

WG Adequacy #4

25 January 2022

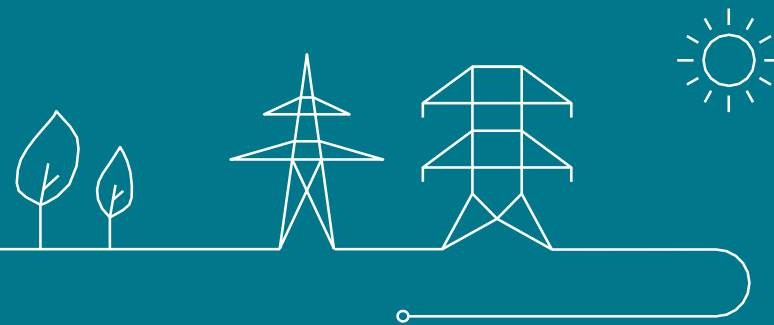


Agenda

- Welcome
- Minutes of Meetings WG Adequacy #3 (14.12.2021)
- Presentation proposal law modification [Cabinet Minister of Energy]
- Functioning Rules : Public Consultation
- Capacity Contract
- Next meetings



Minutes of Meetings



Minutes of Meeting

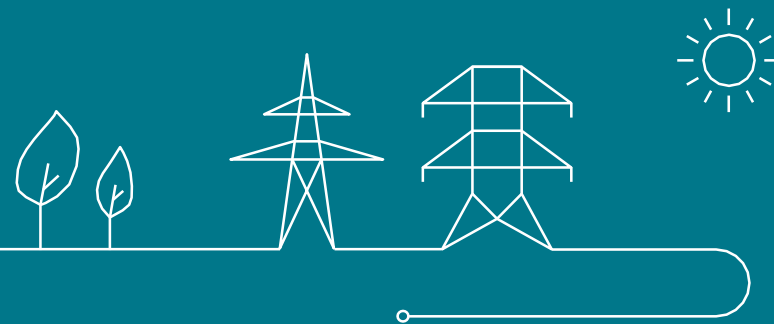
WG Adequacy #3 – 14.12.2021 : To be approved

The MoMs were sent on 18.01.2022. No comments were received.



Proposal law modification

Cabinet Minister of Energy



Energy agreement

- September 2021: successful CRM-auction
- 31 October 2021: Auction report Elia
- 30 November 2021: Report Administration on Security of Supply and impact on prices
- 3 December 2021: Report Minister Van der Straeten on Security of Supply, Affordability and Sustainability
- **23 December 2021: Comprehensive agreement on Security of Supply, Affordability and Sustainability**

Security of Supply: confirmation & reinforcement CRM

- **Successful auction:** more projects than needed, including batteries, storage and demand side management, and lower than expected cost.

- **Legal enhancement:** modification Electricity Law approved by Government:

1. Auction 2021:

- Introduction T0 on 15 March 2022
- If no permit in final administrative instance: end of contract and complementary adjudication in auction 2021
- Safety-net:
 - If problem with plan A: analysis of all possible options, including plan B
 - If not: plan B stops

2. All upcoming auctions:

- Capacities need to have a permit in final administrative instance before the bidding deadline (ie 30 September)

Security of Supply: confirmation & reinforcement CRM

- **Next steps:** Legal process modification of the Law
 - End of January: advice Council of State
 - February – March: Parliamentary process & publication
 - Parallel: information/approval European Commission

Thank you!

Towards the roll-out of the draft law

Based on the draft law communicated on 29/12/2021 with WG Adequacy on behalf of the Energy Minister:

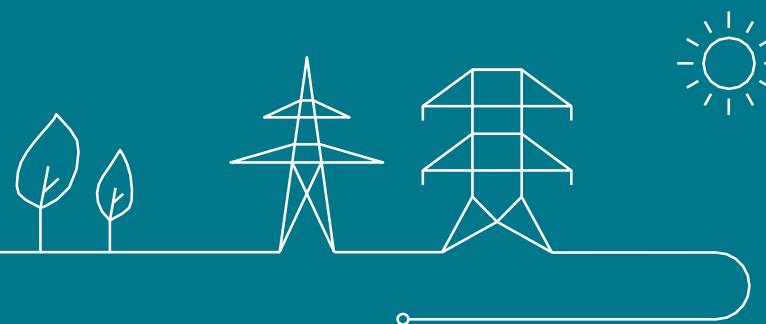
Assuming the draft law will become effective, the following key steps are foreseen:

- All selected capacity providers report on permit (cf. law) status to Elia and Elia has to report on the received information to the Minister
- Based on this report and with a view on SoS, the Minister can decide to terminate a capacity contract
- Also, the Minister can decide on an auction rerun, i.e. all non-selected CMUs to provide (1) the relevant permit (cf. law) and (2) financial guarantee, followed by a rerun of the auction.

→ To inform the relevant involved market actors timely on these new processes foreseen in the draft law, Elia plans a practical session on 17/2

Functioning Rules

Public Consultation



CRM Functioning Rules: feedback from public consultation and next steps

Submission of the next version of the rules by February 1st

- A public consultation regarding the second version of the CRM Functioning Rules has taken place between November 26th and January 4th.
- Feedback has been received from 9 different parties :
 - Non-confidential: FEBEG, CBS, Synergrid, BASF, Flexcity
 - Confidential: 2 contributions from market parties are entirely confidential and one partially (T-power).
 - 1 input was received after the submission deadline and will not be considered in the consultation.
- Next steps :
 - Potential design modifications have been considered and are presented in WG ;
 - Text proposals will be submitted to CREG by February 1st ;
 - A public consultation report will follow shortly after the submission of the FR v2.



