

Informal Explanatory Document

# Questions & Answers on the document 'Full-cycle use cases for the Belgian Capacity Remuneration Mechanism'

**Based on the feedback received from market stakeholders**

The use cases document has been sent to the market stakeholders participating to the TF CRM and has been presented in the TF CRM the 6 February 2020. This Q&A document and the use cases document has been published on Elia's website on the 23 March 2020.



## Introduction

This document summarizes the feedback received by Elia from the market on the document provided by Elia after the presentation of the use cases document in the TF CRM of 6 February 2020. For the sake of comprehension, some questions may have been rephrased without changing their content in order to make sure that they could be understood by all market actors in a stand-alone manner.

The answers provided in this file often start with a theoretical reminder which refers to what has been written in the Market Rules<sup>1</sup> as some concepts inherent to the CRM are sometimes mixed through these questions.

Finally, an erratum is given at the end of the file to list the mistakes found in the use cases document and correct them.

Like the use cases document itself, this document only provides non-official information and guidance to interested parties. It is no formal deliverable related to the CRM. Also, being based on the draft market rules and methodologies published so far on Elia's website, it may also happen that the provided answers may not comply with the future final market rules and methodologies.

## Questions & Answers

### 1) Question related to the Prequalification Process and the positive technical agreement versus the CRM Candidate-DSO agreement

Use case 2: in the use case 2 relating to a new DSR with a Nominal Reference Power of 15 MW, this DSR is described as an Elia client whereas it should be considered that with such Capacity (15 MW in this case), this DSR will be a DSO client. Why does the use case refer to both a positive technical agreement (applicable for an Elia client) and to a CRM Candidate – DSO agreement (applicable for a DSO client)? Should it not be limited to a CRM Candidate – DSO agreement?

#### Answer Elia

In cases of DSR connected to DSO grid, ELIA indeed only requires a signed CRM Candidate – DSO agreement. Implicitly, the possibility to connect such capacity to DSO-grid is verified as one of the conditions covered by this agreement prior to the confirmation sent by the DSO to ELIA. A positive technical agreement delivered by ELIA is only required for capacities subject to the connection process to the transmission grid as described in the Federal Grid Code.

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<sup>1</sup> The draft version of the Market Rules was published in December 2019 on Elia's website. It is available at the following link : [https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125\\_crm-market-rules-proposal\\_v2.pdf](https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125_crm-market-rules-proposal_v2.pdf)



2) Question concerning the Prequalification Process and the choice of the Derating Factor

Use case 2: why shall a client (in this case a DSR unit with a Nominal Reference Power of 15 MW) choose a derating factor of 0,3?

Answer Elia

The choice of the Derating Factor is always associated to the Service Level Agreement Category (SLA Category) selected by the Capacity Provider Energy-Constrained CMU itself. The SLA Category depends thus on the amount of hours during which the CMU assumes to be 100% available at 100% of its Reference Power (and therefore to be contributing fully to adequacy). The Derating Factor happens to be equal to 0,3 and in this case, it is therefore linked to the SLA Category of the CMU. Still, the value of 0,3 has been in this case assigned arbitrarily for the sake of the example.

3) Question concerning the Nominal Reference Power of a CMU and the choice of SLA/Derating Factor for an Energy Constrained CMU during the Prequalification Process

Use case 4: in this case, 20MW of Battery are added to 40 MW of DSR/Gen to get 60 MW of reference power, in principle (if a choice is made of not opting out for part of the capacity) eligible as Nominal reference power, targeting so a SLA of 4h. Should these MW not be considered as complementary to each other in the sense that the battery and the DSM units would be put together to fulfill the obligations (= SLA Hours) of the CMU? Should we see it as the 20 MW of the battery aggregated with an equivalent capacity for the DSM units to reach a Nominal Reference Power of 20 MW and not summed up?

