TF CRM #26 - DESIGN - Meeting report

Wednesday 5th May 2021

Meeting

Date	05.06.2021
Organiser	Kristof Sleurs

Participants

		Attended
Adigbli Patrick	Centrica Business Solutions	x
Baudhuin Serge	Eneco	x
Bègue Nicolas	Eneco	x
Block Guy	Janson Baugniet	x
Boury Jonas	Yuso	x
Bruninx Jolien	BASF	x
Catrycke Mathilde	ENGIE	x
Coppin Xavier	ENGIE	x
Cornelis Erwin	Bond Beter Leefmilieu	x
Debaere Elias	Yuso	x
Decrop Jehan	EOLY Energy	x
Gillet Amélie	FPS Economy	x
Harlem Steven	Luminus	x
Monami Eric	Edora	x
Myngheer Silvie	ENGIE	x
Pycke Bart	Yuso	x
Strosse Tom	Eneco	x
Van Bossuyt Michaël	Febeliec	x
Van der Biest Piet	Siemens	x
Van Elsacker Jeroen	Nyrstar	x
Vercruyssen Luc	Haulogy	x
Verrydt Eric	BASF	x
Waignier Jean-François	FEBEG	x
Willemot Guy	ENECO	x

Report

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1. Agenda

- Public consultation on scenarios, sensitivities and data for the CRM parameter calculation for the Y-4 Auction with Delivery Period 2026-2027 (Yunus Pirlot & François Jadoul)

2. Report

Elia opens the meeting by explaining that the presentation of today is the first step in the calibration process for the delivery period 2026-27. The preparatory work has been done with the FPS Economy and Elia is still awaiting feedback from CREG. Once this is received and treated, Elia will launch the public consultation on scenarios, sensitivities and data for the CRM parameter calculation for the Y-4 Auction with Delivery Period 2026-2027.

Regarding slide 9 Febeliec wonders why the NECP is still used as Febeliec considers that the document contains outdated data since it has been published in 2019. Elia replies it needs to rely on officially released data. Elia adds that the proposed data for the public consultation was also used for the 10-year adequacy & flexibility study. At that time the FPS Economy and the different authorities confirmed that these were still the best available forecast which were in line with the ambitions of the different governments in terms of demand, flexibility, storage and renewables. Febeliec does not agree that it is the best up-to-date data. Elia replies that the market parties may provide during the public consultation other sources with other available data. Febeliec believes that for some elements an analysis could be done rather than just use data from old documents. Elia explains that it uses historical trends or performs an analysis as for example is done by the yearly “E-Cube study” for the level of historical market response. For other topics, it uses the latest available ambitions as foreseen and decided by the government. Febeliec wonders what happens in case the historical data is higher than the ambitions, as was the case for the biomass units. Elia explains that indeed the biomass units are subsidized at present, but there are plans that the regions could reduce these subsidies. The effect was already noticed for the Awirs unit and there is a risk that some closures might happen in other regions as well. This is the reason why the level of capacity for that type of units is reduced in-line with the latest forecasts from the regions. However for the other data the level is set by the ambition of the different authorities unless the historical data is already higher.

FEBEG wonders which data of the MAF will be used: the MAF data or only the publicly available information of the MAF. Elia answers it will use the data for the target year (2026-27), but only the years 2025 and 2030 are publicly available.

Febeliec asks how the contracted capacity is taken into account in this year's CRM auction. Elia replies that the contracted capacity is not taken into account in the reference scenario as it is not known. However it will be accounted for afterwards in the demand curve.

Regarding slide 17, BBL wants to know if these numbers include all the CHPs installed all over the country. Elia answers that the small CHP are included in the other non-renewables and if they are larger and have a CIPU contract they are considered individually in the gas category.

EOLY-Energy comes back to the question of Febeliec regarding the fact that the contracted CRM capacity for Delivery Year 2025-26 is not taken into account in the reference scenario. He believes there is a timing problem as the Minister has to decide on 15th of September on the reference scenario for Delivery Year 2026-27, while the results of the Y-4 auction of Delivery Year 2025-26 will be known by October 31st at the latest. Elia replies that the reference scenario is based on what is known today and that there will be an economic optimization loop in order to fill the gap. The result of the auction will be taken into account later in the process.

