

# WG Adequacy #17 – Minutes of the Meeting

## Friday 23<sup>rd</sup> of March 2023

<b>Meeting</b>	
<b>Date</b>	23/03/2023
<b>Organiser</b>	Voet Jan
<b>Participants</b>	
	<b>Attended</b>
Anciaux Pauline	FPS Economy / Cabinet Minister of Energy <input checked="" type="checkbox"/>
Benquey Romain	Centrica Business Solutions <input checked="" type="checkbox"/>
Boustani Zackaria	FPS Economy <input checked="" type="checkbox"/>
Catrycke Mathilde	ENGIE Benelux <input checked="" type="checkbox"/>
Chafaqi Laïla	LUMINUS <input checked="" type="checkbox"/>
Collilieux Mathieu	Total Energies <input checked="" type="checkbox"/>
Coppin Xavier	ENGIE Benelux <input checked="" type="checkbox"/>
De Wispelaere Bram	Cabinet Minister of Energy <input checked="" type="checkbox"/>
Gaillard Julien	Flexcity <input checked="" type="checkbox"/>
Herman Sofie	STORM <input checked="" type="checkbox"/>
Pary Maximilien	Total Energies <input checked="" type="checkbox"/>
Rkiouak Laylla	FOD Economie <input checked="" type="checkbox"/>
Harlem Steven	LUMINUS <input checked="" type="checkbox"/>
Strosse Tom	Eneco <input checked="" type="checkbox"/>
Taverniers Hans	Tessengerlo Group <input checked="" type="checkbox"/>
Van Bossuyt Michaël	FEBELIEC <input checked="" type="checkbox"/>
Van den Bosch Sven	Fluvius <input checked="" type="checkbox"/>
Van der Biest Piet	SIEMENS <input checked="" type="checkbox"/>
Vandersyppe Hans	COGEN Vlaanderen <input checked="" type="checkbox"/>
Verrydt Eric	BASF <input checked="" type="checkbox"/>
Wagnier Jean-François	FEBEG <input checked="" type="checkbox"/>
<b>Report</b>	
<b>Author</b>	Ulusoy Erkut
<b>Function</b>	PMO Adequacy
<b>Date report</b>	03/04/2023
<b>Status</b>	<input type="checkbox"/> Draft <input checked="" type="checkbox"/> Final version

## 1. Agenda

- Welcome
- Minutes of Meetings
- Capacity Contract : Feedback Public Consultation
- LCT
  - Functioning Rules : Feedback Public Consultation
  - Deep dive: LCT versus CRM
  - Update on LCT qualitative assessment
- CRM Functioning Rules philosophy :
  - Opt-OUT Classification Rules
- External studies
- CO2 Approach [FOD]
- AOB & 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 Previous Meetings**

#### **Approval of the previous WG Adequacy Meetings' Minutes**

The minutes of the previous meetings were approved as no further comment was raised.

### **Capacity Contract: Feedback Public Consultation**

#### **Presentation of the feedback received from external parties during the Public Consultation**

No further comments from the participants.

### **LCT Functioning Rules: Feedback Public Consultation**

#### **Presentation of the feedback received from external parties during the Public Consultation**

CBS states that their question related to the risk of double counting of existing DSM is not a case where an existing DSM plus an additional DSM are participating to the LCT. Their comment refers to a site that does not yet officially exist, but implicitly exists as it would be accounted in the adequacy assessment. Basically, as they have not been activated in the past you can't identify them without checking the individual supply contracts. Hence, that is the risk of double counting. It is only an edge case but for which free-riding and double counting don't seem to be mitigated. Elia answers that it tries to cover the need by excluding the existing DSM that can be identified. However, for very specific edge cases there is no guarantee that they can be excluded. CBS further discusses about a two-fold proposal. The first part is that there will be a limited number of sites for additional DSM. Therefore, the number of cases to cover should be limited. The second part is that when there is such a case – i.e., additional DSM – Elia should demand the provider to demonstrate that in the supply contract, there is nothing about implicit volumes signed with the supplier to at least allow Elia to discard most of the cases. Elia answers that a more qualitative approach will be addressed further in the presentation. Moreover, it will remain difficult for Elia to individually assess contracts. Elia further states that it's too late for changes to the functioning rules (FR) as it has already been submitted to CREG – however, comments can still be provided to CREG during their public consultation of the Functioning Rules.