Answer Elia

First, in the use case 4, the pool of 4 Delivery Points is considered entirely as Additional given that some of its Delivery Points are Additional. The Nominal Reference Power of the additional Delivery Points of the CMU (equal to 40 MW) is thus declared. These Delivery Points will only get the status of Existing at the end of the pre-delivery monitoring process (the Delivery Points will start to be measured at the end of it). In contrary, the Delivery Point linked to the battery already has an Existing status and can therefore already be measured by ELIA at the time of the Prequalification Process.

Secondly, a Nominal Reference Power is defined per Delivery Point and the Nominal Reference Power of the CMU is actually the sum of the Nominal Reference Power of the Delivery Points. It does not matter whether some of these Delivery Points are injecting energy into the grid whereas others are reducing their consumption as Demand Response Delivery Points.

Thirdly, the CMU is considered as energy constrained and in case of Energy-Constrained CMU, the CRM Candidate must select a SLA linked to a Derating Factor. The SLA is chosen by determining the amount of SLA Hours during which this CRM Candidate expects to be available at 100% (or in other words fully contributing to adequacy). This means that it is the CRM Candidate himself who defines for his CMU when its volume will be considered as



available and for how long (in hours). This CRM Candidate is free to activate any Delivery Point in its pool in order to fulfill its obligations and provide its Obligated Capacity during its SLA Hours and not during every single AMT Hour of its Capacity Contract Duration.

In the use case 4, the CRM Candidate thinks initially that it will be able to meet its requirements thanks to his pool of Delivery Points as it himself selected an SLA of 4 hours. If the CRM Candidate feels that it will not be able to meet his obligations, it always has, upfront the possibility to reduce its Contracted and Obligated Capacity with a Transaction on the Secondary Market. This is actually what happens in the use case 4.

4) Question concerning the choice of the SLA of the CRM Candidate and its obligations during its SLA Hours as Energy- Constrained CMU announced during the Prequalification Process

Use case 4: is it correct to understand that the battery with a Nominal Reference Power of 20 MW shall have a duration of energy supply of 4 hours VS a power capacity of 80 MWh in order to be eligible for an SLA of 4 hours for the pool having a Nominal Reference Power of 60 MW?

Answer Elia

In case of an Energy Constrained CMU, the CRM Candidate must select a SLA linked to a Derating Factor. This SLA is chosen by the CRM Candidate at the level of the CMU and not at the Delivery Point level. Moreover, this SLA defines an amount of hours (its SLA Hours) during which the CRM Candidate will have to fulfill its obligations: this means that the CMU of CRM Candidate will have to present an Available Capacity equal to its Obligated Capacity during its SLA Hours. Still, the battery (with a status of existing), one of the Delivery Points part of the CMU of the CRM Candidate, presents a Nominal Reference Power of 20 MW and deals with the Derating Factor (0,3) linked to its SLA. It means that it will be remunerated the whole Capacity Contract Duration for its Eligible Volume ( $0,3 \times 20 \text{ MW} = 6 \text{ MW}$ ), in the event that the CRM Candidate was awarded for his entire Eligible Volume, but that it will possibly have to ensure its Nominal Reference Power of 20 MW during (but only during) the SLA Hours. The Delivery Points from which the Capacity comes from do not actually matter as long as the CMU fulfills its obligations. The CRM Candidate should ensure that the Delivery Point linked to the battery is able to provide 20 MW during the selected SLA Hours although it may not be activated (i.e. actually injecting the energy in the grid) during these SLA Hours. Availability in itself is sufficient.

Finally, the Nominal Reference Power of the battery will only be checked during one quarter hour during the Prequalification Process & pre-delivery monitoring process to ensure its availability but not during the full duration of its SLA. The Capacity Provider is, however, beholden to the obligation of the CMU's SLA category and will be penalized if they fail to respect it.

5) Question on the Opt-Out Volume of the CRM Candidate and its link to the SLA chosen

Use case 4: is the Opt-Out Volume subject to a limitation to the SLA Hours of the CMU? If the battery with a Nominal Reference Power has an SLA of 2 hours, could it deliver 10 MW during 4 hours and match the SLA



requirements of the CMU? If it were well the case, what would be the advantage of an opt-out compared to reducing the Nominal Reference Power with 10 MW?

