

WG Adequacy #10 - Meeting report

Tuesday 13th September 2022

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| Meeting | |
| Date | 13.09.2022 |
| Organiser | James Matthys-Donnadieu |

| Participants | | Attended |
|----------------------|-----------------------------------|-------------------------------------|
| Aleman Ruben | ENGIE | <input checked="" type="checkbox"/> |
| Baudhuin Serge | ENECO | <input checked="" type="checkbox"/> |
| Benquey Romain | Centrica Business Solutions | <input checked="" type="checkbox"/> |
| Boustani Zackaria | FOD Economie | <input checked="" type="checkbox"/> |
| Catrycke Mathilde | ENGIE Benelux | <input checked="" type="checkbox"/> |
| Celis Chris | ODE | <input checked="" type="checkbox"/> |
| Chafaqi Laïla | LUMINUS | <input checked="" type="checkbox"/> |
| Claes Peter | FEBELIEC | <input checked="" type="checkbox"/> |
| Clerbois Pierre | Inovyn | <input checked="" type="checkbox"/> |
| Coppin Xavier | ENGIE | <input checked="" type="checkbox"/> |
| Debaere Elias | YUSO | <input checked="" type="checkbox"/> |
| Debrigode Patricia | CREG | <input checked="" type="checkbox"/> |
| Delferiere Alan | FOD Economie | <input checked="" type="checkbox"/> |
| De Waele Bart | CREG | <input checked="" type="checkbox"/> |
| Dupont Benjamin | Essenscia | <input checked="" type="checkbox"/> |
| Gorleer Wim | BASF | <input checked="" type="checkbox"/> |
| Harlem Steven | LUMINUS | <input checked="" type="checkbox"/> |
| Herman Sofie | STORM | <input checked="" type="checkbox"/> |
| Jantzen Annette | EUGINE | <input checked="" type="checkbox"/> |
| Kormoss Aymeric | EOLY Energy | <input checked="" type="checkbox"/> |
| Monami Eric | EDORA | <input checked="" type="checkbox"/> |
| Mortier Jo | RWE Supply & Trading GmbH | <input checked="" type="checkbox"/> |
| Potvliege Harold | Flexcity | <input checked="" type="checkbox"/> |
| Putz Patrik | E-CUBE | <input checked="" type="checkbox"/> |
| Rkiouak Laylla | FOD Economy | <input checked="" type="checkbox"/> |
| Selderslaghs Katrien | Cabinet of the Minister of Energy | <input checked="" type="checkbox"/> |
| Strosse Tom | ENECO | <input checked="" type="checkbox"/> |
| Van Bossuyt Michaël | FEBELIEC | <input checked="" type="checkbox"/> |
| Van de Keer Lieven | T-POWER | <input checked="" type="checkbox"/> |
| Van der Biest Piet | SIEMENS | <input checked="" type="checkbox"/> |
| Vandersyppe Hans | COGEN Vlaanderen | <input checked="" type="checkbox"/> |
| Vanneste Aron | Flexcity | <input checked="" type="checkbox"/> |
| Van Vlaenderen Emiel | Flexcity | <input checked="" type="checkbox"/> |
| Verrydt Eric | BASF | <input checked="" type="checkbox"/> |
| Voorspools Kris | COGEN Vlaanderen | <input checked="" type="checkbox"/> |

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|---------------|----------------|
| Report | |
| Author | Pauline Munten |

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| Function | PMO Adequacy | | |
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1. Agenda

- Welcome
- Minutes of Meeting WG Adequacy #9 (25.08.2022)
- PQ Permit Requirements
- Auction Timeline
- Assessment of the amount of Market Response in Belgium [E-cube]
- CRM: proposal for design evolutions
- Tender for Low Carbon Technologies: Design
- Next meetings

2. Minutes of Meetings

Disclaimer: The slides used as a support of the presentation are available [online](#). The minutes of meetings only cover the discussions that took place during the Working Group.

