

# WG Adequacy #18 – Minutes of the Meeting

## Friday 14<sup>th</sup> of April 2023

<b>Meeting</b>	
<b>Date</b>	14/04/2023
<b>Organiser</b>	Voet Jan
<b>Participants</b>	
	<b>Attended</b>
Bruninx Jolien	BASF <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"/>
Collilieux Mathieu	Total Energies <input checked="" type="checkbox"/>
Coppin Xavier	ENGIE Benelux <input checked="" type="checkbox"/>
De Wispelaere Bram	Cabinet Minister van Energie <input checked="" type="checkbox"/>
Delferiere Alan	FPS Economy <input checked="" type="checkbox"/>
Gaillard Julien	Flexcity <input checked="" type="checkbox"/>
Gerkens Benoit	CREG <input checked="" type="checkbox"/>
Harlem Steven	LUMINUS <input checked="" type="checkbox"/>
Herman Sofie	STORM <input checked="" type="checkbox"/>
Macau Aurore	Virya Energy <input checked="" type="checkbox"/>
Smolin Georg	Gunvor Group <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 den Waeyenberg Sofie	CREG <input checked="" type="checkbox"/>
Van Der Biest Piet	Siemens Energy <input checked="" type="checkbox"/>
Van Gijzeghem Francies	ABDE Solutions <input checked="" type="checkbox"/>
Vandersyppe Hans	COGEN Vlaanderen <input checked="" type="checkbox"/>
Wagnier Jean-François	FEBEG <input checked="" type="checkbox"/>
<b>Report</b>	
<b>Author</b>	H. Erkut Ulusoy
<b>Function</b>	PMO Adequacy
<b>Date report</b>	02/05/2023
<b>Status</b>	<input type="checkbox"/> Draft <input checked="" type="checkbox"/> Final version

## 1. Agenda

- CRM scenarios
- LCT status update on needs
- Cross-border status update
- Regulatory framework evolutions (Cabinet)
- AOB

## 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.*

### **CRM proposal on the scenarios, input data and sensitivities**

Proposal on the scenario, input data and sensitivities for Y 1 auction Delivery Year 2025 26 & Y 4 auction Delivery Year 2028 29

Febeliec states that ERAA 22 data has received a lot of comments that consider it unsatisfactory, and thus wonders how Elia considers this. Elia answers that the methodology set by the Royal Decree is followed. Therefore, the proposition of Elia is to use the ERAA 22 dataset for the other countries as a start and complemented with the changes proposed during the public consultation to account for more recent information.

Febeliec asks how non-profiled thermal capacities, diesel generators and cogeneration are included. Elia answers that capacities are included based on Elia's PISA database realized by DSOs. In this database, emergency generators and diesel generators are excluded if they don't participate to the day-to-day market. Those are accounted in the 'market response' volumes as calculated by E-CUBE.

Luminus asks if when doing the estimation of the potential of batteries, is it cross-checked with the capacity of Elia to connect these batteries in time. Elia answers that the cross-check is realized with assumptions based on the information from the projects which are indeed cross-checked with the capability to connect those batteries.

Regarding the large-scale batteries, Febeliec asks how the installed capacity reduces from 458 MW in 2027-2028 to 327 MW in 2028-2029. Elia answers that a different approach is now used for large-scale batteries to account for the large amount of projects that are being developed. As a starting point only the existing capacities and 'in REA' capacity as well as contracted capacities in the framework of the CRM are proposed. This is a minimum to be considered. On top of those volumes, additional capacity can be added by the model when 'calibrating' Belgium to reach its reliability standard. During that process as defined under the Royal Decree, additional capacity is added to the system. Large scale batteries are also part of the types in which the model can invest. A maximum potential is now defined to reflect a realistic amount that can be connected in the coming years. Febeliec also questions the small increase in small-scale batteries' capacity. Elia answers that the evolution of the trajectory is based on the historical number of installations combined with a certain growth rate. Febeliec states that the installation of small-scale batteries is not driven by the CRM and therefore Elia underestimates it. Elia answers that the values proposed here are the same as the ones already proposed for the next Adequacy and Flexibility study 2024-34 for which no comments were received during the public consultation in November 2022 and presented again during a WG in February. In addition, Elia also explains that the historical growth rate in Flanders was driven by subsidies to install such batteries. This subsidy scheme has ended and hence the considered growth rate after 2023 is assumed to be lower.

