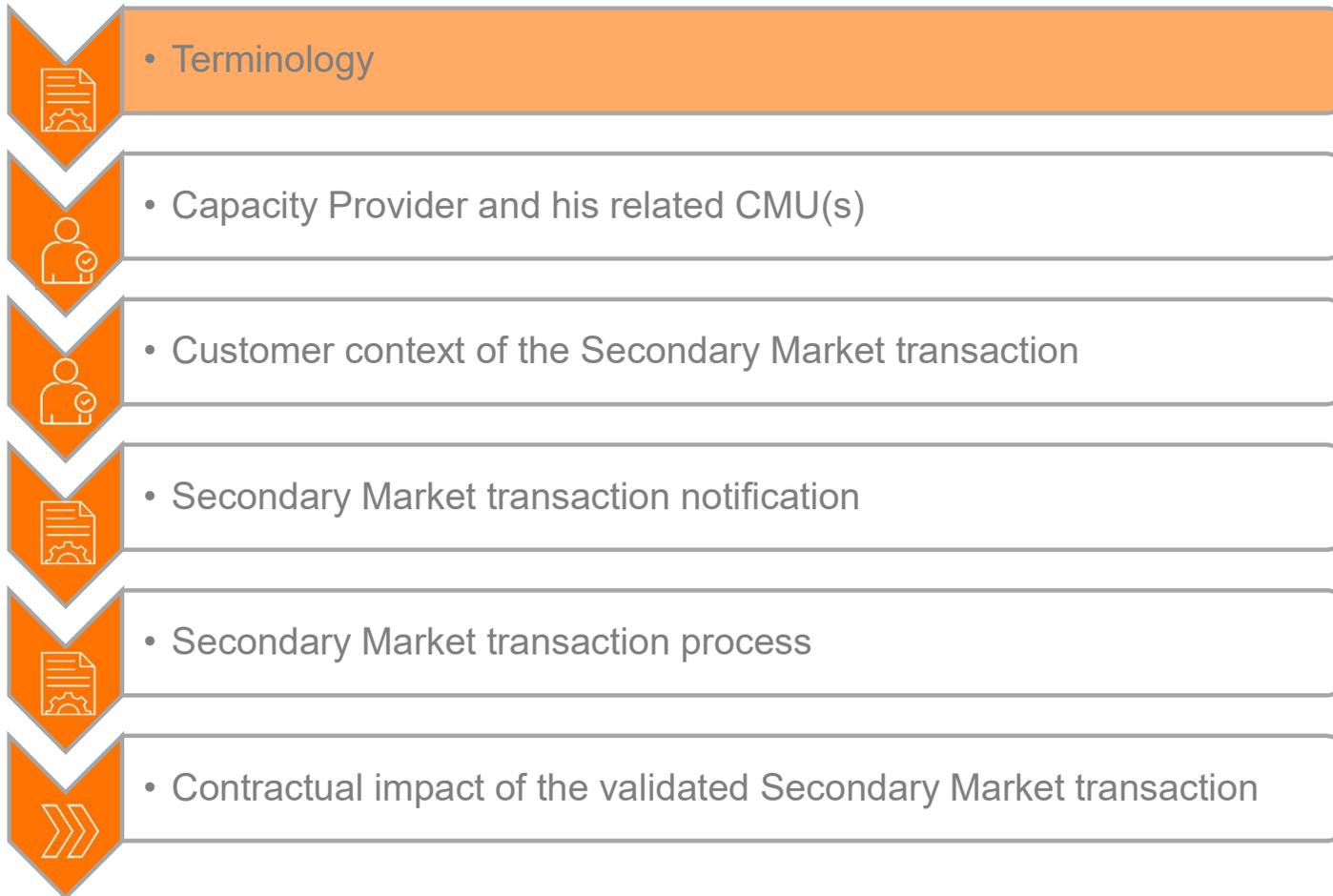
Given that the CRM process consists of several steps, and for each of these steps, several layers of information and details are relevant, it is to be understood that this document focuses on most pertinent Secondary Market aspects.

By no means, the use cases replace the rules in the relevant Laws, Royal Decrees, and regulatory approved documents.

The choices in the examples are only made for illustrative purposes and do not imply any judgement. All the figures and numbers used for these use cases are purely fictive. These numbers nor the use cases presented should be interpreted as representing a concrete case or a concrete situation of the Belgian capacity market or an implied proposal for any CRM parameter.

The use cases developed in this document are based on the chapter *Secondary Market* of the Functioning Rules as known at the moment of writing and shared with market parties on 28/08/2020. It also obviously follows the context set by the Electricity Law.