Minutes of Meeting

No comments were received on the Minutes of Meeting of previous WG. These are considered as approved.

PQ Permit Requirements

Elia is presenting the Permit Requirements related to PQ.

RWE does not understand the last point regarding the deadline for appeal procedure by September 30th. Elia specifies the information on this point and has adapted the slide to correct and complete the information.

Auction Timeline

Elia presents the Y-4 2026-227 Auction Timeline.

Elia recalls that in cases there would be inconsistencies on the timings illustrated in chapter 4 of the functioning rules (i.e., chapter summarizing most relevant milestones and operational deadlines or deadlines a CRM Actors should keep) compared to the other chapters of the Functioning Rules (including the annexes), the timings stated in the other chapters would prevail.

Assessment of the amount of Market Response in Belgium [E-cube]

Elia introduces the presentation by E-Cube on the assessment of the amount of Market Response in Belgium.

FEBELIEC asks E-Cube to clarify the values for Nord pool provided on the graph on slides 31. E-cube answers that there is less data which gives variability.

FEBELIEC also asks why only 500€/MWh is taken, since there is also DSM below 500€/MWh. According to FEBELIEC, the analysis lacks a comparison between reactions at high prices and at very high prices. Besides, the methodology should be adapted to be able to distinguish production and DSM's responses. FEBELIEC highlights that both demand response and demand destruction need to be considered in the whole analysis (both are important to determine the

volume needed for the CRM). Elia agrees that refining the methodology is needed but cannot perform it in the given time period since the discussion merits a thorough assessment. Besides, Elia also comments that in market response, E-cube looks at the volume that is responding to high price, which is also different than demand destruction (volume down for a longer period). Finally, FEBELIEC highlights that the analysis should not only consider the reaction of DSM at very high price or above 500€/MWh but also make the analysis in case of miracle, price going down.

FEBELIEC states that E-cube is looking for a trend of the evolution of Demand and Market Response related into a time frame perspective, while a much more important parameter is price to determine how big Demand and Market response will be. Elia takes the point and is happy to investigate how the methodology may evolve for next year. Elia together with E-cube can make a proposal which will need to be discussed with the Stakeholders.

FEBELIEC also comments that there is an inconsistency between the Cabinet's Winter plan aiming at unlocking demand response with a pre-CRM product, in addition to 250 MW capacity that needs to be found, and E-cube presentation of a yearly growth rate of 8% for DSM. Elia agrees and responds that on one side, Elia will come back on the 250 MW in next WG Balancing, and on the other side, for the Tender for Low Carbon Technologies, it concerns à priori demand response on the offer side (not to count twice on it). FEBELIEC wants to have a view on the evolution of the Demand response MW to be sure that it is not double counting but not zero counting either.

If there are any other urgent questions on this topic, Elia proposes to have the discussion on the percentage to be taken on a next WG and asks the Federations to prepare comments on this.

CRM: proposal for design evolutions

Elia is introducing the design evolution proposed. Elia recalls that it is a first proposal and that any comments or remarks are welcome. Elia also invites stakeholders to raise design proposals that they wish to be discussed in the next Working Group. Elia also specifies that this WG does not constitute a public consultation, which will happen later this year.

CRM Design Evolution

No questions were raised on this topic.

NRP determination

T-POWER asks for clarification regarding the calculation of the NRP based on an average –i.e., average of the lowest three months-, because if the unit also serves additional services, then the units might not run at full load during the whole period of time. T-POWER therefore would think that a full capacity test once a year is more valid. Elia understands the comment and specifies that for each month Elia will take the maximum load. Elia tested the methodology, and it is quite robust. Elia also specifies that it is still possible to demonstrate the maximum technical potential based on a test. Besides, Elia is happy to welcome any specifications if T-POWER thinks of cases where the methodology would not be suitable or not give the right results for NRP determination.