Regarding the forced-outage rate, Febeliec notices that for DC links, the rate has been increased from 6,0% to 6,7%. Elia answers that last year, ENTSO-E's default value was used, now, it's the value from the study performed by N-SIDE in the course of 2022 that is used. The value from the study of N-SIDE is based on historical analysis – it was also put to consultation during the Public Consultation of the AdeqFlex study and presented to stakeholders in October 2022. No reactions have been received on the matter during the consultation.

COGEN Vlaanderen also questions the definition of "existing" in the slides. Elia understands the confusion and answers that existing is assumed installed capacity for delivery year. Furthermore, Elia agrees to bring clarity regarding this in the future.

FEPEG asks if an explanation note will be included for the public consultation on the scenarios, sensitivities, and data for the CRM parameter calculation. Elia affirms that it will indeed be published together with the public consultation.

Febeliec wonders which industries will allow to reach the additional electrification of 11,2 TWh. Elia answers that more information will be provided in the public consultation. Febeliec further expresses its reluctance as the members of Febeliec do not seem have projects to cover the amount of additional electrification indicated by Elia. Elia reminds the confidentiality of the information and states it can't share the list of concerned companies. Moreover, Elia invites Febeliec to participate to the public consultation to transmit any sensitivity that might be relevant.

Febeliec further states that Elia has been systematically overestimating demand and invites Elia to produce an overview of the forecasts Elia has been using during the last 8 years and asks Elia to perform a comparison of realised and forecasted demand for the last years. Elia reminds of the strongly changed global environment and states that it therefore does not see any added value of comparing historic assumptions out of context.

COGEN Vlaanderen believes that the logic behind it is fair when one looks at the objectives that the European Commission is pushing into the market. If the estimations are not put in the calculations of Elia, it means questioning that the EUC isn't going to push through their objectives. Furthermore, COGEN Vlaanderen understands that Elia wants to have a grid that is compliant with the EUC objectives. Febeliec however doesn't see the link of Elia's projection with the EUC objectives. Moreover, Febeliec states that Elia is choosing the way to create projections to attain the EUC objectives and that it is not explicitly mentioned by the EUC. Elia concludes by inviting market parties to participate to the public consultation.

Febeliec says that it has never approved the methodology of E-Cube and doesn't agree with it. Elia notes the remark and invites Febeliec to participate to the public consultation.

Febeliec comments that if the marginal cost of DSR based on data from before the energy crisis, it will be flawed. Elia answers that the assumptions are made on the only historically available data. Elia welcomes any further suggestion to compare DSR cost and opportunity cost. Luminus states that the data with the higher prices does exist. Furthermore, Luminus comments that it would be interesting to try and discover a correlation. Understanding the impact of the high prices on the volume of demand would be relevant through a look-back assessment. Luminus underlines the relevancy of understanding the correlation seen in the past in order to also discover if it is a good predictor for the future. Febeliec comments that the parameters used to reveal the correlation are fuel prices and CO<sub>2</sub> prices that might not be the correct parameters to do the extrapolation.

Concerning the price threshold on the DSR marginal cost, Febeliec states that with fuel and CO<sub>2</sub> prices as parameters, the price threshold element can't be tackled. In other words, Febeliec believes that the methodology is flawed due to these parameters. Elia answers that any feedback with better parameters is welcome in the public consultation.

