

WG Adequacy #13 - Meeting report

Thursday 17th November 2022

Meeting

Date	17.11.2022
Organiser	James Matthys-Donnadieu

Participants

Participants		Attended
Adigbli Patrick	Centrica Business Solutions	<input checked="" type="checkbox"/>
Anciaux Pauline	Vds	<input checked="" type="checkbox"/>
Baugnet Christophe	ENGIE	<input checked="" type="checkbox"/>
Benquey Romain	CENTRICA	<input checked="" type="checkbox"/>
Boustani Zackaria	FOD Economie	<input checked="" type="checkbox"/>
Bruninx Jolien	BASF	<input checked="" type="checkbox"/>
Catrycke Mathilde	ENGIE Benelux	<input checked="" type="checkbox"/>
Chafaqi Laïla	LUMINUS	<input checked="" type="checkbox"/>
Coppin Xavier	ENGIE	<input checked="" type="checkbox"/>
Debrigode Patricia	CREG	<input checked="" type="checkbox"/>
De Changy Maxime	Fluxys	<input checked="" type="checkbox"/>
De Waele Bart	CREG	<input checked="" type="checkbox"/>
Delferiere Alan	FOD Economie	<input checked="" type="checkbox"/>
Dupont Benjamin	Essenscia	<input checked="" type="checkbox"/>
Gerkens Benoît	CREG	<input checked="" type="checkbox"/>
Harlem Steven	LUMINUS	<input checked="" type="checkbox"/>
Hary Nicolas	Compass Lexecon	<input checked="" type="checkbox"/>
Herman Sofie	STORM	<input checked="" type="checkbox"/>
Labar Christophe	Federal Plan bureau	<input checked="" type="checkbox"/>
Perekhodtsev Dmitri	Compass Lexecon	<input checked="" type="checkbox"/>
Potvlieg Harold	Flexcity	<input checked="" type="checkbox"/>
Rkiouak Laylla	FOD Economy	<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 de Waeyenberg Sofie	CREG	<input checked="" type="checkbox"/>
Van der Biest Piet	SIEMENS	<input checked="" type="checkbox"/>
Vandersyppe Hans	COGEN Vlaanderen	<input checked="" type="checkbox"/>
Van Vlaanderen Emiel	Flexcity	<input checked="" type="checkbox"/>
Verbruggen Thomas	Nyrstar	<input checked="" type="checkbox"/>
Verrydt Eric	BASF	<input checked="" type="checkbox"/>
Wagnier Jean-François	FEBEG	<input checked="" type="checkbox"/>

Report

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1. Agenda

- Welcome
- Minutes of Meeting WG Adequacy #11 (13.10.2022)
- CRM: Result Auction
- CRM: Timeline public consultation FR v0.3
- CRM: Retroactivity
- LCT: Feedback public consultation: Design Note
- Proposed trajectories for a progressive reduction of the CO2 emission limits to be respected under the Belgian CRM: Public consultation report
- 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.

Approval of the Minutes of previous WG

No objection was made on the Minutes, which are considered as approved.

CRM: Result Auction

FEBELIEC is asking a question with regards to the setting of the demand curve and precisely on the difference of 900 MW for Non-eligible capacity (incl. nuclear prolongation of 1662 MW). Elia answers that those numbers don't give the correct presentation because these only contain the starting points for non-eligible volume. Last year, Elia took into account 3GW of non-eligible volume and this year, 3.9GW but that includes nuclear prolongation. Elia suggests to FEBELIEC to come back on this topic later as this will be presented with the full picture on the numbers, or to contact directly Elia for further explanations on the difference. Some explanations have also been given at the beginning of the year when explaining the evolution between the two calibration reports.

ENGIE asks to have a view on the opt-out IN and which kind of projects are behind the batteries. Elia gives some more insight in this presentation compared to the auction report, by giving the split in opt-out IN per technology.

ENGIE notes that for DSR Elia does not have a contract signed – which CREG highlights to be logical -, and these capacities could disappear. Elia answers that it follows the rules. LUMINUS then highlights that the rules are different thus for generators, which cannot leave the market. ENGIE also highlights that taking these opt-out IN volume in Y-4 reduces the volume to be contracted in Y-4 while it leaves huge volume for Y-1. According to FEBELIEC if the units consider that they can function without the CRM, then the rule is fine. CREG is open to re-discuss the functioning rules, according to ENGIE and LUMINUS remarks. Besides, Elia highlights that there will be room for such comments in the context of the public consultation of the functioning rules.

FEBELIEC asks what the composition of "others" is in the classification of Opt-out IN per technology. Elia answers that different technologies have been regrouped such as CHP, biomass, waste, or turbojet, among others.