LUMINUS asks for some clarifications with regards to the use of the methodology: whether the methodology will be retroactively applied and whether it restricts the options of methods. About the first question, Elia explains that the goal is to improve the method and apply it as soon as the new Functioning Rules are approved. Consequently, LUMINUS asks to have more insights on the potential impacts of NRP calculation if the NRP of an Additional CMU was calculated

this year according to current methodology, and the NRP of the unit becoming Existing after May 2023 is calculated based on the new method. About the second question, Elia specifies that both historical method and PQ test remain. LUMINUS and Electrabel also ask what will happen if there is only data available for 1 month. Elia answers that they want to stick to the same methodological principles. In case there is limited data, Elia will find a way to be able to use this methodology and otherwise a test is always possible.

Battery degradation

LUMINUS asks if by considering battery degradation over time it will also impact the remuneration over time.

Elia highlights that in the proposal the idea is to let the capacity evolve over time (and not the SLA duration). Besides, if the capacity is linked to Contracted Capacity, the remuneration should evolve as well, but this could be anticipated when making an offer to the auction (battery degradation parameters are known in advance).

FEBELIEC asks who will set the battery degradation parameters. Elia states that it should be declared by the applicant during the prequalification process.

FEBELIEC also asks what will happen if by degradation the units fall below 1MW threshold. Elia says that this question will be answered later when discussing the minimum participation threshold.

T-POWER asks a question regarding the utilization capacity of batteries (that influences the degradation). Elia argues that battery utilization should already be assessed today to evaluate the capacity that will still be available for instance in 8 years. What changes however with this measure is that batteries can get upfront a stepwise or linear reduction of their Contracted Capacity. T-POWER then asks a bilateral meeting to understand the changes. Elia agrees to facilitate that request.

T-POWER also claims that this matter is not technology neutral but should be done for all technologies (CCGT also has degradation). ENGIE agrees that this principle should be technology neutral. Elia does not see an issue with the current proposal regarding technology neutrality, but the point is taken.

Evolution in time

No questions were raised on the topic.

Low voltage

No questions were raised on the topic.

Participation threshold

No questions were raised on the topic.

Derating Factors

Elia highlights that the evolution in DRF is specific to energy-constrained CMUs.

FEBELIEC asks whether it is only for future contracts or already for existing contracts. Elia answers that the goal is to make it retroactively, as of next version of the rules.

RWE asks for clarification with regard to the “no impact” mentioned in case of a decrease in de-rating factor. In case of opt-out, it remains additional capacity to be contracted that could be vaporized because of the decrease in de-rating factor. Elia agrees.

Pre-delivery

Elia proposes a clarification to the FR with regards to pre-delivery.

ELECTRABEL asks if for a new unit commissioned a few months before the start of the delivery period, a test will be needed. Elia will look at how to use historical data with few data, otherwise a test is always possible. This point will be taken in the next WG.

Availability Obligations

Elia proposes some changes in the Availability Obligations rules.

FEBELIEC asks how Elia plans to tackle ramp up - ramp down if Elia only tests for quarter hour.

Elia answers that the notification of the test is already stated in the rules: Candidates know one day in advance that they will be tested in a specific timeslot, so they have the time to ramp up and be at maximum capacity.

T-POWER asks for clarification with regards to the restriction for full SLA test proposal (whether it drops only during summer or winter as well). Elia answers that it will be all year, which is fairer compared to other CMUs, for example, non-energy constrained units that only have to provide testing for a quarter hour. According to T-POWER it is precisely the idea to test full SLA because units are energy-constrained. The comment is noted, but Elia also recalls that tests are not remunerated, and that it is in its interest – together with government and the CREG - of making sure that everything contracted and paid for can also be delivered. Elia agrees that it is technology neutral CRM but each technology has its specificities and characteristics. To have as low costs as possible, as part of objectives stated in the Electricity law surrounding the CRM, the barriers must be as low as possible for every technology with the necessary guarantees.

YUSO asks whether it is possible to prove an SLA based on historical (operational) data. Elia specifies that the goal of the availability test is to test if a last minute's prices increase occurs, the Capacity Provider remains available. Those kinds of situations are not per se captured in historical data.