ENGIE believes that an increase of 500 MW of Demand Side Response (DSR) seems very optimistic and wonders if there are other sources than the “E-Cube study” that confirms this assumption. Elia answers that the methodology in the “E-Cube study” has been updated with the addition of the complex bids and a new NEMO.

The discussion continues in the chat box :
Febeliec states that DSR can also result from the auctions of CRM. ENGIE can agree on this in order to reach the amount of 2025 but is sceptical about the continuous increase. Elia answers that in this case, only the values for the year 2026-27 are looked at. Elia adds that DSR is considered in the adequacy loop in order to take into account the possibility for DSR to be auctioned. That was the approach for the first auction. The adequacy loop will be explained further on the presentation during the part on "other parameters - related to preselected capacity types"

Febeliec raises its concerns about the forecasted level of demand for 2026 on slide 25. Febeliec is astonished about the new absolute value of 90.2 TWh for 2026. Elia explains that the economic growth assumptions from PlanBureau from June 2020 are considered for two reasons. The first reason to use these data is because it is the latest forecast available with the needed granularity regarding forward consumption (including a sectorial split). Elia adds that the later economic updates from PlanBureau of September 2020 or February 2021 projected even higher levels for the macroeconomic forecast on the GDP. The second reason for the increase in the demand is related to the increase in electrification in the transport or heat sectors as stated in the NECP. Febeliec is concerned that Elia considers an increase of 1.3 TWh in demand over one year, to a new absolute level despite all extra actions and efforts on energy efficiency in Belgium. Elia replies that energy efficiency is not only considered in the electricity sector. Electrification is also part of the energy efficiency measures, meaning that when you electrify some sectors like the transport or the heat sector, while the electricity consumption increases, it leads to consuming less primary energy, which is in line with the ambitions of the European Commission and Belgium.
Febeliec denounces the fact that only the levels of demand of 2019 and 2020 are shown and not the historical profile over the last decade. This would show, despite a GDP growth, a clear drop with a trendline going downwards. The presentation on the slide gives a trendline going upwards, with even a steeper increase. Febeliec believes this is a strange approach and believes that a lot of money will be spent on something which is not needed. Elia replies that the demand indeed decreased a little since 2010 due to energy efficiency measures. The most easily achieved energy efficiency measures are currently in place and made their effect. However current studies show a steep increase in the electricity consumption for the coming years (not only in Belgium but also in the neighbouring countries) due to (amongst others) the electrification of heat and transport sectors, unless there would be some delays in these ambitions.

EOLY-Energy wonders if the part of flexible energy will increase also in the electrification scenario. Elia confirms that there is indeed an increase in flexibility since small- and large-scale batteries will come into the system, as well as demand side flexibility. Elia adds for example that currently about 30MW of batteries is available while the target for 2026-27 is around 760 MW.

Regarding Slide 27, EOLY-Energy wonders why IRM-KMI data is not used. Elia answers that IRM-KMI does not have developed synthetic climate years for the whole of Europe like Météo-France did. BBL asks if the cold winters of the 80s included in the 35 historical years are these still representative. Elia replies that it does not make use anymore of the 35 historical years and that they have been replaced by 200 synthetic years representative for the 2025 climate.

On slide 20, Febeliec wonders if it is still allowed under ERAA to make modifications to the data set of other countries. Elia states that it is not its interpretation of the Clean Energy Package (CEP). Firstly, currently there is no ERAA compliant with CEP available yet. Secondly, additional sensitivities may be added while keeping the EU dataset as a base assumption. Thirdly, the CEP concerns a national resource adequacy assessment and it is not about a volume determination. Febeliec does not agree with this interpretation.

Febeliec states that, following information from CRE and RTE, the increased unavailabilities from the French nuclear fleet would be over by 2025 or 2026 at the latest. Febeliec thus wonders if it is allowed to reduce French nuclear availability. Elia replies that it is not sure yet if these sensitivities proposed for consultation will be used or not; it is up to the minister to decide. Elia is a bit reluctant about this information from CRE and RTE as it was seen in the past years that the critical period was always postponed by a year, every year. Elia sees a clear delta between the announced unavailabilities and the reality: a clear underestimation is noticed since the past 6 to 7 years as continuously 4 additional nuclear units were unavailable during winter periods, on top of the planned

unavailabilities. Elia believes it concerns a risk, but it is up to the authorities to decide on which scenario they want to be covered for the Belgian security of supply.