USE CASE STRUCTURE

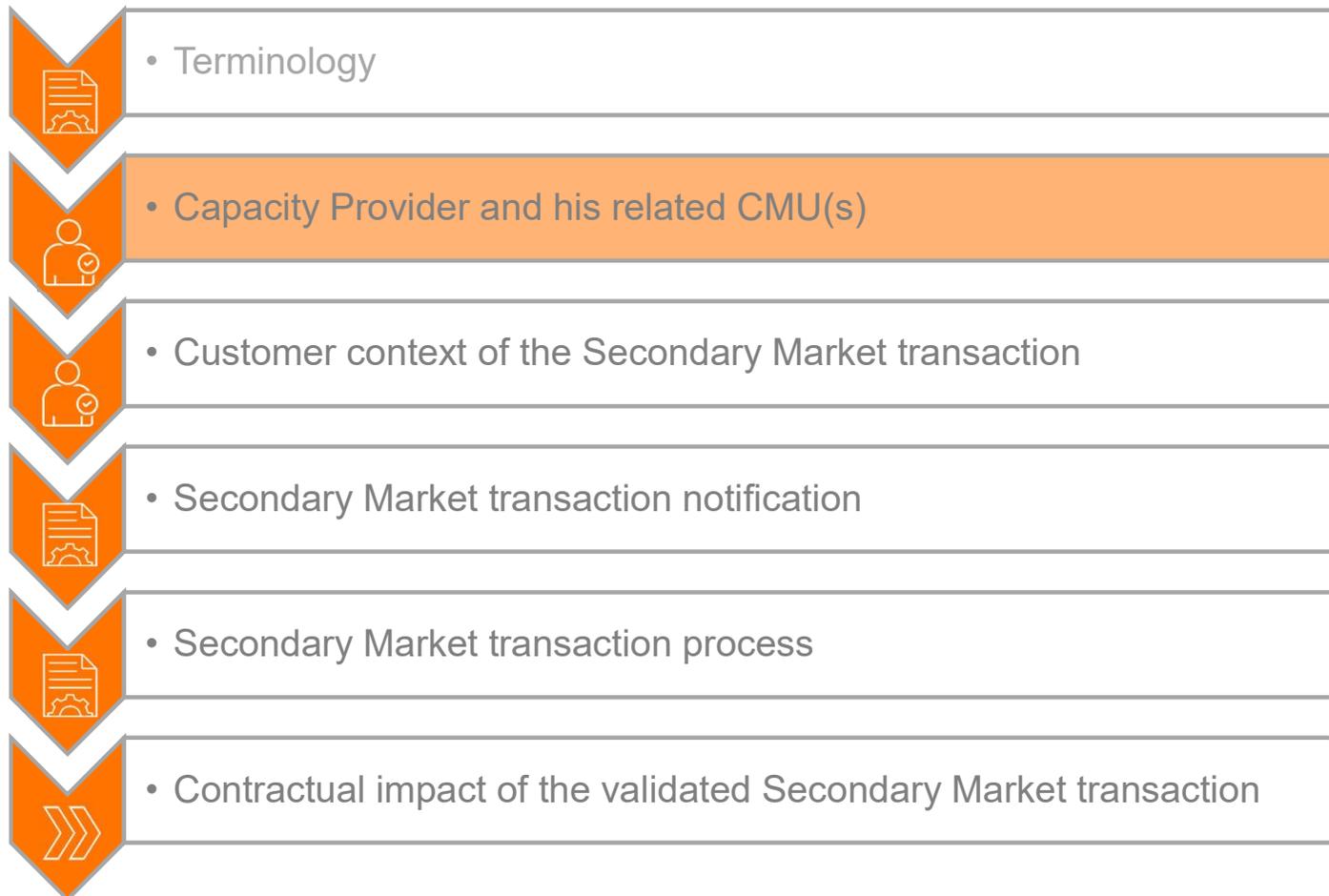




1. Terminology related to the Secondary Market

- **A Secondary Market transaction** is to be officially communicated to ELIA via a **notification** containing its relevant and mandatory parameters. The notification has to be provided to ELIA in order to ensure that, once approved, and registered with the Contractual Counterparty under the form of a Capacity Contract, the necessary Financial Security, Pre-delivery control, Availability Obligations & Penalties, Payback Obligation, Settlements and Payments are correctly handled and settled.
- **Full transfer:** Any approved Secondary Market transaction implies a full transfer of the contractual rights (e.g. the payment of the capacity remuneration) and obligations (e.g. the Availability obligation) related to the part of the Contracted Capacity yielded, the Secondary Market Capacity on the Transaction Period releasing an obligation, as from the Transaction of the **Seller of an Obligation** Capacity Contract, towards a new Transaction on the CMU in the Capacity Contract of the **Buyer of an Obligation** in the Secondary Market transaction.
- **Transaction Period:** is the time period on which the Secondary Market transaction relies and determined by its start and end dates/times.
- **Transaction Date of a Secondary Market transaction:** is determined and logged as the official acknowledgement of reception timestamp (date and time) by ELIA of the **notification**.
- **Ex-ante Secondary Market transaction:** if the Transaction Date is prior to the AMT moments determination of the day in which the start of the Transaction Period relies.
- **Ex-post Secondary Market transaction:** if the Transaction Date is after the AMT moments determination of the day in which the start of the Transaction Period relies.
- **Transaction Validation Date:** For a Transaction on the Secondary Market, the date and time at which it is validated by the Contractual Counterparty.

USE CASE STRUCTURE





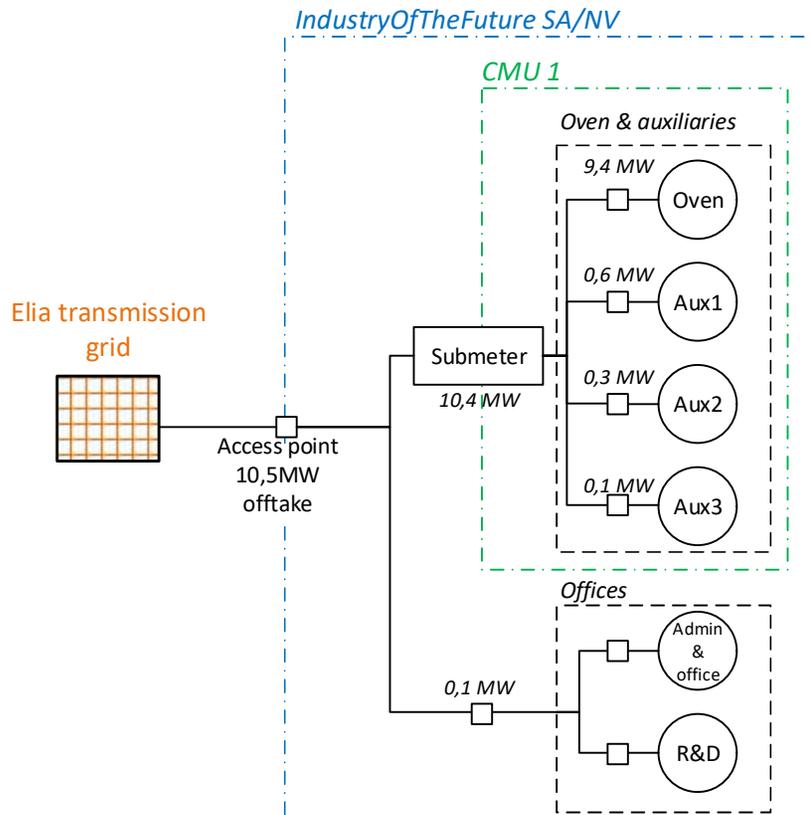
2. The context of the Capacity Provider and his related CMU