Answer Elia

In the use case 4, the CMU is composed of various Delivery Points. 3 out of the 4 Delivery Points of the CMU are additional so that the entire CMU is considered as Additional. Only the battery is existing and can therefore provide a Nominal Reference Power that can already be metered, whereas the other Delivery Points are only able to declare their Nominal Reference Power. Eventually, their Nominal Reference Power will be measured when they become existing at the end of the pre-delivery monitoring process.

On the other hand, the SLA is selected by the CRM Candidate for the CMU and the Opt-Out Volume is applicable to the entire CMU as well. Once chosen, a SLA is a commitment of the Capacity Provider, for its CMU, to deliver the required Obligated Capacity on a pre-defined amount of hours (its SLA Hours). The SLA and the Derating Factors of the CMU are therefore not directly related to a specific Delivery Point of the CMU. It is also impossible that the battery, being included in the CMU, ends up with a different SLA than it would have in case of individual participation (since the SLA is determined by the CRM Candidate).

The Obligated Capacity of an Energy-Constrained CMU such as in the use case 4 is nevertheless based on its Reference Power meaning that the Opt-Out Volume of this CMU is already withdrawn from its Nominal Reference Power<sup>2</sup> and will therefore not be part of the monitoring during the SLA Hours of the CMU. Again, the CMU as a whole will be expected to deliver Capacity according to its commitment in its Capacity Contract but the pool can decide to activate its Delivery Points the way it wants.

Opting-out can for instance be a way, for a CMU, to adapt its Eligible Volume in case it is not possible to express the characteristics of its CMU through an available SLA and associated Derating Factor. Another possibility, not requiring opt-out, would of course to adapt the DPs in its portfolio so as to be in line with its SLA and associated Derating Factor.

Since this CMU has opted out in Y-4 without a notification for closure, its Opt-Out Volume, announced during the Prequalification Process, will be considered 'IN' (meaning that this volume is considered to contribute to adequacy). It will therefore not be able to use it on the Secondary Market ex ante, during its SLA Hours. Indeed according to the formula:

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<sup>2</sup> As a reminder, the Reference Power of a CMU is equal to its Nominal Reference Power – Opt-Out Volume.



- $$\bullet \quad \text{Max} \left( 0 ; \left[ \text{Nominal Reference Power} (CMU, t) - \left[ \frac{\text{Total Contracted Capacity}(CMU, t)}{\text{Derating Factor} (CMU, t)} \right] - \text{OptOut Volume}^3(CMU, t) \right] * \text{Last Published Derating Factor}(CMU) \right)^4$$

Its Nominal Reference Power is equal to 60 MW, its (Total Contracted Capacity/Derating Factor) is still equal to its (Contracted Capacity/Derating Factor) being 50 MW as there have not been Secondary Market Transactions yet. Given that its Opt-Out Volume 'IN' is equal to 10 MW, its Secondary Market Capacity is equal to 0 MW and this CMU will therefore not be able to trade on the Secondary Market during its SLA Hours ex ante after the Auction.

Still, this CMU realizes during the pre-delivery monitoring process (taking place later in time than the Auction) that it may have difficulties to fulfill its obligations according to its Capacity Contract. It therefore decides to reduce a part of its Contracted Capacity on the Secondary Market for that entire Delivery Period meaning that it ends up with a Total Contracted Capacity smaller than its Contracted Capacity. Therefore, it creates some margin, independently of its Opt-Out Volume, to acquire some Capacity during its SLA Hours ex-ante on the Secondary Market<sup>5</sup>. With a lower Nominal Reference Power, it would not have been able to potentially go on the Secondary Market with its Secondary Market Remaining Eligible Volume.