Feedback on General remarks

- **FEBEG** thanks Elia for the opportunity to react on the consulted Functioning Rules and for the efforts put into place to improve/develop the CRM despite of not supporting all of them **Elia thanks FEBEG for its general feedback and will do its best to develop and improve the way the CRM is currently implemented/designed**
- **FEBEG** pointed out a lack of alignment between the EN version of the Functioning Rules and the NL/FR versions for paragraph 361 (from pre-delivery monitoring) **Elia can confirm that the FR/NL versions are the correct ones and that the EN version has been duly corrected on that basis.**
- **T-Power** is wondering what will occur with already contracted capacities with this updated version of the Functioning Rules **This point is already treated and has been subject to various questions, Elia refers therefore to the answer brought for chapter 2 on general provisions.**
- **T-Power** is asking CREG to consider to amend the document related to investment files in order to facilitate the audit **Elia has nothing to say on the matter since this topic is CREG's responsibility.**
- **BASF** regrets that Functioning Rules don't specify yet what would happen in terms of Payback or Availability Penalties in case of unavailability from a CMU being the consequence of an issue occurring on the grid to which it is connected **Elia confirms that, in the current version of the Functioning Rules, no exemption from the Unavailability Penalty or Payback Obligations is foreseen. Elia strives towards consistency between the rules applied on different grid operators (TSOs, DSOs and CDSOs) and aims to concretize the Availability Monitoring cooperation with the DSOs in the coming year.**
- **BASF** points out that some references are wrong in the document **Elia will do its best to correct these.**
- **CBS** supports the changes brought to the rules **Elia thanks CBS for its input.**
- Various market parties have indicated that various typo's were observed in the Functioning Rules **Elia will do its best effort to correct them.**



2. General provisions

- **Request from BASF and FEBEG** to clarify the impact of the V2 on existing contracts: Elia agrees with the statement and will adapt it accordingly, whenever applicable (i.e. for chapters which apply to contracts).
- **FEBEG** suggests suggests to improve process to request interpretation of the FR, as some questions were not entirely answered by Elia. The process works (as under §2.5). To the extent that this comment concerns a request of a CRM candidate to confirm the application of the penalty rules for Tcontrol1 in different situations proposed by the CRM candidate, this goes beyond chapter 2.5, which is about the interpretation of a rule, not a validation of business options proposed by CRM candidates. However, should other questions have been answered incompletely, Elia proposes the stakeholders revert asap or discuss this bilaterally, ...



RETROACTIVITY

FUNCTIONING RULES

2 GENERAL PROVISIONS ADOPTION, APPROVAL AND AMENDMENT

8. [...]

9. All future amendments to the Functioning Rules will be proposed by Elia after consultation with market participants, and with a view to being established by CREG, in accordance with article 7undecies, paragraph 12 of the Electricity Act. The amended Functioning Rules and/or Royal Decree approving the amended Functioning Rules shall govern the impact, if any, of said amendments on the existing contracts.

CAPACITY CONTRACT

Article 11. REVISION AND AMENDMENT OF THE CONTRACT AND OF THE STANDARD CAPACITY CONTRACT

11.1. The Contract may only be revised in the following cases:

1° in the cases set forth in the Electricity Act, its implementing Decrees including the Functioning Rules;

2° without prejudice to 3°, in the event that an authority, or a competent institution (such as for instance Entso-E or the RCCs) takes a binding measure, whatever its nature, which makes it necessary to amend the Contract;

3° in the cases where the CREG decides that an approved amendment of the standard capacity contract must apply to ongoing Contracts.

Analysis

- (future) FR govern the impact on existing contracts
 - ⇒ if nothing is explicitly foreseen, no impact, existing contract are rules by FR under which the contract was concluded.
 - ⇒ If foreseen, impact:
 - ⇒ contract to be interpreted in light of the new FR without explicit amendment of contract
 - ⇒ Contract to be amended (if needed)
- Contract to be amended:
 - If (explicitly) foreseen in E-Act, implementing decrees, including FR
 - If an authority/competent institution takes binding measure, which makes it (implicitly) necessary to amend contract
 - If CREG approves new standard contract and decides that this new standard applies to existing contracts
 - ⇒ Can be result of §9 FR
 - ⇒ Can also exist without the amendment of the contract being the result of a review of the FR
- Proposal:
 - Clarify in §9 that all clauses of the FR applicable to situations in which the contracts already contract exist will impact the existing contracts (a.o. financial security, pre-delivery, availability monitoring) .
 - Comments in framework of public consultation on FR V2 on existing text FRV1 should be included in FAQ on FRV1

5. Prequalification Processes chapter

Volume determination & opt-out

NRP
determination

- **Synergrid** claims that the DSO should not “determine” the NRP for additional points and asks why they have to agree on a declared NRP. ELIA would like to point out that it is important that the DSO plays a role in the NRP determination process, as there are elements that ELIA cannot check. However, we agree to reformulate to better reflect the role of the DSO in this process.
- **FEPEG** argues that the NRP determination by means of historical data can generate an exceptionally high NRP that cannot be delivered under normal circumstances. The objective of the NRP determination is to establish the maximal power that can be provided and is only the first step in the determination of the volume to be offered in the auction. Afterwards, this volume can be modified via opt-out. Moreover, also during the Delivery Period, the Capacity Provider may notice ELIA regarding an unavailability, thereby lowering the penalty and not being exposed to a test for the unavailable volume during the announced unavailability.
- **Synergrid** asks whether the NRP determination should exclude peaks resulting from activation and verification tests for TSO ancillary services, as they are also excluded for the capacity tariff computation. The NRP determination for participation to the CRM is not related to the capacity tariff computation. Therefore, not necessarily the same determination process should be applied. Besides, note that a test – similar to a test for TSO ancillary services – may be organized to determine the NRP.

Opt-out

- **FEPEG** and **CBS** argue against the proposed opt-out deadline 5WDs before the bid submission deadline, also referring to the Electricity Law that defines that opt-outs can be made until 30/9. We will adapt to 30/9 at 9am.
- **FEPEG** and **T-power** ask for more opt-out OUT possibilities towards a Y-4 auction, such as a possibility to motivate opt-out OUT as is already proposed towards a Y-1 auction. The opt-out rules have been refined in order to guarantee the appropriate consideration of volumes (IN vs OUT), but a motivated OUT possibility towards a Y-4 auction is not retained.
- **FEPEG** argues that also a full opt-out of an SLA CMU should be considered as OUT. ELIA does not agree with such general rule, as for instance a capacity with an obligation to prequalify may participate via the fast track process and have an SLA derating. The adequacy contribution of this capacity should be considered.
- **T-Power** informs about the classification (IN/OUT) of opt-out volumes towards different auctions. The opt-out notification, and hence also its classification, is specific to an auction.
- **FEPEG** and **T-Power** request to clarify the consequences of an evolution of the derating factor. Explained later in this presentation, under 9. Availability monitoring.