- **IndustryOfTheFuture.SA/NA is owner of a site** on which a major oven & melting process are major consumers of electricity (located in Belgium and TSO connected)
- The CMU is purely electricity consumption oriented & TSO connected – the site has no need of any major investment so that no investment file has been submitted to CREG, which means it can only apply for a one-year capacity contract duration
- His CMU presents a Reference Power of **10 MW**, which corresponds to its Eligible Volume as it's a 24h SLA hours asset, with a Derating Factor of 1
- This CMU is considered as Existing and Individual, which means no Grid Constraints are observed
- IndustryOfTheFuture prequalified this CMU (10MW) to participate in the **2021 Auction**, and made an opt-out of 0,4MW based on the Nominal Reference Power (**10,4MW**).

In the current Use Case of Secondary Market, to avoid interference with other Use cases, the related Delivery Period is 2026 (i.o. previous 2025 becomes 2026) and resulting from exactly the same results from the 2022 Auction (i.o. previous 2021 becomes 2022)



2. The context of the Capacity Provider and his related CMU



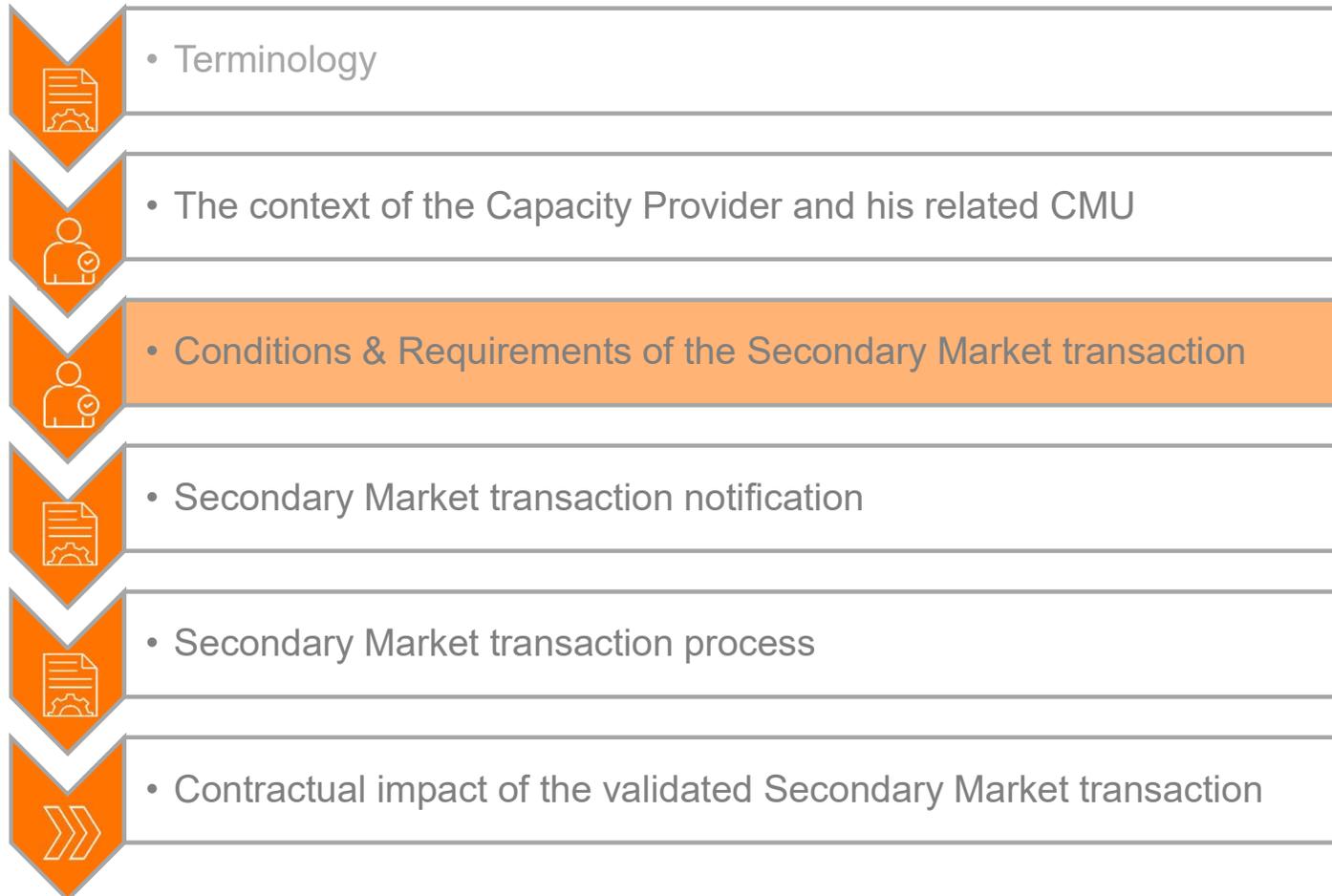
Name of the company	IndustryOfTheFuture.SA/NA	
Geographical site	<ul style="list-style-type: none"> • Owner: IndustryOfTheFuture.SA/NA • Location: Belgium • Connection: TSO grid 	
Technology	<ul style="list-style-type: none"> • Electrical load: Oven & melting process (main part of the load), Offices • 24h SLA hours asset 	
Prequalified CMU	Oven and auxiliaries	
CRM Capacity	<ul style="list-style-type: none"> • Type: Existing • Nominal reference power: 10,4 MW • Opt-out: 0,4 MW • Reference power: 10MW 	<ul style="list-style-type: none"> • Derating factor: 1 • Eligible Volume: 10MW • Grid constraints : No grid constraints as existing load • Non-Energy Constrained CMU
CRM auction parameters	<ul style="list-style-type: none"> • Participate to 2022 Y-4 auction • Contract duration: 1 year maximum, no investment file submitted to CREG 	