In any case, a distinction has to be made for the Opt-Out Volume in case it engages into a Secondary Market Transaction ex-post with respect to its Obligated Capacity. Its Secondary Market Remaining Eligible Volume ex-post would then vary according to whether it relates to its SLA Hours or not:

- During its SLA Hours :  $\text{Max}(0 ; [\text{Proven Availability}(CMU, t) - \text{Obligated Capacity}(CMU, t) - \text{OptOut Volume}(CMU, t)])$
- Outside of its SLA Hours :  $\text{Max}(0 ; [\text{Proven Availability}(CMU, t) - \text{Obligated Capacity}(CMU, t)])$

In other words, the Obligated Capacity of the CMU outside of its SLA Hours is again not at all equivalent to its Obligated Capacity during its SLA Hours.

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<sup>3</sup> Reminder of the definition of Opt-Out Volume : (Part of) the Nominal Reference Power of a CMU for which the CRM Candidate formally indicates it is not willing to offer it in the Auction, by the end of the Prequalification Process at the latest as referred to in article 7undecies § 6 of the Electricity Act. This definition comes from the draft proposal of Market Rules published by Elia on its website. It is available at the following link : [https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125\\_crm-market-rules-proposal\\_v2.pdf](https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125_crm-market-rules-proposal_v2.pdf)

<sup>4</sup> The Opt-Out Volume in this case has been considered as 'IN' and therefore contributing to adequacy. The result would have been different in case of Opt-Out Volume 'OUT'.

<sup>5</sup> As exposed at the point 5.4. Secondary Market, p. 38 of the use cases document



6) Question on the Opt-Out Volume of a CRM Candidate and its contribution to Adequacy

Use case 4: How do Opt-Out Volumes count in the adequacy study? Are they considered as available or not? In other words, are Opt-Out Volumes similar to 0 €/MWh bids (giving you a right to "play" on the secondary market)? Can you ever get a penalty on Opt-Out Volumes (because not delivered in time for instance in case of Additional Capacity)?

Answer Elia

First, if by adequacy, the study Elia's Adequacy & Flexibility 2020-2030<sup>6</sup> is meant, it should be stressed that it is not this study that determines the CRM volume. Instead, the calculation of the CRM volume is proposed in the first report referred to in Art. 7undcies, §2, of the Electricity Law.

Secondly, the volume to be contracted for the CRM (= Demand Curve) will be determined at last the 31<sup>st</sup> of March of the year of the Auction whereas Opt-Out Volumes must be notified by CRM Candidates during the Prequalification Process (later in the same year). Opt-Out Volumes will be considered as relevant when assessing the Demand Curve depending on whether they are considered as 'IN/OUT,' meaning IN the market contributing to adequacy or OUT of the market not contributing to adequacy. In other words, Opt-Out Volumes trigger a reduction of the Demand Curve equal to the Opt-Out Volume multiplied by the Last Published Derating Factor if they are considered as 'IN'. In such case, they will not, be allowed to participate to the Secondary Market. Otherwise it may result in a double-counting towards adequacy of the same volume.

Opt-Out Volumes will be considered as contributing to adequacy (and therefore not give Secondary Market access) for the following cases:

- All Opt-Out Volumes announced towards the Y-4 Auction unless these volumes are associated with a definitive notification for closure or structural reduction of capacity in line with Art. 4bis of the Electricity Law
- Opt-Out Volumes announced towards the Y-1 Auction not associated with a notification for closure as referred to in Art. 4bis of the Electricity Law, which have chosen option 'IN'.

Regarding Opt-Out Volume and its impact on the CRM Required Volume<sup>7</sup> :

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<sup>6</sup> [https://www.elia.be/-/media/project/elia/elia-site/company/publication/studies-and-reports/studies/13082019adequacy-and-flexibility-study\\_en.pdf](https://www.elia.be/-/media/project/elia/elia-site/company/publication/studies-and-reports/studies/13082019adequacy-and-flexibility-study_en.pdf)

<sup>7</sup> More details on Opt-Out Volumes can be found in the draft version of the Market Rules published in December 2019 on Elia's website. It is available at the following link : [https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125\\_crm-market-rules-proposal\\_v2.pdf](https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125_crm-market-rules-proposal_v2.pdf)



#### In Y-4

- The CRM Required Volume for a Y-4 Auction shall not be reduced by the Opt-Out Volume that is associated with a definitive notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act.
- The CRM Required Volume for a Y-4 Auction shall be reduced by a share of the Opt-Out Volume that is associated with a temporary notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act, equal to the Opt-Out Volume multiplied by the Last Published Derating Factor.
- The CRM Required Volume for a Y-4 Auction shall be reduced by a share of the Opt-Out Volume that is not associated with a temporary or definitive notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act, equal to the Opt-Out Volume multiplied by the Last Published Derating Factor.