Febeliec further explains that the remark about CO<sub>2</sub> emission cap was to better understand who takes the final decision on the compliance of a CMU with the defined CO<sub>2</sub> emission cap. Elia affirms that the responsibility is with FPS Economy, as in the absence of such an advice from FPS Economy, Elia rejects the pre-qualification (PQ) file (so a CMU cannot be successfully prequalified without an advice from FPS Economy on the compliance with the CO<sub>2</sub> emission cap). Also,

Elia always follows the advice of FPS Economy. FPS Economy adds that it has always issued a piece of advice on the CO<sub>2</sub> emission cap. Febeliec states that it is not the TSO's, i.e., Elia's competence to take such decision but rather for the FPS Economy's. FPS Economy states that at this stage, it only provides a piece of advice. Febeliec states that it's a governance issue. FPS Economy explains that there is a change of law that is discussed to determine who would be the national authority to have a call on this matter. Elia adds that all steps taken during all the processes of the auction are audited by the auditor pointed by the CREG. FPS Economy affirms to be constantly in exchange with Elia for these matters.

Febeliec states its question regarding the definition of new is concerning all asset classes, not only DSR. It should be very clear which capacities are qualified as new and are thus eligible for the LCT. Furthermore, Febeliec highlights the barrier for DSR participation coming from the payback obligation. Elia answers that all involved stakeholders are aware that the payback obligation is a crucial point for demand side response participation and is therefore on the radar. Febeliec also points out that following the consultation of the functioning rules, CREG hasn't taken a decision on the updated Functioning Rules (including the proposal for the definition of new capacities) yet. Elia notes that it will also be looked upon.

FEBEG asks whether discussions are still ongoing on the necessary documents to submit to reach the permitting milestone. Elia affirms that it has submitted a first proposal for the kind of proof to provide to prove that the permitting milestone is reached as part of the public consultation report on the LCT Functioning Rules. However, legal teams of Elia and market parties are still discussing, so therefore there might follow changes regarding the permitting milestone definition. FEBEG affirms that a fixed view is required, otherwise it's a moving target. Elia affirms discussions with different parties are ongoing and that it hopes to publish the minor changes in the FAQ in April. Elia further states that the question is about how to implement it. Moreover, Elia states that there isn't a single way to provide proof and that discussions can be held about it, this will also be acknowledged in the FAQ.

Luminus affirms that it is a frustrating process to try and convince Elia about the permitting milestone. Furthermore, Luminus is reluctant to introduce the practicalities in the functioning rules as no flexibility would be allowed. Elia understands the worries and states that the definition is not invented ad-hoc. Every other element can serve as proof – it's up to the market parties to provide these. Elia further affirms that the discussed proofs will be included in the FAQ (and not in the Functioning Rules) as best practice to give examples about how the permitting milestone can be reached.

Febeliec further clarifies its question concerning the interaction between LCT and CRM. Febeliec states that determining the result of the volume for the LCT and CRM should be clarified. Elia states that it will be realized in the upcoming slides.

Engie refers to its comment in the public consultation on the treatment of LCT contracted volumes in the CRM calibration process. Engie hopes that the suggestion not to change the Y-4 volumes in view of multi-year LCT contracts will be discussed by the authorities. Febeliec adds that if the barriers aren't removed then volumes to participate in the LCT might be limited.

Engie asks for a status update on the discussions with the neighboring TSO's and regulators concerning cross-border capacity. Elia affirms that the topic will be covered during the next WG.

Febeliec asks if the EC approval of the LCT is clear. On the European level, proposals for new legislations are arising. Febeliec isn't sure that the LCT is compliant with these, whereas the EC has to approve the LCT. Furthermore, in the LCT, cross-border participation is not foreseen. To conclude, Febeliec asks a status update regarding this topic. Elia states that discussions between the Belgian Government and the EC are ongoing to get the approval as soon as practicable. Febeliec points out that a conditional approval is also a possibility. Elia agrees and affirms more information can be asked to the Cabinet once they join the WG Adequacy.

### **Deep dive LCT versus CRM**

#### **Evolution of the de-rating factor**

Febeliec asks if all existing DSM can be offered in the CRM. Elia confirms (as long as the volumes are not contracted yet or are not subject to an opt-out 'IN') and that it will be displayed later on in the presentation via an example.

Following the examples shown on the table, Febeliec asks how the derating factor will impact the volume that can be offered in the secondary market for the LCT. Elia answers that the presentation gives an example of it later. The main idea is to follow the same principles as in the CRM.

Febeliec asks if the derating factor for DSM is based on the SLA. Elia confirms. Febeliec further develops by saying that if an unlimited SLA is chosen, with a derating factor of 100%, then the contracted capacity in LCT could be higher than the eligible volume under the CRM. Elia affirms that it is possible. It simply means that you cannot offer any volumes in the CRM auction anymore. Febeliec asks if the contracted capacity stays contracted even if the determination would end up with a negative value. Elia confirms that a negative eligible volume will never apply in the CRM.