FEBEG wonders why Vilvoorde GT is shown on the slide while the unit announced its closure in the meantime. Elia replies that the official announcement was not known yet at the moment the sensitivity was designed.

EOLY-Energy wonders why there are only upward sensitivities and why downward sensitivities (more RES, more interconnection available capacities, etc.) are not considered.
ENGIE asks why there is no sensitivity on cross-border reduced margin, since all neighbouring countries are showing low/negative margins by 2026. ENGIE also asks about the closure of other conventional assets in foreign countries. Elia replies that stakeholders are free to argue against or in favour of the sensitivities. This is exactly the goal of this public consultation. Stakeholders can also propose other quantified sensitivities with their underlying reasons;

Further ideas on sensitivities are mentioned in the chat :
BBL wonders if different consumption trends in the sensitivity assessments are considered. ENGIE proposed that a sensitivity on lower DSM/ battery increase (due to limitation in market depth) could be added since the NECP is very ambitious. Elia answers that Elia did not propose several sensitivities although if other consumption figures (with the quantified data) could be used, they can be given during the public consultation. It is to be noted that only one reference scenario (hence one consumption figure) needs to be chosen for the calibration of the auction. The different sensitivities (if chosen) are integrated in that reference scenario. No sensitivities will be conducted as only one set of reference parameters will be used.

EOLY-Energy asks which electricity prices and which types of markets (DAM, ID, balancing?) are used regarding the market revenues simulations assumptions. Elia explains it follows the methodology as set forth in the royal decree and also the methodology of the European adequacy assessment. An economic dispatch model is used, which is an hourly based model which simulates the electricity prices as if all energy was sold and bought on an hourly basis with perfect foresight. A description of the model is provided in the MAF-Study or other adequacy studies.

After the presentation some general Q&A was organised.

Yuso asks for some clarifications on the payback obligation for resources with limited energy volume : will the capacity contract and payback obligation be applied to the full capacity or to the derated capacity. Elia replies that it will depend whether the CMU is running during its SLA hours or not.
If the payback occurs during an hour that is part of the SLA and during which the CMU is supposed to be entirely running, then the capacity on which the payback obligation takes place will be linked to the entire capacity it is expected to deliver during such moment. If such payback obligation would occur, although this seems not very likely to happen, during a moment that is not equal to one of the CMU's SLA hours, the CMU is not expected to deliver capacity and he will not have to Payback during a non-SLA Hour. If the CMU has committed to deliver energy during that moment, the Payback Obligation will occur and will be proportionate to its availability ratio. It is the same principle as the way the availability monitoring is taking place. Yuso wonders if it is possible to payback more than the remuneration of the CRM. Elia replies that in the chapter of the payback obligation in the functioning rules there is a topic related to the stop-loss amount. This principle indicates that the amounts to be paid by the capacity providers is capped to the capacity remuneration he receives for his capacity contract. Elia also refers to the use cases provided by Elia earlier in 2021. Yuso asks if this amount for the stop-loss is a cap per year or per month. Elia explains that the stop-loss amount is calculated for the entire delivery period just before the start of the delivery period. Afterwards Elia will look on a monthly basis at the incremental payback obligations that the capacity provider has to pay and every month Elia will check if the stop-loss amount has been reached or not. Elia proposes that there can be a further bilateral discussion to clarify the topic.

EOLY-Energy noticed that the decision has been taken about the CRM parameters and wonders if some further information could be provided. Elia replies that the information is available on the website of the FPS Economy. EOLY-Energy asks if the decision is in line with what has been proposed. Elia answers that the strike price proposed by Elia was retained. Elia also proposed a

value for the intermediate price cap for which Elia has proposed a value of about 28 €/kW/y, with an alternative around 20 €/ kW/y and the minister has decided to take the alternative proposal. The deratings factor proposed by Elia have been largely taken over by the minister but some changes were made related to storage. The other parameters and the demand curve are based upon proposals from CREG.

3. Date for next meeting

The next meeting was foreseen on May 21st 2021 but was cancelled afterwards.