FEBELIEC is challenging the presented figures (i.e., corrected demand curve, 6578 vs 6617 opt-out IN), and asks if Elia would organize an auction for 1MW if the outcome of the corrections would have been slightly different. Elia answers that it is not a judgement call because the amount of MW cannot be known before running the auction and that Elia just follows the rules. FEBELIEC rather questions whether it should not be a judgement call at some point. FEBELIEC asks about the role played by the derating factors between the volume presented for delivery period 26-27 and 25-26. Elia answers that the latest information of derating factors has been taken into account to correct the values and specifies that the contribution to adequacy is volume derated. The remaining volume can be traded on the secondary market but is not counted in Adequacy.

BASF questions whether the opt-out IN volume is expected to remain IN at Y-1 or to become opt-out OUT. Elia answers that it is not Elia's role to guess.

CRM: Timeline public consultation FR v0.3

FEBELIEC comments that the design note of the LCT equals the design for the CRM Functioning Rules except for specific limited exemptions. Based on this constatation, FEBELIEC does not understand how Elia will be able to align the changes in the CRM functioning rules with the LCT functioning rules. Elia will share the Functioning Rules with CREG on the first of February. It is expected to solve the remaining discrepancies between CRM FR and LCT FR before that submission. Besides, Elia highlights that they will try to write LCT functioning rules so they can be read in a standalone manner.

FEBELIEC also raises questions regarding the readability of the CRM Functioning rules. Elia plans to create a cover note to explain what has changed for what reasons. The same approach can be taken for LCT, explaining the deviation from the CRM Functioning Rules and the underlying reasons. Besides, Elia will also proactively contact the customers as of the beginning of next year to guide and help the actors (like it was done the previous years).

CRM: Retroactivity

FEBELIEC is asking if anything has changed with regards to the design changes of payback (i.e., indexation mechanism) presented last working group, for instance with regards to FEBELIEC's request on the maximum component in the proposed formula, or whether the proposition remains unchanged. Elia points out that it is a reminder (i.e. no changes were incorporated), meaning the formula was kept "AS-IS", under the assumption there was rather positive feedback from the market parties with regards to the design change proposition. FEBELIEC does not agree with the general positive feedback of the market parties (that includes the customers). Elia explains that if there are comments remaining, Elia would be happy to collect them during the public consultation. Elia also highlights that the formula was not adapted as there is no concrete counter proposal that has been generally agreed upon by the market. Therefore, the formula will be consulted upon and the feedback provided by market parties will be taken into account in that context.

T-POWER was also expecting more elaboration from Elia on that matter in this WG. Elia specifies that more than one proposal has been made and worked on and is continuing in one particular direction based on some positive feedback about the proposal, but Elia would be happy to take additional comments/feedback during the public consultation which might lead to further considerations with respect to the overall design of the Payback Obligation.

ENGIE asks whether Elia foresees a clause that enables to adapt the formula in the future. Elia refers to the RD Methodology where a bi-yearly evaluation of the CRM is already foreseen. Besides, Elia says that this question needs to be reflected upon, since it is a fundamental piece of the CRM puzzle and stability is needed on this topic. It is also not up to Elia to have a judgement call on the flexibility of strike price amendment. FEBELIEC highlights that it is not the role of the CRM to change all the parameters all the time. Elia agrees.

LUMINUS is asking for precision on the exemption of Payback Obligation for Demand Response (slide 17). Elia will adapt the slide before publication (i.e., to correct that the exemption is not on Demand response but well on the Payback Obligation for such technology).

FEBELIEC is asking about the content of paragraph 10 of the functioning Rules. Elia refers to the functioning rules itself (i.e., §10 Unless otherwise provided, the provisions contained in the present Functioning Rules shall apply to Capacity Contracts already concluded at the time of their entry into force. Annex 18.7 indicates the provisions of previous versions of the Functioning Rules that remain applicable to Capacity Contracts already concluded.). The CREG also complements that there is also a general principle that retroactivity should be acceptable for operational rules. Regarding the changes impacting on the contracts (either positively or negatively) these should imply in-depth discussions.

LUMINUS is asking if retroactivity is an off-topic question within the context of the consultation of these functioning rules, and whether it means that the new formula would be implemented right away. Elia answers that feedback is needed on the principles and based on that amendment to the functioning rules can be made. Elia also specifies that in case of agreements by the market parties, this change would also require an amendment of the Royal Decree, with a specific time trajectory. In that perspective, the functioning Rules are not the only document that will need to be amended and Elia will have to see whether time allows to introduce in the Functioning Rules depending on the amendment of the legal framework. LUMINUS is then asking for confirmation on the principles that any changes to the Functioning rules would be retroactively applicable, except if it is specified not to be the case (see annex of the Functioning Rules). In particular, LUMINUS asks if it will be clear and transparent in the public consultation which changes would be retroactively applicable or not. Elia confirms it will be the case.