Febeliec asks how Elia considers a secondary market transaction. Elia answers that the transaction will be part of the contracted capacity and deducted from the remaining eligible volumes that are calculated for participation in either the auction or the secondary market. All concluded transactions are included in the total contracted capacity. Febeliec further asks how Elia knows which derating factor to apply in those calculations. Elia further explains that it would be indicated in the secondary market from which transaction it is sold. The deduction will be made from the concerned transaction and its applicable derating factor.

Febeliec wants to ensure that the examples with higher volumes could not lead to negative values. Elia affirms again that a negative value would simply mean that no capacity can be offered, but that no negative eligible volume will be taken into account in the CRM.

Febeliec asks how the testing and monitoring will be realized. In the LCT, balancing and CRM will be tested whereas in the CRM, only the total contracted capacity divided by the derating factor will be tested. Elia confirms that the existing DSM is not tested anymore in CRM. Febeliec further asks for clarification to explain how the testing will be realized under LCT in comparison with how it will be done under CRM. It is unclear which volume should be delivered under which testing. Elia understands that the question also implicates the interaction with the different balancing obligations, the monitoring, and the testing of it. Elia further states that first, clarification will be realized internally and then communicated during the next WG.

### ***Update on LCT qualitative assessment***

Febeliec asks if the use of “non-representative” days in a flexible way refers to the number of days or the reasons why it can be considered non-representative. Elia answers that the reasons of non-representative days are quite broad in the current functioning rules and affirms that it will investigate whether the allowed number of non-representative days should be increased in the LCT. Febeliec points out that it can be problematic to limit the number of non-representative days – the issue can’t be countered with a qualitative assessment

### ***CRM Functioning Rules philosophy***

#### **Opt-OUT Classification Rules**

Engie states that it is a good evolution. Almost 300 MW volume were deducted from Y-4 during the first auction and hopes CREG will maintain this change to avoid that too much volume goes from Y-4 to Y-1. Engie wants to make sure that all cases are covered to avoid so-called “ghost” volumes to be counted.

COGEN Vlaanderen asks if non-eligible volumes go through changes. Elia answers non-eligible volume remains unchanged.

Engie wants to make sure that moving volume from Y-4 to Y-1 isn't unbalanced – it is a point to tackle in CRM design. Febeliec agrees that a balance is required. Elia answers that mandatory participation is when you have a production unit that will not disappear or when a unit has a connection contract in the grid of Elia and a production license. The production capacity can't be hidden. In case a CRM Candidate has successfully prequalified its capacity, he can participate into the CRM Auction:

- If he's not willing to participate to the Auction, he is expected to do an opt-out. Opt-out rules and the way an opt-out volume is treated are described in section 5.4.2.2 of the Functioning Rules. In that section, it is clearly highlighted that there is a limited amount of cases for which an opt-out volume is considered as 'OUT'.
- If he's not participating to the auction and doesn't do an opt-out either, the rules described in §§ 261 to 263 from section 6.2.1.1.2 apply.

If it's a fast track, Elia can't track if the assets will be delivered so it's opt-out in by default. It's up to the actor to choose the standard or the fast track. Febeliec says that going entirely from opt-out IN to opt-out OUT, no balance would exist – hence, increasing the volume in Y-4 and the cost of the CRM. Elia agrees that one of the goals of the opt-out is to find the balance with objective criteria. But edge cases will always exist and are difficult to forecast. Febeliec states that companies working on DSM can prequalify and decide for an opt-out without clarity on barriers from government. It doesn't mean that the capacity will not be built, it means that you will not participate to the auction. Elia agrees but reminds the goal is to find the balance. The changes made by Elia are regarding edge cases and how to treat them. Febeliec says that for projects with a lead time shorter than 4 years, one should pay attention to not exclude them. Elia answers that the proposal has been submitted to the CREG and that the comments can be made to the CREG during their public consultation.

### **External Studies**

Febeliec states it is looking forward to the market response methodology topic during an ulterior WG Adequacy meeting. Increasing price levels would not be correct. Elia agrees and is going to present the methodology within the existing framework surrounding the topic. Febeliec asks how the proposals of the European Commission are taken into consideration regarding market response. Elia answers that it has been noticed and it is going to be considered.