2. The context of the Capacity Provider and his related CMU

- **End 2024**, the IndustryOfTheFuture.SA/NV R&D department found an efficiency measure to reduce the Oven consumption by 0,5 MW as of DP 2026.
- To avoid any inconsistency, Industry of the Future is looking for and found a bilateral agreement for a transfer of 0,6MW of its CMU Contracted Capacity towards '**CptyA**' on DP 2026
- Knowing that the Contracted Capacity of 0,6MW is aimed to be transferred with its Capacity Remuneration, Strike Price and other features through the Secondary Market, the bilateral agreement is to be arranged between both counterparties for any other specifics than the Functioning Rules.
- CptyA already had a Contracted Capacity of 10MW on its CMU for the entire Delivery Period 2026
- The CMU of CptyA is considered as an Energy Constrained CMU for which the updated Last Published Derating Factor of its chosen SLA is 0,4

USE CASE STRUCTURE





3. Conditions & Requirements of the Secondary Market transaction



- Their 0,6MW bilateral agreement is built on the IndustryOfTheFuture (as a Seller) and CptyA (as a Buyer) prior checks of compliance with the Conditions & Requirements of participation in the CRM Secondary Market
- Following the Conditions:
 - The Seller of an Obligation **IndustryOfTheFuture** is a Capacity Provider
 - **CptyA** as a Buyer of an Obligation is a Capacity Provider (but could have been a Prequalified CRM Candidate) and not under a contract escalation impeaching him to contract more in the Secondary Market
 - The CMU of **CptyA** is prequalified, considered as Existing and not under a contract escalation impeaching him to contract more in the Secondary Market



3. Conditions & Requirements of the Secondary Market transaction



- Following the Requirements:
 - The Transaction Period is a full Delivery Period which fits the Transaction Period of the Transaction releasing an obligation
 - The volume of 0,6MW is considered as the Secondary Market Capacity and is:
 - Far below the Transaction releasing an obligation of the CMU of **IndustryOfTheFuture** Contracted Capacity (10MW)
 - Far below the Secondary Market Remaining Eligible Volume of the CMU of **CptyA** which can still contract 5MW on entire the Delivery Period 2026 (as Secondary Market Remaining Eligible Volume)
 - As we are in end 2024, in the Pre-Delivery Period of DP 2026, well before the AMT moment determination of the start of the Delivery Period, **an ex-ante status** is expected
 - For **CptyA**, an increase of the **Financial Security obligation applies** to the Transaction, as the Transaction Date takes place before the start date of the Delivery Period in which the Transaction Period falls:
 - **Transaction Date:** 15/12/2024 (determined precisely later on)
 - **Transaction Period:** 01/11/2026 – 31/10/2027 (DP 2026)
 - **Start of the Delivery Period related to the Transaction Period:** 01/11/2026



See next slide for the calculation of the additional Financial Security amount.



3. Conditions & Requirements of the Secondary Market transaction

- The Financial Security amount (= Secured Amount) is calculated **at the level of the CMU** :