5. Prequalification Processes chapter

Implementation and operational aspects

- **FEBEG** and **1 other party** inform about the procedure to prequalify for the upcoming auction given specific situations last year **ELIA will clarify in the consultation report & “evolution in time” section rules will be refined & ELIA will communicate practicalities with market parties (e.g. via user manual or workshop)**
- **FEBEG** argues that renouncing the operating aid should be mandatory only if relevant **The renunciation is always relevant, even if there is currently no operating aid.**
- **FEBEG** argues that the newly introduced CMU name should be considered confidential **ELIA does not see confidentiality issues, especially given that the CRM Candidate is free to choose the CMU name itself. ELIA believes that transparency should be strived for as much as possible.**
- **Synergrid** argues that the DSO should have a role in the data management process of DSO-connected points, that Elia should write data in the Flexhub **ELIA agrees to further discuss these topics with the DSOs, but in any case it does not (yet) require an adaptation of the Functioning Rules.**
- **Synergrid** states that the FSP-DSO contract should be signed before the PQ file submission and that metering requirements will be verified during prequalification **ELIA agrees and will adapt the Functioning Rules where needed.**
- **BASF** requests to work with an amendment to a cooperation agreement instead of a new cooperation agreement altogether, asks for clarification on the timing to sign this agreement and asks to confirm that it is the CDSO (and not the CRM Candidate) that submits this agreement to ELIA **ELIA agrees on the amendment, will clarify the timing (i.e. signed by CDSO 25 WDs after PQ file submission as specified in the Service Time Schedule) and will adapt the Functioning Rules as it is indeed the CDSO that has to submit this cooperation agreement to ELIA.**
- **BASF** questions the relevancy of information to be included in the CDS Metering Technical Info Checklist, as well as the relevancy of the supplier and BRP information to be provided in the cooperation agreement **ELIA will assess which information is relevant. Supplier and BRP information are indeed not necessary to be provided.**

5. Prequalification Processes chapter

Connection procedure

- **Synergriid** explains how the interaction between the connection procedure and participation in the CRM auction is differently conceived for DSO-connected points compared to TSO-connected points **ELIA agrees that the DSOs require an upfront proposal for connection contract as prequalification requirement and will adapt the Functioning Rules where needed to reflect this process.**
- **BASF** highlights that an EDS ID is never to be provided by a CRM Candidate as it is arranged between Elia and the CDSO and the EDS itself is even confidential to the CDS user **ELIA does require the CRM Candidate to provide the EDS ID (only the ID). It is important to get this info also from the CRM Candidate who is prequalifying and to later match the information received from the CRM Candidate with the CDSO declaration.**

Legal aspects and liabilities

- **FEBEG** claims that in the absence of a decision by the FPS economy on the CO2 emission limit, the eligibility should be considered approved instead of rejected **ELIA cannot agree, as this would mean that ELIA decides on these elements while it is not the competent authority on CO2 emissions and eligibility. Also assuming at the level of the Functioning rules that the decision is considered positive, would not be considered the right way to implement the European regulation.**
- **FEBEG** finds the measures in the context of errors/missing information identified during audits disproportionate and requests 30 instead of 20 WDs to provide additional information to ELIA **ELIA agrees with the request for an extended period, but of course timings may be more tight e.g. in case of upcoming bid submission deadline. ELIA does not agree on the disproportionality. In case of the identification of the problem after the submission date, a party cannot be put in a more favorable position, just on the basis of the non fraudulent nature of the error. Besides, the audit section only lists the possible measures that can be taken.**
- **FEBEG** claims that in the absence of a communication from the DSO w.r.t. the final NRP, there should be no negative consequences for the CRM Actor **ELIA agrees that there should be a robust process to avoid these situations. However, without information from the DSO, Elia is not able to prequalify the respective capacity.**
- **The requirement to have a permit in final administrative instance before the bid submission deadline, i.e. 30/9, will be introduced in the Prequalification Processes Functioning Rules.**

5. Prequalification Processes chapter

Other

- **FEPEG** argues, in the context of the connection capacity waiver and the related definition of new build CMUs, that these should not apply to projects for which the CRM Actor can demonstrate that they will be committed before the auction results **ELIA cannot agree, because in the absence of a firm commitment in the connection process itself, there is no firmness regarding the effective realization/connection of projects.**
- **FEPEG, T-Power, Synergrid** and **BASF**... make general comments on unclear passages, typos and suggestions for textual improvements, which will be taken into account towards the functioning rules version for submission.

6. Auction process chapter

- **FEBEG** questions, regarding § 242 on the bid price limit, the reference to “missing-money” **ELIA** wants to clarify that this rule is aligned with the Royal Decree on Methodology articles regarding the IPC derogation process. Missing-money is to be indicated by the IPC derogation applicant in its application form.
- **FEBEG** asks to clarify, regarding the non-eligible volume, which capacities are considered exactly. **ELIA** would like to point out that either an extreme assumption is made regarding non-eligible capacities (e.g. all PV capacities are assumed to be non-eligible) or the estimation is based on an assessment by the FPS economy (e.g. for large CHP units), as described in the Royal Decree on Methodology. Moreover, as also described in this Royal Decree, before the auction clearing, the non-eligible volume estimation is corrected based on the information received during the prequalification process.
- **FEBEG** points out that regarding the grid constraints, the following part of the text is no longer applicable w.r.t. not calculating grid constraints for CMUs with allocated connection capacity “... for which no participation to the CRM has been confirmed following the procedure in the Federal Grid Code.” and argues that **ELIA** should not calculate grid constraints for *existing CMUs with requiring additional connection capacity when the CRM actor can demonstrate that the project is committed before the auctions results*. **ELIA** agrees that because the FGC has not been adapted as foreseen, the quoted part of the text is no longer applicable. It will be reformulated to refer to capacities that opt for the Fast Track prequalification process as cutoff to determine whether the capacity continues without CRM support and hence should not be subject to grid constraints. However, following the same general principle, **ELIA** cannot agree not to calculate a grid constraint for *existing CMUs with requiring additional connection capacity when the CRM actor can demonstrate that the project is committed before the auctions results*, unless this capacity goes through the Fast Track prequalification process.