### **CO<sub>2</sub> approach**

Elia comes back on the questions regarding the status of the discussions with the European Commission. The Cabinet answers that the approval process with the European Commission will start once the need for the LCT is demonstrated. The study and the results of AdeqFlex are expected in order to formally launch the request for the approval of the European Commission. During April, the process will continue. The European Commission expressed a support on the idea of targeted tenders for DSM and storage in their latest market reform. Febeliec asks if changes are occurring regarding payback obligation for DSM that can be a barrier. The Cabinet answers that payback obligation, strike price

indexation and retroactive application are approached as a package. The Royal Decree methodology, to be approved by the government, will address the strike price indexation topic. The derogation for DSR implicates changes to two elements. The first one is that it has to be foreseen in the law – amendments are drafted. Approval from the European Commission is also required – for which, the motivation has been drafted. The retroactive application also requires a change of law and is also integrated in the second package of *loi de disposition diverse*. Febeliec asks what the timings would be regarding these topics. FOD Economie answers that the next step is the Parliament after the Easter holidays – end of April. Febeliec asks if any timing is available regarding the European Commission approval. The Cabinet answers that the approval is required before the bidding and therefore, having everything approved by August-September is aimed. Engie asks if it is also for the new CRM auctions and not only LCT. The Cabinet affirms that the regular auctions also require a re-confirmation due to the nuclear prolongation.

Upon request of the Cabinet, trajectories were decided to have a carbon neutral energy sector. New thresholds are proposed for the next year auctions – the CREG will launch a public consultation to approve these. Luminus asks if the annual emission threshold is applicable when you range between 550 and 600 gCO<sub>2</sub>/kWh. It is confirmed. Luminus further asks for which timeframe are the thresholds applicable. The Cabinet answers that the intention is to keep these threshold for 5 years. FOD Economie explains that the thresholds are for delivery years – therefore Y-4 and Y-1 auctions have the same thresholds. Luminus deducts that for the first five delivery periods, this threshold will be applicable. FOD Economie confirms and affirms it is going to be in the functioning rules. Engie asks to be more explicit which delivery years are covered. FOD Economie answers that the latest delivery period is 2032-2033. The Cabinet states that this is not going to be retroactive. Luminus asks what the thresholds will be for a Y-1 participation for the delivery period 2025-2026. FOD Economie answers that the same rules as in the Y-4 auction will be applicable. Luminus therefore states that depending on a participation in Y-4 or Y-1, the thresholds will vary and that it is puzzling.

Engie asks how can one be sure that the rules will not change again in the future as it will last until delivery period 2032-2033. FOD Economie answers that the research regarding trajectories is ongoing and that it is a political matter. The Cabinet affirms that it depends on the politics. Engie states that it is clearly a barrier and that certainty is required. The Cabinet affirms that it is aware to ensure a regulatory stability to drive investments but factors such as market evolution are to be taken into consideration.

Engie asks what the logic is behind 306 kgCO<sub>2</sub>/kWe and 600 gCO<sub>2</sub>/kWh. FOD Economie explains that it is originating from calculations from annual emissions. 510 gCO<sub>2</sub>/kWh is used as a mean number. Luminus states reported running hours are used from FOD Economie whereas market parties are using forecasted running hours. With the thresholds, an impact on the business case is to be expected and will have an impact on CRM's functioning rules. FOD Economie states that reactions will be possible on the public consultation of CREG. Luminus affirms that it will share the forecasted running hours for the upcoming years. FOD Economie explains that regarding the 600 gCO<sub>2</sub>/kWh, a ceiling was decided. Luminus states its satisfaction to discuss about the CO<sub>2</sub> emissions for the future. However, it invites to investigate at the gap. Luminus is looking forward to seeing the trajectory for the upcoming years.

Engie asks for an update regarding Royal Decree methodology – especially for payback obligation and IPC derogation. The Cabinet states that the content has to be worked upon. Feedback moments will be organized. Luminus asks for thorough discussions regarding existing power plants in case of disappointments. Engie also agrees.

### **AOB & Next meetings**



Elia affirms that, bilateral sessions to further clarify any remaining question will proactively be realized with any potential candidate wishing to participate to an auction. Furthermore, the difference between upcoming info sessions is explained.

### 3. Next Meetings

The next meetings are currently foreseen on:

- Thursday 23rd March 2023 P.M.: UX Design Session Availability Monitoring (part 1)
- Friday 31st March 2023 OR Friday 7th April am : CRM Design – General Info session
- **Friday 14th April 2023 A.M.: WG**
- Friday 14th April 2023 P.M.: CRM IT Interface Training
- Tuesday 18th April 2023 OR Monday 24th April whole day: CRM Design – Specific Info session
- **Tuesday 23th May 2023 A.M.: WG**
- Tuesday 23th May 2023 P.M.: UX Design Session Availability Monitoring (part 2)
- **Friday 16th June 2023 A.M.: WG**