About the economic parameters part of the presentation, Febeliec asks if the scenario selected from the WEO – i.e., announced pledges – is including the new plans of the EUC as an impact can be expected. Elia answers that the scenario is from October 2022 thus before RePower EU. However, Febeliec advises Elia to check if the plans follow the same lines.

COGEN Vlaanderen asks if in the report, the non-profiled thermal capacity will be treated. Elia affirms that it will also be covered.

Concerning the updates proposed on the latest policies/published studies, Febeliec is surprised to see that demand for neighboring countries implicate quite significant discrepancy in relative growth in Belgium compared to the countries. Elia answers that each country has its own context, but that most countries also project a strong growth in electricity demand for the upcoming decade(s).

Regarding the preselected capacity types as additional parameter to consider, Engie asks if the gas engines are not considered anymore. Elia answers that they are not. Engie states the gas engines should also be removed for the computation of the CONE in the framework of the CRM. Elia answers that it's not *per se* the same list as in the CRM but that the comment will be considered.

Concerning the existing technologies for the determination of the Intermediate Price Cap (IPC), when addressing the RES, Engie proposes to share with Elia its internal list of the cost to make sure that it can also be analyzed. Elia welcomes the proposal by Engie. Furthermore, on the same topic, Febeliec asks if large-scale batteries and DSR will also be included. Elia answers that in first instance, they will not be included as the most present technologies in the

market are taken into consideration. Febeliec states that the Market Response 4 hours might not be the most relevant technology. Elia notes down the remark and invites Febeliec to react about the topic in the public consultation.

Regarding the parameters for the calculation of the market revenues, Febeliec asks if it's normal that the values for the technologies remain the same whether it be low, mid, and high for each technology. Elia confirms that it is indeed normal.

### **LCT status update on needs**

#### **Adequacy assessment for delivery year 2024 2025 executed in the framework of the assessment of the need to organise a Low Carbon Tender**

Febeliec asks how many nuclear plants are considered available in France. Elia answers that 7 are considered as unavailable on top of REMIT. This was used to match the EDF generation forecasts and was decided by the Minister as reference scenario for the LCT.

Engie asks what the consequence is in terms of the tender for low-carbon technology. Cabinet answers that indeed it will be canceled. The low-carbon tender was a part of the Winter Plan and was to be realized with real need assessed based on the update of the Adequacy and Flexibility study. The assessment shows, based on the selected scenario, that there is no need. This means that in the framework of the decision of the Belgian government, it stops here as there is no demonstrated need.

Engie further asks if the changes to the electricity law will still take place. Cabinet states that practical consequences will follow. The preparations are ongoing – the articles will be kept for the Loi des Dispositions Diverses. Other articles in the law are dormant for the strategic reserve. Other regulatory work is also ongoing with new proposal to clean the law regarding security of supply.

Moreover, the Cabinet develops by stating that a lot of support has been shown for the idea of the LCT – the technology of energy transition with DSR and batteries. Many projects on the pipeline that could have participated in the LCT are not lost. They will be able to participate in upcoming CRM auctions in the future as challenges remain.

Engie further reflects on the adaptation of the auction timing to match the lead time of batteries. Cabinet answers that it is trying to avoid adapting the timing of the CRM auctions. However, the adaptation of the Royal Decree for the investment thresholds is to be noted. Investments made before the auction date can also be taken into account in the cost calculation for these thresholds. Therefore, a balance is to be found and changing the CRM a lot is not the objective.

Engie believes that there should be a reflection on the split between the Y-4 and Y-1 auctions. Febeliec states that not all projects have a 4-year lead time. Engie answers that 1-year lead time can also be short for some projects. Febeliec states that the purpose is not to put much volume in Y-4 if there is no need. Including too much volume in Y-4 can be problematic if not needed as the cost is a factor to consider. Cabinet further develops that a volume contracted in Y-4 is covered by opt-out.