#### In Y-1

- The CRM Required Volume for a Y-1 Auction shall not be reduced by the Opt-Out Volume that is associated with a definitive notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act.
- The CRM Required Volume for a Y-1 Auction shall not be reduced by the Opt-Out Volume that is associated with a temporary notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act.
- The CRM Required Volume for a Y-1 Auction shall be reduced by a share of the Opt-Out Volume (category 'IN') that is not associated with a temporary or definitive notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act, equal to the Opt-Out Volume multiplied by the Last Published Derating Factor.
- The CRM Required Volume for a Y-1 Auction shall not be reduced by Opt-Out Volume (category 'OUT') that is not associated with a temporary or definitive notification for closure or a structural reduction of capacity as referred to in Art. 4bis of the Electricity Act.

For each Opt-Out Notification which results in a reduction of the CRM Required Volume, a dummy Bid shall be introduced by Elia in the auction algorithm for a volume equal to the Opt-Out Volume multiplied by the Last Published Derating Factor, at a Bid Price of 0€/MW/year, not linked to a Capacity Provider and hence not resulting in any contractual obligation.

In general, Availability Penalties are not relevant for Opt-Out Volumes since they do not result in Contracted Capacities. In case of Secondary Market Transaction(s) using part of the Opt-Out Volume not taken into account in a reduction of the demand, they may result in extra Contracted Capacities that can be subject to Availability Penalties.





7) Question on the choice of the Derating Factor and its link with the SLA Hours

Use cases 2 and 4: When comparing use cases 2 and 4, a similar Derating factor of 0.3 is used despite a different amount of SLA Hours for the CMUs SLA is different (3 SLA Hours in the use case 2 VS 4 SLA Hours in the use case 4), is it correct? Why? What is then the point of offering 4 SLA Hours instead of 3 Hours of SLA for a CRM Candidate?

Answer Elia

The Derating Factor is directly linked to the choice by the Capacity Provider of the SLA and therefore to the amount of SLA Hours. It might as well depend on the technologies lying behind the Delivery Points. Still, it must be stated that the choice of a similar Derating Factor of 0,3 for the use cases 2 & 4 is for the sake of use cases done randomly and should be considered as any kind of particular guidance. It can indeed be assumed that the Derating Factor applicable in the use case 4 could have reached a higher value than the one applicable in the use case 2 given that the amount of SLA Hours of the use case 4 is higher than the one in the use case 2. In contrast, not only technical aspects may drive the SLA (and hence derating) choice of the Capacity Provider. Also his risk appetite may play, e.g. how much margin does he want to keep in an aggregated portfolio?

8) Question on the investment threshold in case of a CMU with various Delivery Points and its eligibility for a multi-year contract (CREG is responsible for assessing the rules related to the investment threshold)

Use case 4 : Can an aggregation of a battery with new/existing DSR (such as in use case 4) targeting a maximal Derating Factor still be eligible in terms of investment threshold for multi-years contract ? Is such aggregation of Additional and Existing Capacity eligible for a multi-year contract? Where can we find information on (mixed) investment thresholds?