7. Capacity contract signature chapter

- **FEBEG** questions, regarding § 336 on the need to refer to §335 and suggestion to apply the same penalties in case Elia does not sign the capacity contract” **ELIA** wants to clarify that the signature of the contract is the essence of its PSO. Elia does not sign the contract with the same interest as the capacity providers. Elia is not a capacity provider to whom legally penalties apply.

8. Pre-delivery control chapter

- Pre-delivery control modalities**
- **FEBEG** question regarding §349 to clarify the impact of the proposed change for the first quarterly report: **Elia confirms that the first quarterly report is now only expected by February 14th, seeing as not much updated information would be included in a quarterly report right after the auction.**
 - **Synergrid** argues for Section 8.4.2.1.1 that the pre-delivery measured power should be determined by the DSO. **Elia wants to stress that even though the measurements might happen at DSO level, it remains Elia who determines the final value for the pre-delivery measured power.**
 - **FEBEG** comment regarding §361 on the pre-delivery obligation of 100% rather than 80%: **ELIA understands FEBEG's concern about the higher pre-delivery obligation. ELIA now requires 100% of the pre-delivery obligation at both moments of control for Existing CMUs and at Tcontrol 2 for Additional CMUs. For Tcontrol2, a requirement of 100% is appropriate since the delivery period starts right after the control, and ELIA requires that Contracted Capacities are fully available at that point. For Tcontrol1, the 100% for Existing CMUs is pertinent since these units are already up and running on the market. In case the CMU needs to undergo long-lasting maintenance, ELIA would like to point out that a Missing Volume is determined through historical data over a period of 15 months, or a pre-delivery test organised at a moment convenient for the CMU. In either case, ELIA is confident that Capacity Providers can plan maintenances and resolve outages in time, and prove their availabilities accordingly.**
 - **FEBEG** asks that the financial penalties in §381 are reduced for Additional Other CMUs: **Elia agrees that the lower risk represented by these units should be reflected in the level of penalties, and will adapt the Functioning Rules accordingly.**
 - **FEBEG** question regarding "§385.This paragraph seems wrongly formulated : it is not the period which is reduced but the contracted capacity in line with the missing capacity established during the Tcontrol1 moment during the first delivery period." **Elia agrees with he proposed wording.**
- Pre-delivery control process**

8. Pre-delivery control chapter

- Process to become an Existing CMU
- **FEBEG** question regarding § 407 on penalties arising from not completing the process to become Existing in time, seemingly in contradiction with § 373: Elia does not agree that this § 373 reads as if Elia does not apply a penalty in that case. Rather, § 407 specifies that when the procedure to becoming Existing is not yet completed and the CMU becomes subject to a penalty at $t_{control2}$, the penalty is still determined as if it is an Additional or Virtual CMU.
 - **FEBEG** and **T-Power** request to clarify the Derating Factor that is applied upon becoming Existing: Cf. later in the presentation
- Delays on Infrastructure Works
- **BASF** question, regarding §346: whether the capacity provider owes predelivery penalties in case of delay in the infrastructure works. Elia refers in §401 to Chapter 14, because there are no specific modalities to contest the use of the fallback procedure

8. Pre-delivery control chapter: other modifications

- Even though no changes are proposed for the general pre-delivery scheme, several smaller adaptations will grant ELIA a more accurate view on the Capacity Providers' progress
- 3 main building blocks:

Tighter requirements for quarterly reports
In terms of timing and content

Improve accuracy and homogeneity of quarterly reports

- Introduce a definition of the time period a quarterly report should cover: 5 WD before submission
- Adapt timeline for Elia to request additional information: 20 WD to send request, 20 WD for Capacity provider to respond
- Propose a template that Capacity Providers can use for quarterly reports that is mandatory for New Build and optional for other CMUs

Financial Penalties
In case of missing or repeatedly late quarterly reports

Incentivise Capacity Providers to remain consistent

- Introduce a timeline to remind Capacity Provider in case of missing quarterly report
- Introduce a financial penalty if the Capacity Provider fails to provide a quarterly report:

$$100 \left(\frac{\text{€}}{\text{MW}} \right) \times \text{Total Contracted Capacity (MW)}$$

Notification to the CREG
Upon determination of a Missing Volume

Improve transparency

9. Availability Monitoring chapter

- **Synergrid** claims that the DSO should determine available capacity **The electricity law imposes a legal obligation on Elia to define Availability Monitoring rules in the functioning rules and establish Capacity Contracts, which is the aim of the framework Elia has set up. At the same time, Elia is currently in discussion with the DSOs to elaborate the cooperation between them where we propose to treat this issue.**
- **T-Power and FEBEG** highlighted an error in the text of Availability Penalties **Elia will correct this in the final version**
- **FEBEG** requested clarity in the determination of DMP when balancing and intra-day prices are used **Elia will propose a clarification in the rules**
- **FEBEG** highlighted a specific issue regarding Unavailable Capacity and the definition of NRP **See next slide(s)**
- **FEBEG** comments on the calibration methodology for the AMT-Price, in relation to their strike price comments **Elia believes the AMT price applies the necessary foresight, while also retaining a stable value of this price. Additionally, the rules foresee a maximum number of 30 monitoring moments, which limits the exposure of Capacity Providers.**
- **FEBEG** requests to clarify “time of Availability Monitoring” **Elia proposes to clarify this in the rules.**
- **FEBEG** requests joint Availability Obligation for linked capacities in Availability Testing **Elia aims to design a Secondary Market process in an efficient manner, which should limit the administrative process to make the required exchanges. It seems an effective solution without compromising the current obligation/aggregation rules.**
- **FEBEG** requests a rolling window of 18 months for the application of the “contract termination” Unavailability Penalty escalation step **Given the probable non-uniform distribution of AMT Moments throughout the Delivery Period and the ample time already foreseen to reconstitute the capacity, Elia proposes not to change the rules in this regard.**