FEBELIEC raises the point that it is a chance that these retroactivity changes do not apply during a delivery period. Besides, FEBELIEC asks how the CRM will operate parallel rules or one applied rule in case different regimes would apply with respect to past & future contracted capacities. Elia answers that it is one of the points in favor of going through a retroactive application of the presented principles, so that at least, for all capacities that are subject to a capacity contract, or which can participate to secondary market, the rules are clear.

LUMINUS asks to add the market context to the list of the elements to be weighted for retroactive application. According to FEBELIEC, the changes applied today should be future proof (independently of the market crisis), to avoid yearly discussions and changes. Elia answers that the proposal has been built this way; tests have been pursued to determine the “robustness” of the proposal.



Elia also asks the stakeholders to react in case they believe the changes would not pass some stress test and in case they would have identified situations that would not have been covered so far.

FEBELIEC asks whether Elia expects to have enough time to have the changes ready for the LCT. Elia expects to have enough time (including amendment of the royal decree) to update it before LCT by May 2023. Elia also specifies that it is also investigating whether it requires an EC notification.

LCT: Feedback public consultation: Design Note

FEBELIEC would like to be aware of the concerns raised by Synergrid covered during the workshops between Elia and the DSOs. Elia takes the point.

LUMINUS is asking whether the comments made are presented to the EC. Elia answers that these are all publicly available documents.

FEBELIEC would like to see how the intermediate price cap will be applied to avoid excessive remuneration in case capacities can commit to be ready to deliver for period 24-25 (i.e., gaining an extra contract year in case of multi-year contract). Elia agrees that a capacity can gain one year of contract to recover missing money (extra operational costs during the extra year for example or additional costs to be available 1 year earlier).

LUMINUS is asking for more precision on the definition of “in service” to compare with current definitions of the CRM and asks whether Elia is then considering relaxing the condition of the Waiver of obligation for New Build capacities. Elia answers that the link with the waiver is investigated but specifies that the investigation mainly relies on the exact timing by which the units could be ready. LUMINUS finds it still mysterious but is expecting next WG Adequacy for more clarity.

CENTRICA is commenting on the qualitative assessment for the eligibility of demand response capacities: the goal was not only to take the MW that has failed quantitative assessment but also to ensure no double counting (explicit MW) – i.e., also using qualitative assessment to be sure that quantitatively accepted volumes are not double counted. Elia takes the point.

FEBELIEC is asking more specification on the following point “If a framework can be developed in cooperation with the members of the cds, where a neutral third party performs the determination of the “Existing DSR”, to be used as input for Elia” and is specifically asking who the neutral third party will be. Elia agrees that à priori neither Elia nor the CREG would have the knowledge to be such a third party. The exact process to be followed is being further investigated.

FEBELIEC asks when Elia would be able to deliver more certainty on the points presented. Elia would like to have more concrete final precision by next WG but is open to bilateral meetings in between. Both FEBELIEC and Centrica ask for bilateral discussions.

LUMINUS asks a question regarding the concept of the qualitative assessment of the DSR eligibility (i.e., similar to investment file process). Elia would say it is similar but independent. Elia is now investigating whether it is feasible and could then determine – to answer ENGIE's question – who can bear the cost.

Proposed trajectories for a progressive reduction of the CO2 emission limits to be respected under the Belgian CRM: Public consultation report

Background and objectives of the study

LUMINUS is asking a question on the data used for the overview of the thermal fleet in Belgium, whether it displays a representation of the current fleet or the representation of the fleet for the first delivery year of the CRM. Compass Lexecon answers that this aligns with Elia's assumption for delivery year 2025-26, which means it takes into account the conversion of the several units from CCGT's to GT only.

Framework for analyzing the cost-benefit study of different trajectories

Elia is asking whether Compass Lexecon is looking/have looked at de-rating factor degradation with batteries penetration; which Elia finds essential. Compass Lexecon answers that this will be looked at and specifies that the big question at the moment is to determine at which rate it will be waged. Compass Lexecon looked at the presentation from Elia in comparison to GP and Ireland; the question remains to what extend the degradation will be translated into Belgium. Elia would be happy to help.

Elia is also questioning the feasibility of connecting the number of batteries foreseen by Compass Lexecon. Compass Lexecon will come back to Elia to validate consolidated results.

Elia is asking a question on H2, to see to what extend it is linked with Belgian guidelines for Belgian H2. Compass Lexecon has the same understanding that H2 should be used in the short term for specific sectors. This is the reason, on top of the technical constraints, that Compass Lexecon does not consider H2.