### **Cross-border status update**

#### **Decreed on EU level that every CRM should (plan to) allow for “Indirect” Cross Border Participation**

Luminus asks what is in the TSO-TSO agreement. Elia explains that the TSO-TSO agreement covers the fact that cross-border participation will be in place and also contains obligations for each TSOs. Luminus further asks how Elia sees the agreement – will there be updates throughout time or a public consultation. Elia explains that it does not expect this contract to be public but clarifies that the design of the cross-border CRM will be covered in the functioning rules.

Febeliec asks if a TSO-TSO agreement will be made with each neighboring country. Elia affirms that there will be three agreements in total – with France, with Germany and with the Netherlands. Furthermore, Elia states that the functioning rules will be clear from the market parties' perspective to understand how to interact with other parties and the TSO-TSO Agreements will not be needed to understand how cross border functions.

Febeliec asks how the Maximum Entry Capacity (MEC) is determined. Elia answers that it is part of the calibration need. Febeliec states that it would be interesting to discuss in the upcoming WG how the MEC is calculated. Elia takes the remark and affirms that the calculation is based on ERAA.

Febeliec asks how the UK will be included. Elia answers that it would be through implicit participation.

Engie asks if there is a scenario where there is not a lot of participation and therefore Belgian capacity is selected. Elia answers that it is work in progress and will be treated in the upcoming WGs.

COGEN Vlaanderen asks the bid is actually fixed from 15<sup>th</sup> of May until clearing of the auction. Elia answers that the participants don't need to provide a new bid in the final auction. In fact, the bid (price & volume) from the pre-auction will be used.

Luminus asks how to ensure a level playing field and avoid the Capacity Mechanism in one country being more attractive than the others. Elia answers that the discussions are ongoing to ensure this is the case at EU level.

Engie asks if a capacity is selected in the pre-auction, will it have the obligation to participate to the final auction. Elia confirms that it is the case.

### **Regulatory framework evolutions**

#### **Topic presented by the Cabinet**

Luminus states that regarding the cleaning up of the article 4 bis, having insights upfront would be very welcome. Furthermore, Luminus asks for updates regarding the ongoing regulatory changes. Febeliec adds questions about the timing of the adaptation of the Royal Decree methodology and how the functioning rules will be affected due to the stop of the LCT. Elia confirms that a clean up will be realized in the functioning rules regarding the LCT.

Cabinet states that the change of law on the LCT will occur in the upcoming weeks following discussion at the parliament.

A second change of law, to be approved by the Conseil des Ministres, is mentioned with retroactivity and payback exemption for DSR following the feedback of the Council of State.

A third law change is the insertion about the CO<sub>2</sub> limits in the Royal Decree. Engie asks if the CO<sub>2</sub> emissions limits are to remain in the CRM functioning rules. Cabinet answers that a legal basis is being prepared to include it in the Royal Decree.

FEPEG asks if the cleaning up of the article 4 bis is about the LCT and Strategic Reserves. Cabinet affirms that indeed it is about these topics.

Regarding the payback exemption for DSR, Febeliec states that it is important to publish the Royal Decree before the auctions for the participants to seize that. Cabinet agrees with Febeliec and affirms that the basis has already been set.

### **AOB & Next meetings**

No further comments.

### 3. Next Meetings

The next meetings are currently foreseen on:

- **Tuesday 23<sup>rd</sup> of May 2023 A.M.: WG**
- **Friday 16<sup>th</sup> of June 2023 A.M.: WG**
- Thursday 29<sup>th</sup> of June 2023 A.M.: WG – Presentation Adequacy & Flexibility Study
- **Friday 25<sup>th</sup> of August 2023 A.M.: WG**
- **Friday 25<sup>th</sup> of August 2023 P.M.: Workshop**
- **Thursday 14<sup>th</sup> of September 2023 A.M.: WG**
- **Friday 13<sup>th</sup> of October 2023 A.M.: WG**