9. Availability monitoring

NRP determination relative to Unavailable Capacity notifications (raised by FEBEG)

- NRP is determined based on the highest historical measurement
- This could be an exceptionally high measurement (e.g. only on a very cold day, DSR was in shut-down,...)
- Nevertheless, according to the rules, the Capacity Provider should notify any limitation on the NRP
 - This way it can be used for a.o. Secondary Market Remaining Eligible Volume
- The combination of both NRP determination and the obligation to report Unavailable Capacity, lead to a very swift saturation of the 75-day limit on Announced Unavailable Capacity
 - Risk of higher unavailability penalties for and testing on Unavailable Capacity once this limit is reached

PROPOSAL: Allow Capacity Providers to indicate whether they want Announced Unavailable Capacity to apply on a notification of Unavailable Capacity

- Avoids saturating the 75-day limits on small Unavailabilities, not impacting the Capacity Provider's Obligated Capacity
- Up to the Capacity Provider to manage this risk
- In case the Capacity Provider exempts the application of Announced Unavailable Capacity, they accept the risk of a higher Unavailability Penalty and potential Availability Test on the full capability of the CMU
- Continues to allow CMUs to offer volume only available occasionally (e.g. during winter) whenever its available

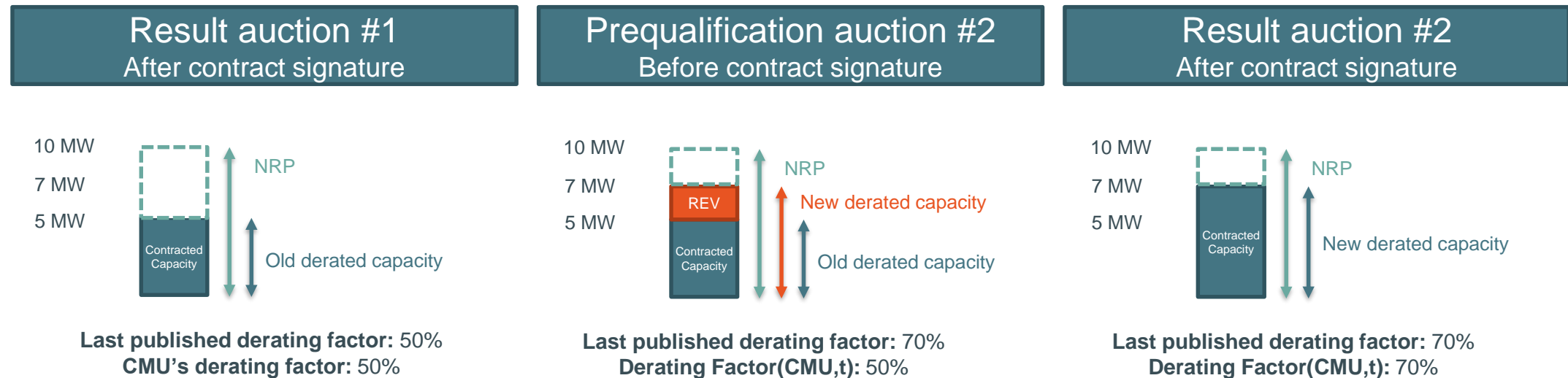
9. Availability monitoring

Derating factor for multiple transactions in a single Delivery Period

- Both T-Power and FEBEG requested clarification in reply to the public consultation
- This subject was also discussed during the Working Group Adequacy of 14/12/2021
 - The definition of “Derating Factor(CMU,t)” seems insufficiently precise
 - Elia sees an opportunity to simplify this definition and at the same time ensure a consistent application across chapters
 - It would further facilitate the offering of additional capacity under improved derating factors

PROPOSAL: On signing a new Transaction, the CMU’s Derating Factor(CMU,t) is adapted to the Last Published Derating Factor for the Transaction Period.

EXAMPLE:



9. Availability monitoring

Derating factor for multiple transactions in a single Delivery Period

New definition:

Derating Factor(CMU,t)	At any time 't', Derating Factor(CMU,t) is equal to the Derating Factor contractually associated to the Transaction with the most recent Transaction Validation Date and with a Transaction Period that includes 't'. In case there are multiple Transactions with the same Transaction Validation Date, the Transaction with the shortest Transaction Period is used.
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Additionally, Elia proposes a clarification of the “contractually associated Derating Factor” would be added under the section 7 “Capacity Contract Signature”:

- For the Primary Market: the Derating Factor in the Prequalification File
- For the Secondary Market: the Last Published Derating Factor

→ The Derating Factor is already today associated to the Transaction in annex A of the Capacity Contract

REMARKS:

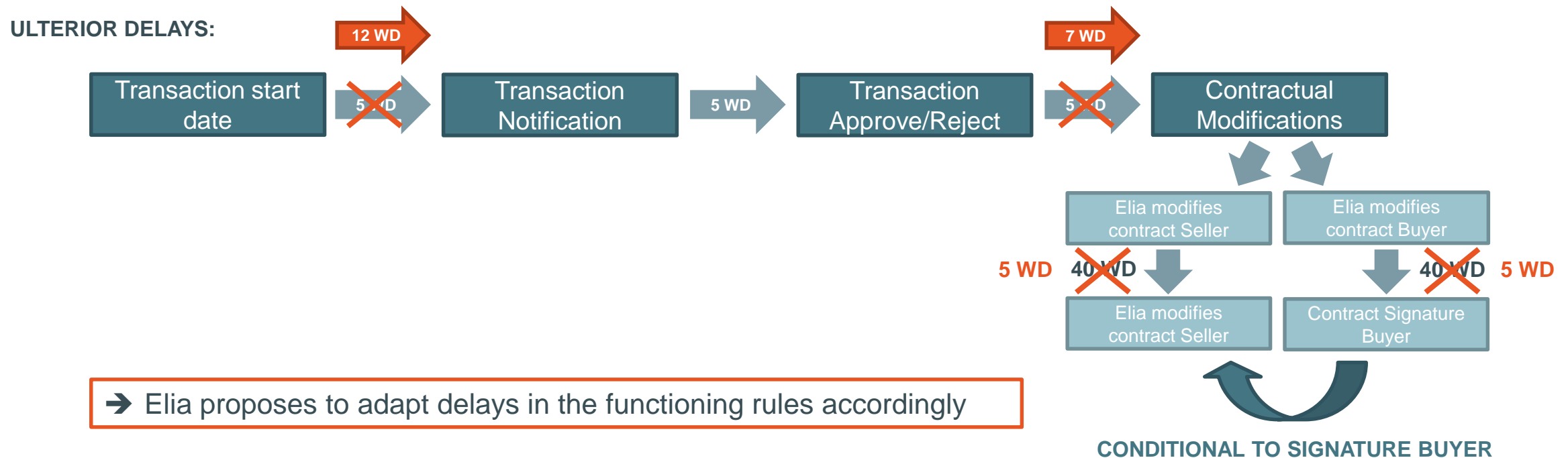
- Contracted Capacity and Capacity Remuneration of the original Transaction(s) remain unchanged
- Derating Factor(CMU,t) only changes when signing a new Transaction for the Transaction Period

10. Secondary Market chapter

- **FEBEG** noticed some (3) minor typos **Elia will correct these in the final versions**
- **FEBEG** highlighted an erratum in the limitations on transfer of multi-year contracts **Elia will correct this in the final version**
- **T-Power** asked for clarification on the “50 Transactions per Calendar Day limit” **The reason for this limitation is to protect against platform failure in case of excessive request from any one connected user. The Secondary Market platform will be dimensioned to be able to handle at least this capability. Fifty transactions in a single Calendar Day per user seems like a reasonable amount to Elia, but we are open to discuss examples to the contrary.**

Contract Signature vs Secondary Market approval

- Contract Signature is currently required within 40 working days* (Aim: Primary Market)
- This could present a very late lack of signature for a Seller on the Secondary Market
- Elia proposes to shorten the Contract Signature delay to 5 working days for Secondary Market only

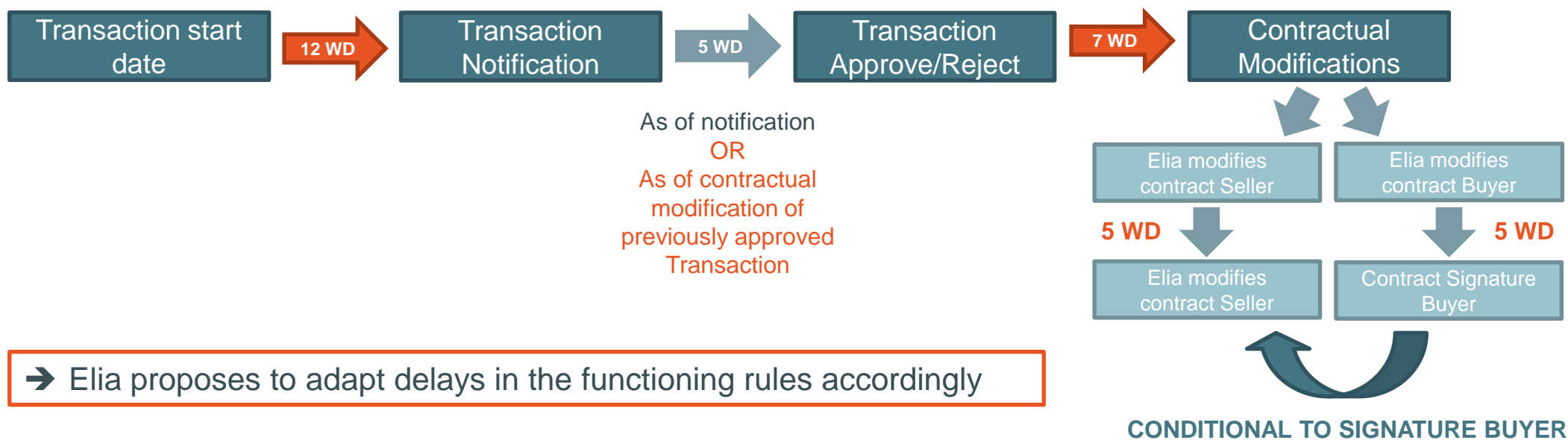


*: an exception applies in case it is conditional to a connection contract

Processing queue for Transactions

- Current rules don't allow processing a new transaction before contractual modification/rejection of the previous one
- However, this process depends on reaction speed of seller and buyer
- This could inhibit Elia respect the foreseen 5 working days
- Elia proposes to extend the approval/rejection of transactions with overlapping Delivery Periods relative to the previous one

ULTERIOR DELAYS:



11. Financial Securities chapter

- **FEBEG** asks whether a CRM Candidate will be allowed to submit a new Financial Security if it is initially rejected. Firstly, during the verification of the Financial Security and if necessary, ELIA will come back to the CRM Candidate in order to resolve any issue, e.g. in case of missing information. Secondly also, the CRM Candidate will always be allowed to submit a new Financial Security upon rejection, as long as the deadline of September 1 is not reached.
- **FEBEG** asks to reintroduce the 10% margin, i.e. that no additional Financial Security is to be provided if the Secured Amount is not more than 10% higher than the provided Financial Security. ELIA agrees to reintroduce the 10% margin. However, different from last year and in line with the change in principle that a CRM Candidate is now free to anticipate the required financial security on 30/9, the 10% margin will be integrated in the sense that the access to the auction for the CMU will not be blocked if the provided FS is not more than 10% lower than the required FS. It will be required though to provide the remaining part of the financial security before the signature of the Capacity Contract.
- **FEBEG** asks to review the extension of the Validity Period in case an additional CMU has not reached the status existing (i.e. 5 years after the transaction validation date) to 1 year instead of immediately until the end of the Transaction Period, to notify the Capacity Provider in such case and whether the penalty in case of no extension (15 000 €/MW) is proportionate. ELIA agrees to review the extension of the Validity Period by 1 year, i.e. until 10 WDs after the end of the next delivery period & to notify the Capacity Provider. However, ELIA does not agree to adapt the penalty.
- **FEBEG** finds the non-signature of a Capacity Contract a risk with consequences that cannot be assessed, referring to the following consequences: a penalty and compensation for any Direct Damage suffered as a result of such breach. ELIA does not agree and would like to clarify that the Functioning Rules are merely clarified to explain the potential consequences of the non-signature of a Capacity Contract, while the underlying principles have not changed.
- **FEBEG** asks whether a stop of the prequalification process or non-selection of a bid should not also be a moment of release and which moment prevails in case both the transaction validation date and contract signature are relevant moment. ELIA can confirm that the transaction validation date (e.g. publication of auction results) is a release moment and that at all times the earliest release moment prevails (indeed the contract signature date is also a release moment).
- **FEBEG** asks ELIA to reduce the terms of the release, finding 10 WDs for the notification and 30 WDs for the release too long. ELIA agrees to shorten the period for the release itself to 20 WDs instead of 30.
- **BASF** points out unclear wordings in §§ 695 and 705. ELIA will adapt the text.

12. Payback Obligation chapter (1/2)

- **Flexcity** asks for an exemption of Payback Obligation for DSM units and illustrates this request with a detailed example. Elia refers to the fact that such design change goes beyond the Functioning Rules and would require a modification of the Royal Decree. Elia reminds that the current design results from a compromise implying a choice to be taken by the ones willing to participate to the CRM assessing their own risk.
- **Flexcity** highlights the potential lack of incentive for DSM units to declare a lower DMP and be available to contribute to the SoS. Elia does not share Flexcity's view on this aspect and is of the opinion that a broader framework (increased probability of availability penalties (monitoring, testing)) should be considered as well in case of repeated (very) high DMP nomination.
- **Flexcity** points out the risk of reduced participation of DSM in Y-1 in case rules would not provide the right incentive for their participation to the CRM. Elia can only but repeat that design choices for the Payback Obligation result from a compromise that aims at being technology neutral. Elia would also like to remind that the BE CRM was approved as is by the EC.
- **Flexcity** highlights the risk incurred by DSM units to end up with a net loss in case of very high future prices observed repeatedly Elia would like to remind that a stop loss mechanism is foreseen and limits the amount to be paid back to the fixed capacity remuneration. Elia repeats also that potential penalties (pre-delivery, availability) and Payback Obligation are different processes and should not be considered on the same foot.
- **FEPEG** asks to reconsider the calibrated strike price and foresee additional features (force majeure, monthly/weekly stop loss, ...) to limit the risks linked to the participation to the CRM. Elia reminds that the strike price was calibrated based on a methodology described in a Royal Decree hence it seems impossible to deviate from it. To consider potential design changes, Elia would like to first see the results of the study conducted by the FPS Economy on auction parameters as foreseen by the RD for which a Public Consultation will take place as well.



12. Payback Obligation chapter (2/2)

- **FEPEG** asks as well to adapt the strike price indexation mechanism foreseen and pleads for a more dynamic indexation mechanism that would integrate variable costs of a unit (and important short, long term market changes) Elia refers again to the study that will be conducted by the FPS Economy as foreseen by the RD Methodology for which a Public Consultation will take place as well before considering potential design changes.
- **T-Power** asks to adjust the strike price indexation mechanism and to foresee a solution that would cover at least variable costs of a unit (referring to the Italian system) Elia refers again to the study that will be conducted by the FPS Economy as foreseen by the RD Methodology for which a Public Consultation will take place as well before considering potential design changes.
- **T-Power** and **FEPEG** are wondering whether the current indexation mechanism foreseen could apply to contracted capacities with 1Y contract as of the 1st delivery period (and not the 2nd) Elia refers to the RD Methodology in which it is clearly stated that the indexation mechanism only applies as of the 2nd delivery period of a MY Contract. Elia can therefore not consider such demand since it goes beyond Functioning Rules.
- **T-Power and FEPEG** are wondering whether paragraph 765, dealing with the Availability Ratio used in the calculation of the Payback Obligation, does not contain a mistake and should not refer to an AMT Hour instead of an SLA Hour. Elia can confirm that this does not result from a typo. This § covers a theoretical case for which an Energy-Constrained CMU would have to Payback for an hour that is not an AMT Hour. In such configuration, a Non-SLA Hour can only be considered on top of the SLA Hours of the CMU if the number of SLA Hours observed during the concerned day remains lower than the N Hours of the CMU's SLA.
- **One party** is wondering whether the DMP provided by a Capacity Provider could only be used for the calculation of the Payback Obligation in case it is greater than the value of the calibrated strike price given that the activation price of the CMU might sometimes be lower than the calibrated strike price. Elia confirms that in case of DMP lower than the calibrated strike price, the calibrated strike price will be the parameter that is used for the calculation of the Payback Obligation, and not the DMP.

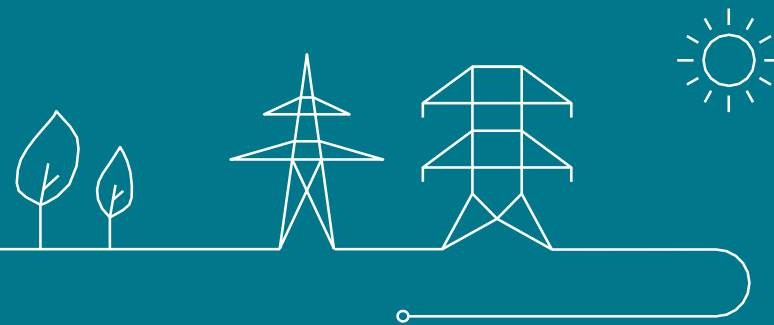


13. Liability and force majeure chapter

- **FEBEG & BASF** ask some further explanations on why closed grids were deleted. **Elia clarifies that a reference to the CDS is not pertinent in the context of balancing**
- **FEBEG** asks for a reference to “A decision made by any competent authority » as in art 8,2 Capacity Contract. **Elia can consider including the reference to decision or measure of any competent authorities.**