CENTRICA BUSINESS SOLUTIONS states that it is important that the full SLA is guaranteed to avoid gaming. Therefore, CENTRICA BUSINESS SOLUTIONS suggests that (1) for DSR to have an alert in case of unusual SLA value decided by a CMU, and (2) if a CMU has been able to react implicitly or explicitly for a long duration, at least have a proof that technically the unit is able to, which is a pre-requisite to be available. Elia notes the comment, but also highlights the distinction between availability testing and availability monitoring.

Pay-back Obligations

CENTRICA BUSINESS SOLUTIONS has two comments with regards to Elia's proposal. First CENTRICA BUSINESS SOLUTIONS challenges the fact that for Demand Response there is no infra-marginal rent and questions the exemption of pay-back. Second, in terms of retroactivity, CENTRICA BUSINESS SOLUTIONS believes that the change in pay-back obligations should only target contracts not signed yet, because it touches structural elements of the deals that have been negotiated and such changes would impact the market conditions. BASF agrees with the retroactivity's concern. Elia will reflect on what has been said.

LUMINUS also wants to come back on Elia's approach in terms of retroactivity and changes in the Functioning Rules. Legally, a contract reflects a balance of rights and obligations, but changing the terms impacts the balance. Contract can be changed in case of major changing context. Here, the crisis would be a justification to accept a retroactive change to the pay-back obligations to contrast with all smaller changes that are not justified. Elia specifies that the retroactivity of the pay-back obligation is under investigation. Besides, Elia also highlights that this part requires a change in Royal Decree (consequences are larger than FR).

COGEN Vlaanderen mentions its doubt about the goal of technology neutrality and avoidance of windfall profits because windfall profits themselves are technology dependent but there is only one fixed strike price. Elia refers to early discussions on the topic and to the definition of windfall profits in the context of the CRM. COGEN Vlaanderen then argues that technology neutrality needs to be defined. Elia is taking the comment.

T-POWER would like to see a proposal which takes into consideration the merit-order and the price of the technologies for each hour it is looked into. Elia will include that in the future proposal and agrees that the indexation mechanism should not have negative impacts; and that is the reason why Elia is asking whether it should consider further /additional refinement in the formula.

LUMINUS appreciates Elia's effort and will particularly look at option C and particularly D. ENGIE similarly will closely analyze option C and D together with other possibilities.

FEBELIEC thanks for the proposal but highlights that it is not the role of the CRM to manage the risk of the assets. The goal of the CRM is to guarantee SoS over a period by finding a balance between avoiding windfall profit and covering the Missing money over time. Elia answers that Elia is learning from experience and would be really interested to hear from FEBELIEC what is acceptable, unacceptable from the formula proposed (with some explanations), to converge much more. FEBELIEC asks Elia to develop further the formula in the newt WG in order to make such proposals.

CENTRICA does not see an issue of having too much payback. Elia takes the point and argues that sometimes legal obligation is not enough (therefore financial penalty). T-POWER and RWE have the opposed opinion, considering that the index is not always a perfect reflection of Belpex; not forgetting hedging and forward markets and the industry that is asking for long-terms contracts. Elia says that the scope is not to reconsider hedging and general principles of pay-back.

Tender for Low Carbon Technologies: Design

T-POWER makes a general comment on LCT, and the way Elia wishes to couple it with the CRM. T-POWER would like Elia to consider the volumes auctioned/cleared for the LCT to be taken from those volumes that have been reserved for the Y-1 auction.

On the eligibility criteria, LUMINUS finds it confusing to go from less severe rules to more severe rules for LCT auction and then back to less severe rules for Y-1 Auction and does not understand the objectives behind. FEBELIEC on its side asks what the definition behind "Low Carbon" is, and more particularly would like to have more insight on how CO₂ emission is defined for storage, for instance. Elia takes the comments and specifies that the presentation focuses on the framework that Elia was asked to develop, based on the elements that have been verified yet, knowing that not every element has been clarified. The goal of the presentation is to make a proposal on general principles, the definition of "Low Carbon" is one that needs to be discussed with the Cabinet and the authorities. Elia also highlights the political willingness to encourage demand side response storage.