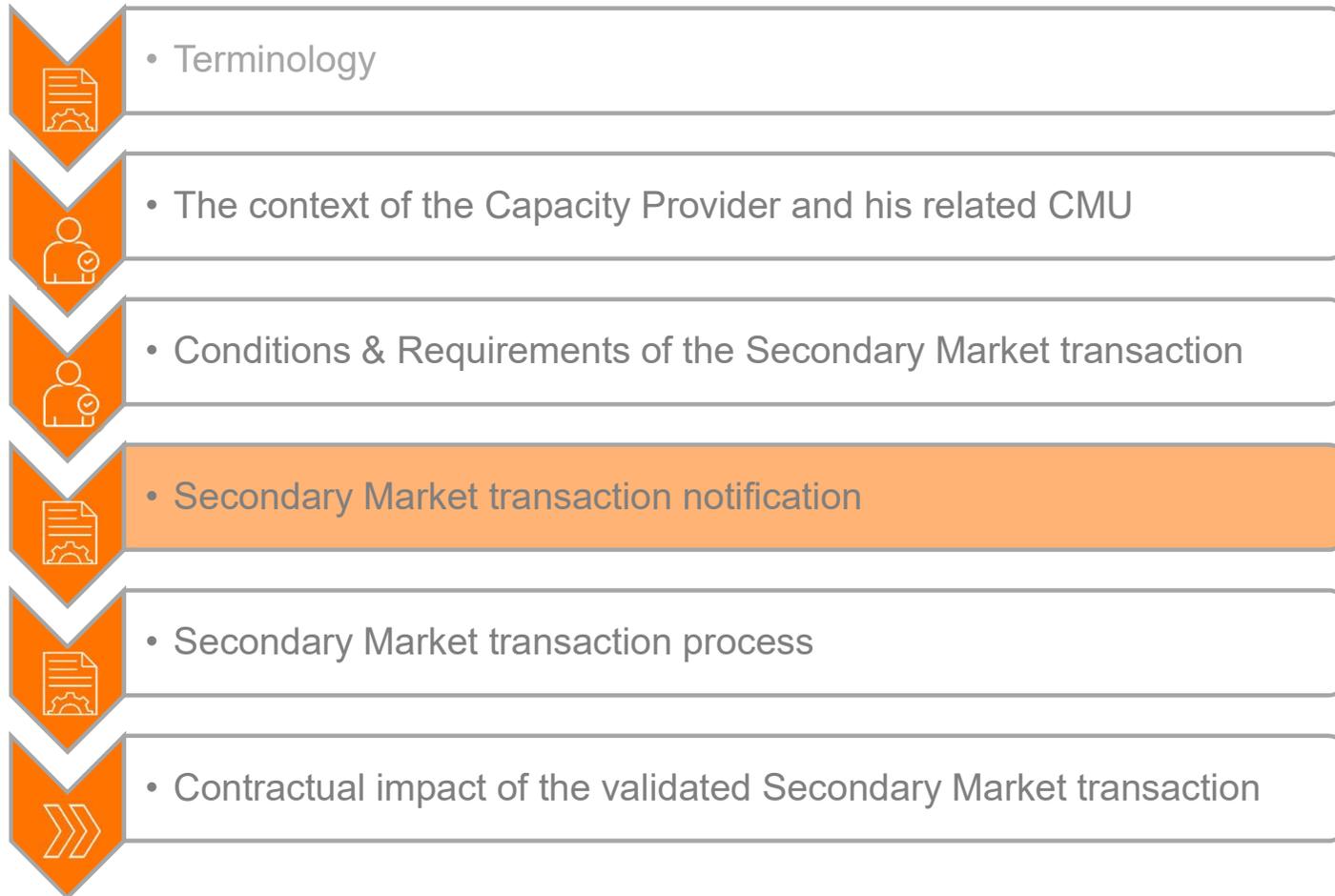
$$\text{Secured Amount} = \text{Financial Security Volume} * \text{Required Level}$$

	Calculation of additional Secured Amounts
	CMU of CptyA
Financial Security Volume <i>(in function of max. Total Contracted Capacity)</i>	10 MW + 0,6MW = 10,6MW
Required Level <i>(for CMUs with existing status)</i>	EUR 10 000/MW
Secured Amount <i>Financial Security Volume x Required Level</i>	EUR 106 000
Financial Security already provided	EUR 100 000
Additional Financial Security	EUR 6 000



The additional Financial Security is to be provided together with CptyA's notification of the transaction to ELIA. Without the additional Financial Security, ELIA will not approve the transaction.

USE CASE STRUCTURE



4. Secondary Market transaction notification

As a reminder of the Functioning Rules, the purpose of the notification towards ELIA is to:

- 1) Recognize the existence of the Secondary Market transaction with an acknowledgment of reception

- 2) Determine the Transaction Date

- 3) Determine the status ex-ante or ex-post of the Secondary Market transaction

- 4) Acquire all elements of the Secondary Market transaction for the verification of the good respect of all conditions and requirements of the Secondary Market transaction in the next phase
 - ➔ the process of it

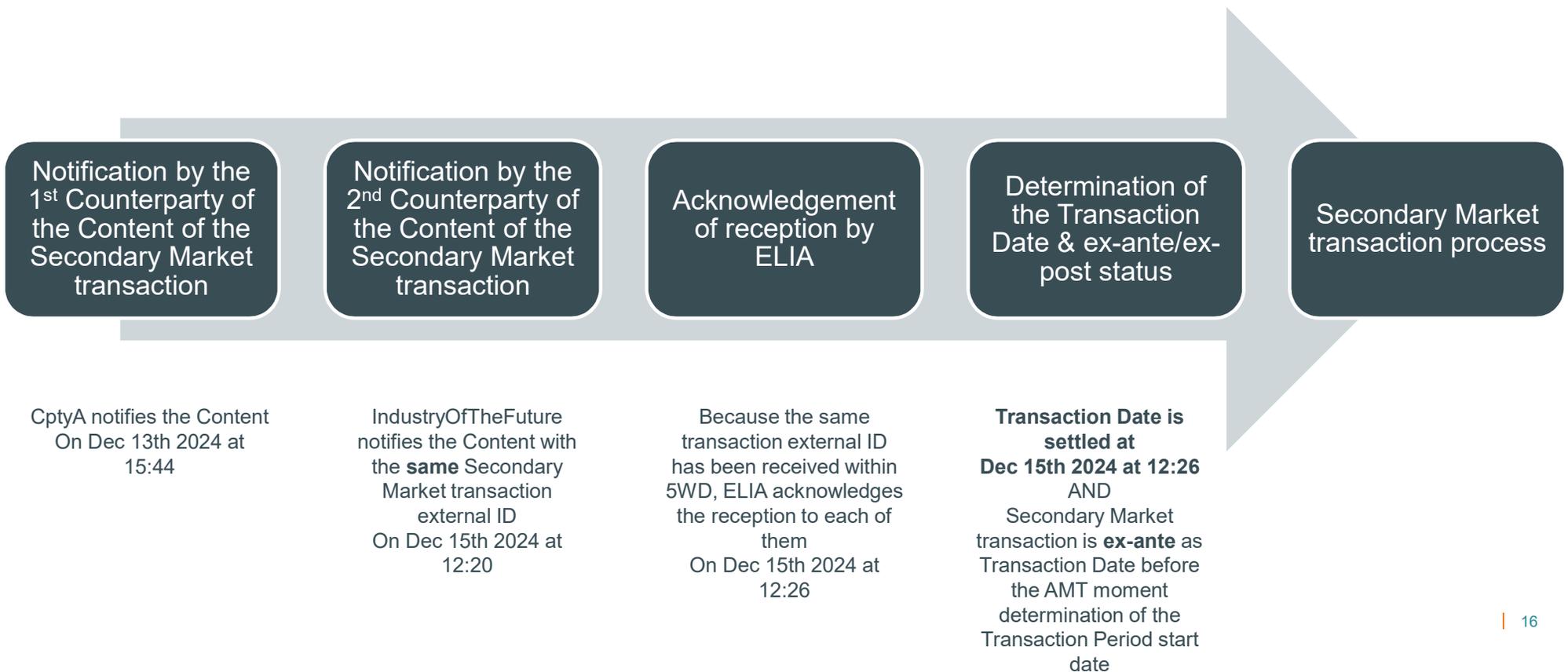
4. Secondary Market transaction notification