Answer Elia

As exposed in the presentation held in the TF CRM, Elia is not responsible for the assessment of multi-year contract for the CRM. This competence belongs to the CREG. Information on the process used to define the Capacity Category of a CRM Candidate and allow him to apply for a multi-year investment can be found in the final CREG proposal for the Royal Decree setting up the investment threshold and the eligibility criteria's for investment costs in case of assignment of a Capacity to a Capacity Category<sup>8</sup>. However, a small part of the answer is that in the presence of a CMU gathering various Delivery Points like in the use case 4:

- **Based on the investment file, which must be sent by the CRM Candidate to the CREG during or before the Prequalification Process, every Delivery Point of an aggregated CMU is assigned to a Capacity Category. However, in accordance with Article 5 § 2 of the Royal Decree on Investment**

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<sup>8</sup> This document can be found at the following link : <https://www.creg.be/sites/default/files/assets/Publications/Propositions/C1907FR.pdf>



**Thresholds, the aggregated CMU will receive the Capacity Category of the Delivery Point with the Capacity Category associated to the lowest Capacity Contract Duration.**

- If one of the Delivery Points is Additional Capacity then the pool/CMU as a whole will be considered as a CMU with Additional status. However, whether the CMU has a status "Existing" or "Additional" does not have an impact on its eligibility for a multi-year Capacity Category, given that both existing and additional capacities can secure long-term Capacity Contracts, as long as the Investment Threshold is met.
- The choice of the SLA of a CMU does not have any link with its eligibility for a multi-year capacity category.
- Based on the above, the fact in itself that the use case 4 is dealing with an aggregator should not be considered as influencing the eligibility of this CMU for a multi-years contract. This will only depend on its investment file, i.e. the required level of investments compared to its Nominal Reference Power.

9) Question on the information related to CO<sub>2</sub> emissions of a Delivery Point to be provided during the Prequalification Process

Use case 2: the Prequalification Process of a CRM Candidate requires to provide several information for this CRM Candidate: some of them by Delivery Point, some of them for the CMU only. One of the required parameters is the CO<sub>2</sub> intensity of a DSR in the use case 2. Is it correct to assume that it is equal to 0 for a certain industrial process which has switched off?

Answer Elia

It is hard to consider, from an Elia perspective, if a reduction of the consumption of a Delivery Point leads to the fact that this Delivery Point can be considered as not emitting any CO<sub>2</sub>. According to an opinion on the limits of CO<sub>2</sub> emissions in the framework of Capacity Mechanisms published by ACER in December 2019<sup>9</sup>, the CMUs participating to a Capacity Mechanisms will have to meter the CO<sub>2</sub> emissions related to their Delivery Points and will have to confirm the number provided by a certified 3<sup>rd</sup> party. Some potential exceptions are quoted in ACER's opinion: eg. For a capacity under 5 MW or a technology not expected to reach the CO<sub>2</sub> emissions limits, such confirmation will not be mandatory.

These data will be checked during the Prequalification Process and will have to be provided per Delivery Point. The entity who will be responsible for the final checks of all the data related to CO<sub>2</sub> emissions provided has not exactly been determined in ACER's opinion as it is referred to a competent authority.

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<sup>9</sup> This document can be found at the following link : [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%202022-2019%20on%20the%20calculation%20values%20of%20CO2%20emission%20limits.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%202022-2019%20on%20the%20calculation%20values%20of%20CO2%20emission%20limits.pdf)



The precise process flow and application, has yet to be determined for Belgium. This is not as such a competence of Elia, who in the context of the Prequalification Process especially requires the outcome of the CO2-assessment.

10) Question on the Availability penalty due to Missing Capacity discovered during the Availability Monitoring

Use case 2: Given that the determination of an Availability Penalty is based on the yearly Capacity Remuneration given for a certain Capacity. In the use case 2, should the value of 40.000 € used in the formula calculating the Availability Penalty, on the page 22 of the document, be replaced by the value of 99.000 € stated used in the table on the page 20 as it is the yearly Capacity Remuneration?

Answer Elia

This is correct. The value of 40.000 € is here not applicable and results from a mistake. However, the Availability Penalty should be calculated with respect to the Capacity Remuneration given by MW and not the entire yearly Capacity Remuneration, It means that the value which should be used in the equation here is 22.000 € and not 99.000 €.

11) Question related to Availability Penalty Monthly cap in case of Availability Penalty?