Capacity Contract



CRM 2022 Capacity Contract – impact analysis

Based on the Functioning Rules changes proposal and feedback, Elia assessed that:

- Limited comments lead to changes in the Capacity Contract → Marginal / intrinsic adjustments on the capacity contract
- The retroactivity of the Functioning Rules on the Capacity Contract is (shall be) described in the FR modification with/without clarification in the contract itself:
 - Clarify in §9 that all clauses of the FR applicable to situations in which the contracts already exist will impact the existing contracts (a.o. financial security, pre-delivery, availability monitoring) (see slide 14)

Possible new integrations:

- Prior Art1: Precision on the financing modification following the recent decision on Art 7 undecies § 15 (tarifs >> accises)
- Art7: Responsibility
 - Few precisions / modifying expliciting the text but not changing the scope
- Annex A:
 - Marginal adjustments on the Annex A fields to cope with potential modalities of the CMU evolution in time (e.g. ID, ...) – *not determined yet*
 - The Functioning Rules proposal of application in the Availability Monitoring of the last contracted derating factor for all Transactions of a CMU (see slide 27) – *in analysis, a fortiori no changes*
- Some rephrasing / cross references with Funct. Rules adaptations

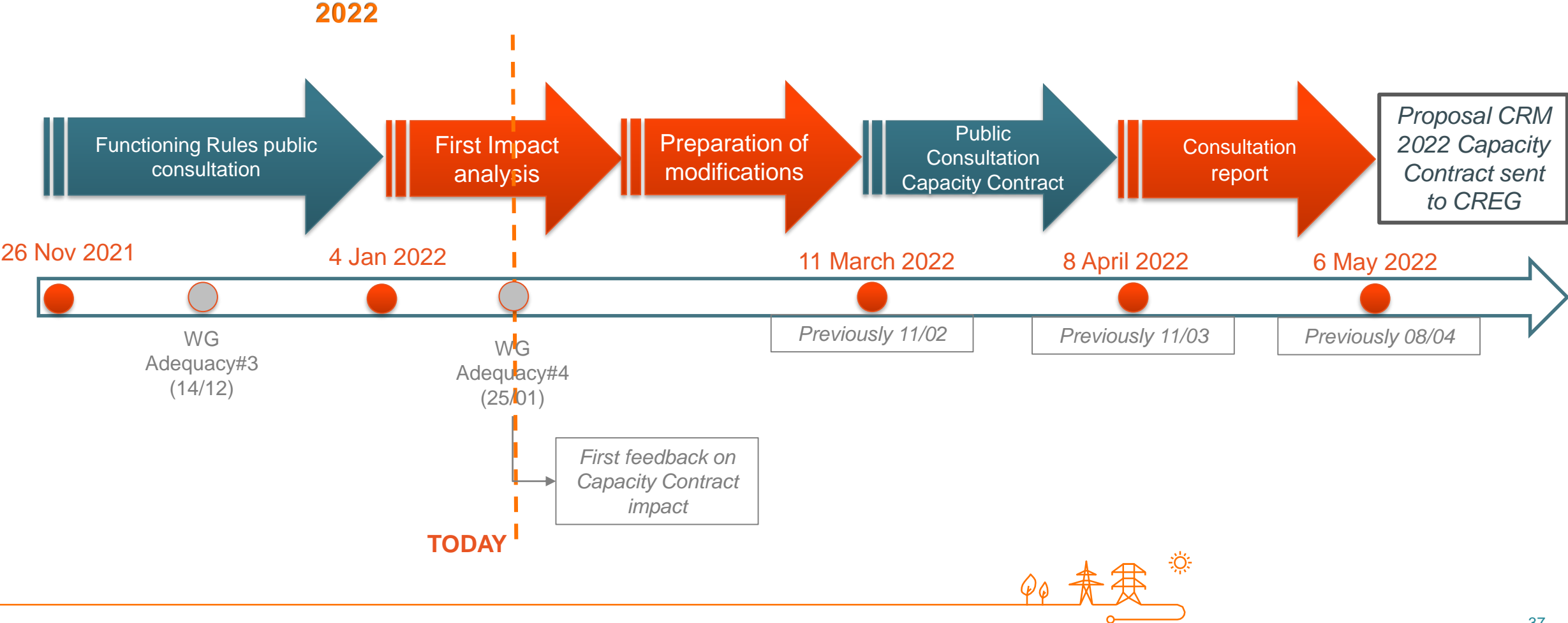
→ First impact analysis confirms that changes in the Capacity Contract will be rather limited
→ It is proposed to re-assess the timing of the Public Consultation on CRM Capacity Contract



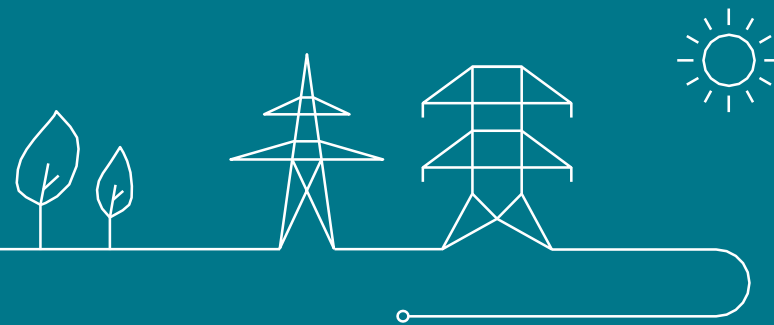
CRM 2022 Capacity Contract - timeline

Context: Right after the Functioning Rules update public consultation, the impact analysis on the Capacity Contract shows rather limited changes

→ An updated proposal of time range for the **Public consultation on the 2022 update of the Capacity Contract**



Next meetings



Foreseen timeslots for next meetings

- Thursday 17 February 2022 pm
- Thursday 10 March 2022 am
- Thursday 21 April 2022 am
- Thursday 19 May 2022 pm
- Friday 17 June 2022 pm



Thank you !