Both counterparties connect on the CRM IT Interface – Secondary Market title transfer facility and send the **notification content** towards ELIA

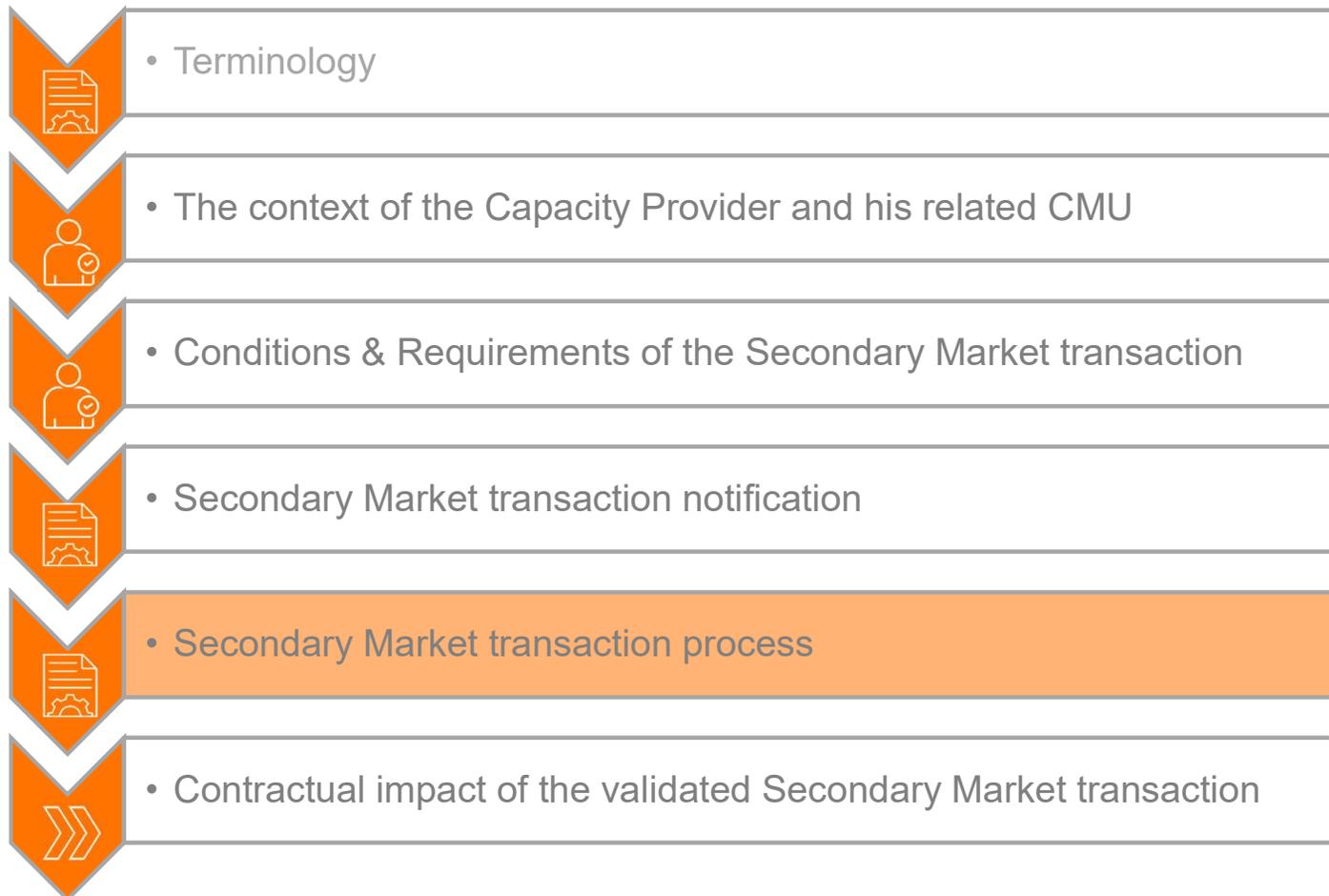
Information	Type	Unit	Unit
Secondary Market transaction external ID	Free field of 6 alphabet letters followed by 6 digits	NA	XFGHJS552232
Seller of an Obligation ID	Capacity Provider ID	NA	= IndustryOfTheFuture ID as CRM Candidate
CMU of the Seller of an Obligation	CMU ID	NA	= CMU ID of IndustryOfTheFuture
Transaction releasing an obligation	Transaction ID	NA	= Transaction ID of IndustryOfTheFuture of 10MW
Buyer of an Obligation	Capacity Provider ID or Prequalified CRM Candidate ID	NA	= CptyA ID as CRM Candidate
CMU of the Buyer of an Obligation	CMU ID	NA	= CMU ID of Cpty A
Secondary Market Capacity	Floating	MW	0,6
Transaction Period	Date / Time to Date / Time	Time	01/11/2026 00:00 to 01/11/2027 00:00
Capacity Remuneration	Floating	€/MW/year	17 000
Calibrated Strike Price of the Transaction	Floating	€/MWh	500
Strike Price indexation Auction year	Integer or "NA"	Year	NA
Strike Price indexation Auction type	"Y-4", "Y-1" or "NA"		NA