FEBELIEC is asking why CCS is excluded since the time horizon is 2035. Compass Lexecon answers that from an economic point of view it makes no sense to invest in CCS for plants with limited Lifecycle. Compass Lexecon specifies that they are looking at existing and not new units but agrees it could be a solution for new units (although no new units are expected before 2035). Compass Lexecon adds that it leads to legal discussions.

SPF economy specifies that the 2 CCGT selected in the first auctions also have CO2 reduction action plans. The discussion has not occurred yet on what could happen if the threshold determined here is lower than the threshold specified in the CRM contract. This question first needs to be addressed and discussed with the cabinet (outside the scope of Compass Lexecon Work). Yet, ENGIE and SPF Economy add that both CCGT have signed an agreement to reduce CO2 emissions in order to be net zero in 2050.

LUMINUS asks a question on the "guarantee of origin" and whether it is in line with ACER guidelines. Compass Lexecon is not aware of this regulation. Compass Lexecon agrees that there are a lot of challenges and barriers to overcome

with biomethane and does not specify this is “the solution” but comparatively is likely a better economic choice in comparison to CCS and H2 in the future. Compass Lexecon takes the point to contrast with ACER guidelines.

FEBELIEC asks how much biomethane is needed and where it would be stored/sourced (similar question to biomass back then). Compass Lexecon agrees that the volume needed would be a key output of the CBA but estimates it can be expected to reach 3 to 4 TerraWh. FEBELIEC would be interested to see the calculations and argues that 3 to 4 TerraWh seems a bit low compared to what is burned today in the industry, the additional industries that will need to decarbonize, and the fact that if the load factor of CCGT to burn biomethane is very low, storage will be needed in order to be sure that there is sufficient biomethane to burn when it needs to be. Compass Lexecon completes by saying that the calculations are based on the hypothesis that natural gas is not totally substituted by biomethane and should be considered that hypothesis 2 is extreme scenario.

First results of the quantification of the impacts of the CO2 reduction trajectories

Elia asks whether the following bullet “Taking into account the removal of the annual emission threshold from 2026/27: closure of TJs and older OCGTs (508 MW), replaced by DSR (712 MW to have the same de-rated capacity)” means that 500 MW will be less available for 2026-27 compared to 2025-26. Compass Lexecon agrees. Elia highlights that there is already an important gap to be filled in the Auction, not knowing with certainty whether nuclear will come back, then it should also be discussed with Elia bilaterally (or with the cabinet) the collateral consequences.

FEBELIEC has a comment on electricity prices, since it only includes CO2 price effect, that reflects in a huge price impact. Compass Lexecon answers that this is the result of an extreme scenario where there is no alternative for the existing units to get greener at lower costs and that they have to close but agree that the impact on industry and consumers should be considered.

Proposed trajectory 5

FEBELIEC remarks that Compass Lexecon is here looking at CCGT but asks how it applies to CHP since the threshold is also applicable. Compass Lexecon specifies that there is a specific calculation for CHP; they are excluded from the calculation.

Elia agrees that it is indeed relevant to have a view on the impact on the existing fleet (including CHP); this also relates to the question of the future of Opt-out IN. Elia specifies that these results should be carefully thought of to evaluate the impact on the CRM capacity, yet it remains a policy decision at the end.

Next steps

Elia asks whether Compass Lexecon considers today’s presentation fulfilling bullet one “Consideration of Stakeholder’s comments”. Elia would not consider so regarding stakeholders’ comments in the WG, despite appreciation of what has already been done. ENGIE asks whether a public consultation will be organized, and other stakeholders ask whether there will be bi-lateral discussions.

FOD Economy specifies that a public consultation has been made on the 5 trajectories in June. Compass Lexecon's work is part of the report on the public consultation's question. FOD argues that a discussion still needs to be held internally and with the cabinet, but welcome participants to contact Compass Lexecon in case of questions (without certitude that the feedback will be integrated). FOD economy understands stakeholders' desires is to have a public consultation on the final trajectory, which will be discussed internally. FOD Economy will come back to the WG when there is a decision decided.

LUMINUS is afraid that the discussion is closed here, without knowing whether the final decision will be feasible.

FEBELIEC also asks to have a view on the final work of Compass Lexecon. FOD Economy sees whether it can be done on next WG on 16/12.

Elia asks what the overall timeline is to ensure absolute coherence for the AdeqFlex study and invites the different parties to keep in touch

3. Minutes of Meetings

The next meeting is currently foreseen on:

- Friday 16th December 2022 **pm**
- Friday 27th January 2023 **am**
- Friday 17th February 2023 **am**