Use case 2: the Availability Penalty is capped by a monthly cap. Should this cap be calculated as a 'real' monthly cap so that the yearly Capacity Remuneration is divided by 12: in the use case 2, would it be correct to calculate it as follows:  $99.000/12 = 8.250$  €? It is referred to 20% of the yearly Capacity Remuneration in the document, are the 20% arbitrary?

Answer Elia

The Availability Penalty is indeed capped on a monthly basis to a value equal to 20% of the yearly Capacity Remuneration<sup>10</sup> and was presented to the Taskforce on 12/11/2019<sup>11</sup> in response to the public consultation of the design note. The underlying idea behind the 20% cap of the yearly Capacity Remuneration for each month relates to keeping a high incentive for Capacity Providers to keep delivering the Capacity for which they committed in their Capacity Contract despite an Availability Penalty. If the monthly cap was just equal to the yearly Capacity Remuneration divided by 12, the cap would be much lower and the incentive to remain available as committed in terms of capacity would be smaller. Moreover, during some months with lower risks of adequacy concerns, the Capacity Remuneration could then almost been taken for granted without specific risk of having to deliver. The prevailing penalty cap creates the right incentives.

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<sup>10</sup> As stated in the § 7 of the section 9.7 Availability Penalties in the draft of Market Rules published by Elia and available on Elia's website since December 2019. It is available at the following link: [https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125\\_crm-market-rules-proposal\\_v2.pdf](https://www.elia.be/-/media/project/elia/elia-site/ug/crm/20191125_crm-market-rules-proposal_v2.pdf)

<sup>11</sup> See presentation 'Availability Obligations and Penalties' on the Elia website: [https://www.elia.be/-/media/project/elia/elia-site/ug/crm/tf-crm/02\\_20191112\\_tfcrm8\\_availability-obligations-design-modifications.pdf](https://www.elia.be/-/media/project/elia/elia-site/ug/crm/tf-crm/02_20191112_tfcrm8_availability-obligations-design-modifications.pdf)



## Erratum

### 1) Additional Capacity in the context of the CRM

- Concerns use case 2, section 3.1: Prequalification Process, § 2 (positive technical agreement from Elia) & § 9 (DSO – CRM Candidate Agreement)
- Concerns use case 4, section 5.1: Prequalification Process, § 2 (positive technical agreement from Elia) & § 8 (DSO – CRM Candidate Agreement)
  - ⇒ Additional Capacity in the context of the CRM should not be requested to deliver both a CRM Candidate – DSO agreement AND a positive technical agreement from Elia allowing it to connect to the grid. If the CMU of the CRM Candidate is connected to the DSO grid than it will require a DSO Agreement - CRM Candidate whereas if it is requiring to be connected to the Elia grid, it will require a Positive Technical Agreement.

### 2) Calculation of the Payback Obligation

- Concerns use case 1, section 2.6: Payback Obligation, calculation table of the Payback Obligation
  - ⇒ The calculation of the Payback Obligation considers already the Availability of a CMU through the inclusion of its Availability Ratio within the formula. The Payback Obligation must therefore be calculated for the entire Contracted Capacity of the CMU unless some Missing Capacity has been identified and it has been notified to Elia before it identified AMT Moments on the Day-Ahead Market, which is not the case here. In this use case 1, the Payback Obligation of the gas turbine should have been calculated for its entire Contracted Capacity (103 MW) instead of its actual Available Capacity (83 MW).

### 3) Calculation of the Payback Obligation

- Concerns use case 1, section 2.6: Payback Obligation, last § before the summary table of the Payback Obligation section
  - ⇒ As exposed above, a Capacity Provider will be liable for the payment of a Payback Obligation for the entire Contracted Capacity of its CMU unless it notified its Missing Capacity to Elia before the announcement of AMT Moments by Elia and not before Elia's communication on the Day-Ahead Market clearing price.

### 4) Calculation of the Availability Monitoring

Concerns use case 2: section 3.5: Availability Monitoring & Penalties, § 5

- ⇒ The calculation of the Availability Penalty resulting from the Missing Capacity refers to a Capacity Remuneration of 40.000 €/year whereas it should refer to a yearly Capacity Remuneration of 22.000 €.