4. Secondary Market transaction notification

The process to be followed by the Prequalified CRM Candidates (or Capacity Providers) when performing a notification for a Secondary Market transaction is represented in the following diagram:



USE CASE STRUCTURE



5. Secondary Market process

As a reminder of the Functioning Rules:

- The purpose of the notification towards ELIA is to verify the good respect of all conditions and requirements of the Secondary Market transaction

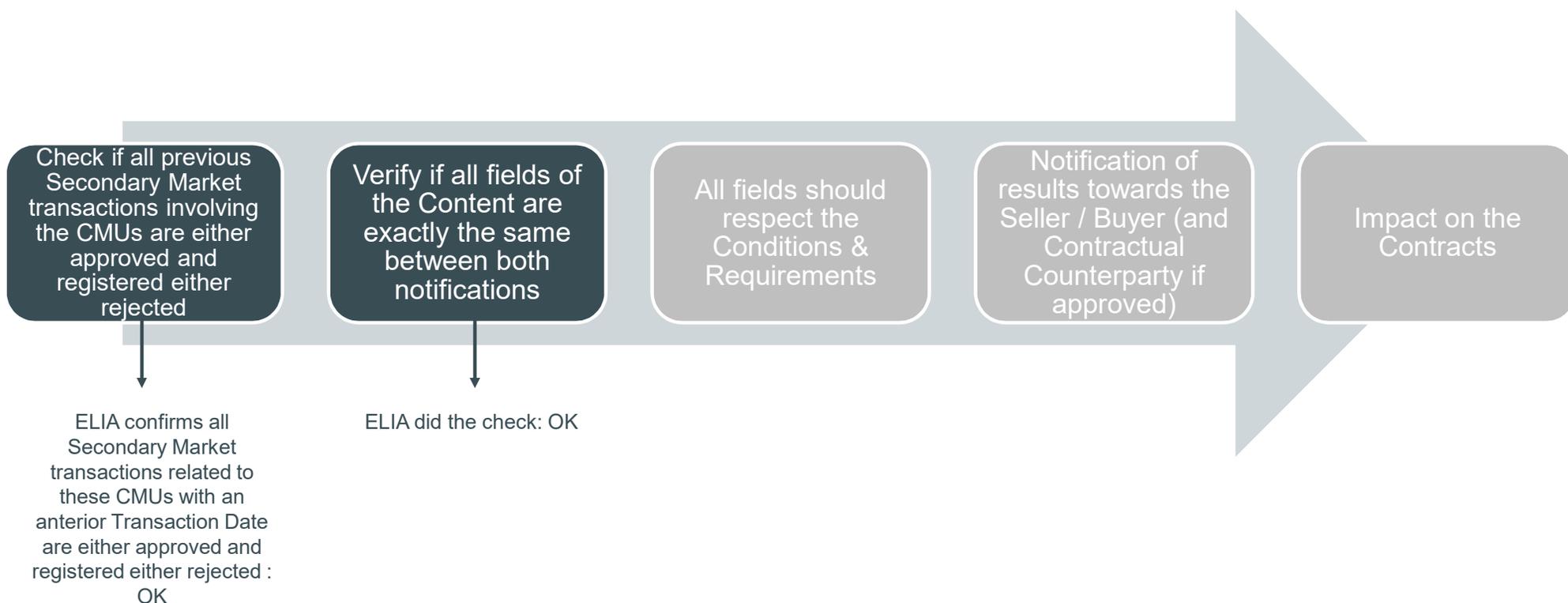
- ELIA processes each Secondary Market transaction:
 - By order of acknowledgment of reception date → by Transaction Date
 - Once all Secondary Market transactions with earlier Transaction Dates of the involved CMUs are either approved and registered either rejected

- If approved by ELIA, the details of both impact on the Contracts is transferred towards the Contractual Counterparty and to the Seller and the Buyer individually.

- If rejected by ELIA, the fields not respecting the Conditions and Requirements of a Secondary Market transaction are communicated towards the Prequalified CRM Candidates or Capacity Providers

5. Secondary Market process

The process to be followed by the Prequalified CRM Candidates (or Capacity Providers) when performing a notification for a Secondary Market transaction is represented in the following diagram:





5. Secondary Market process



- ✓ The Secondary Market transaction ID is unique to the CMUs
- ✓ The notification has been issued by both the Seller and the Buyer of an Obligation in the transaction
- ✓ The Transaction releasing an obligation of the CMU of the Seller of Obligation (IndustryOfTheFuture) has a Contracted Capacity which is above or equal the 0,6MW Secondary Market Capacity on the Transaction Period which is DP 2026
- ✓ The CMU of the Buyer of an Obligation (Cpty A) has a Secondary Market Remaining Eligible Volume (5MW) which is above or equal the 0,6MW Secondary Market Capacity on the entire Transaction Period which is DP 2026
- ✓ The CMU of Cpty A is not under any contractual escalation impeaching them to take over the 0,6MW
- ✓ CptyA has provided additional Financial Security for at least an amount of 6 000 EUR valid until the start of the Delivery Period ('Nov 2026).
- ✓ The Strike Price and the Capacity Remuneration of the Transaction releasing an Obligation are the one of its Contract