FEBELIEC says Elia is making the LCT as unattractive as possible to participants (e.g., year product and not winter product). Elia argues that it is not the goal but developing a yearly product is a way to link the LCT with the CRM.

FEBELIEC also asks Elia to give an evaluation of the volume that is expected for the LCT. Elia answers that the trigger to foresee the need for such LCT results from AdeqFlex 2021 results, and highlighted Gap of 400MW for winter 2024-25. Then the calibration of the mechanism will use the latest data available of AdeqFlex 2023. FEBELIEC finds it a bit counterintuitive – if not incorrect – to look two years from now to such capacity to be there but excluding everything from the Tender. Elia answers that the decision on LCT eligibility criteria remains the authorities' responsibility. FEBELIEC raises a specific comment to the Cabinet: excluding a lot, while having a huge volume to contract with a merit-order (almost) non-existent, price will be extremely high. Besides, according to FEBELIEC the 8% expected growth in DSM is not enough to cover the expected MW. Elia does not totally agree because LCT is a support mechanism to develop DSM and storage.

FEBELIEC finds the LCT to be a strange evolution, with an unclear goal: either solving a SoS issue or promoting some technologies. According to FEBELIEC the way of handling a SoS issue by promoting a technology is not the right approach and is curious about what the commission will think about it. Elia answers that there are precedents and refers to similar mechanism developed in France to support the CRM.

In parallel, FEBELIEC would like some temporal clarity on the call for administrations in the Winter Plan to reactivate SR. Elia answers that Winter plan is written by Cabinet.

Finally, FEBELIEC asks Elia why they are not reactivating the winter product designed in 2018 if the objective is to promote DSM. Elia answers that the winter product was not a success. There was no volume behind because there was no support for developing the volume (contradictory to here). FEBELIEC does not agree and states the lack of success of the winter product in 2018 did not result from a lack of interest, but a lack of time (Elia did not deliver the necessary requirements and specifications for the product in time) and lack of motivation because the problem was resolved before that.

FEBELIEC is asking whether any DSM not delivering for the moment because of high prices will be excluded in the future because in the last past year they were active. According to FEBELIEC it is not because you have done something in the past that you will do it again. Elia says it is a fair comment and it is a concern that needs to be addressed. FEBELIEC then recommends Elia to go back on past comments on SR in order to develop the design of the LCT. Elia welcomes any constructive comments and can plan bilateral meetings.

Besides, Elia answers FEBELIEC's proposal to move to SR, that SR was designed for generators which are going out of the markets. Such generators are not seen during winter 24/25. Then, there remains strategic demand reserve. Yet, based on the feedback received (also from market parties), Elia believes it is better to have DSM in the market rather than outside the market.

LUMINUS needs to understand the concept of "new built" allowed. Elia answers that if at the moment of prequalification the unit is still new built and the capacity is not considered as contributing to security of supply for 2024-2025 in the volume determination process, you could participate to the LCT. According to FEBELIEC this measure is pushing volume out for Y-1 auction

RWE asks whether Elia intends to implement the Permit request as in the CRM or move out this requirement; and in case it remains, whether it will be expected at PQ or at bid submission. Elia will try to have the same requirements as for the CRM but is adding this point to the list of elements for the government to clarify.

Elia concludes by explaining that Elia's general approach was first to look at what had already been discussed in the past, and what exists today in terms of identifying new demand response. As everything presented during this working group, it consists of a proposal, and Elia welcomes every constructive comment to improve the presented mechanism.

3. Next Meetings

The next meetings are currently foreseen on:

- Thursday 13th October 2022 am
- Friday 28th October 2022 pm
- Thursday 17th November 2022 pm
- Friday 16th December 2022 pm