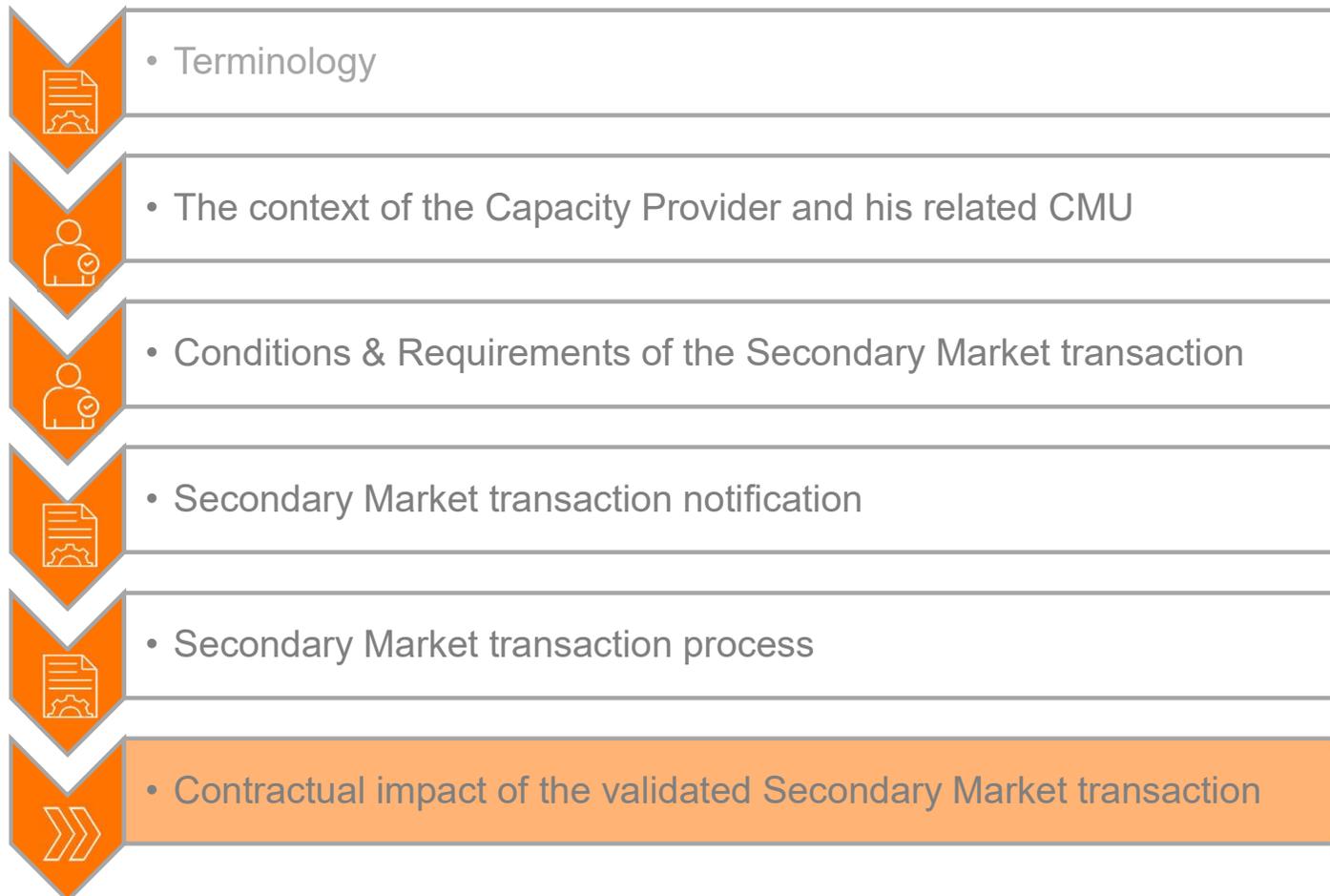
5. Secondary Market process



Information	Unit	Value
Secondary Market transaction external ID	NA	XFGHJS552232
Seller of an Obligation ID	NA	IndustryOfTheFuture ID
CMU of the Seller of an Obligation	NA	CMU ID of IndustryOfTheFuture
Transaction releasing an obligation	NA	Transaction ID of the CMU
Secondary Market Capacity	MW	0,6
Transaction Period	Time	01/11/2026 00:00 to 01/11/2027 00:00
Capacity Remuneration	€/MW/year	17 000
Calibrated Strike Price of the Transaction	€/MWh	500
Strike Price indexation Auction year	Year	NA
Strike Price indexation Auction type		NA
Transaction Date	Time	15/12/2024 12:26

Information	Unit	Value
Secondary Market transaction external ID	NA	XFGHJS552232
Buyer of an Obligation	NA	Cpty A ID
CMU of the Buyer of an Obligation	NA	CMU ID of Cpty A
Secondary Market Capacity	MW	0,6
Transaction Period	Time	01/11/2026 00:00 to 01/11/2027 00:00
Capacity Remuneration	€/MW/year	17 000
Calibrated Strike Price of the Transaction	€/MWh	500
Strike Price indexation Auction year	Year	NA
Strike Price indexation Auction type		NA
Last Published Derating Factor	No unit	0,4
Transaction Date	Time	15/12/2024 12:26

USE CASE STRUCTURE



6. Contract impact



- If approved by ELIA, the details of both impacts on the Contracts are transferred towards the Contractual Counterparty and to the Seller and the Buyer individually.

- Based on the approved Secondary Market transaction notifications, the Contractual Counterparty:
 - Modifies the Contract of the Seller IndustryOfTheFuture, Transaction Contracted Capacity is diminished from 10MW to 9,4MW on the entire Delivery Period 2026
 - Add a Transaction to the Contract of the Buyer (which already had 10MW of Contracted Capacity on DP 2026):
 - A new Transaction is created on the entire Delivery Period 2026 with a Contracted Capacity of 0,6MW, a Strike Price of 500€/MWh, a Capacity Remuneration of 17k€/MW/y and a derating factor of 0,4.
 - Confirms to ELIA within the 5 working days, the good modification, otherwise deemed registered.

- The Secondary Market Remaining Eligible Volumes of both CMUs are automatically updated for new Secondary Market transactions approval checks.