

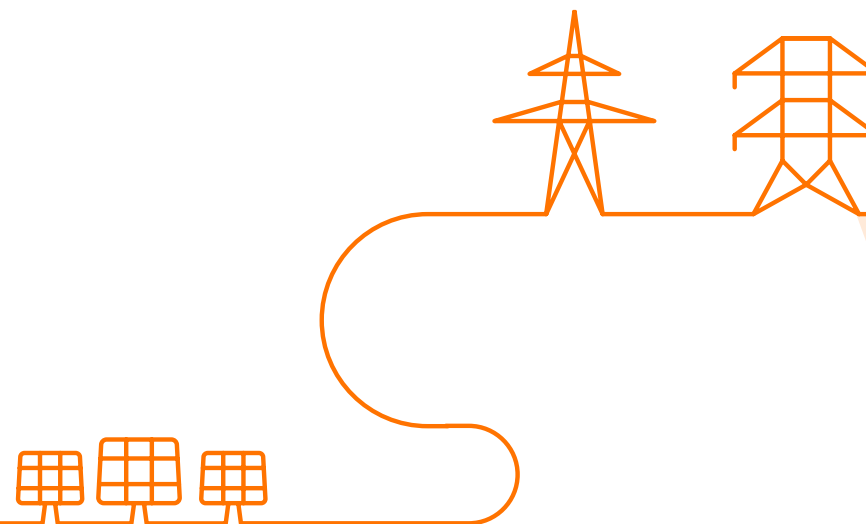


WG Adequacy #19

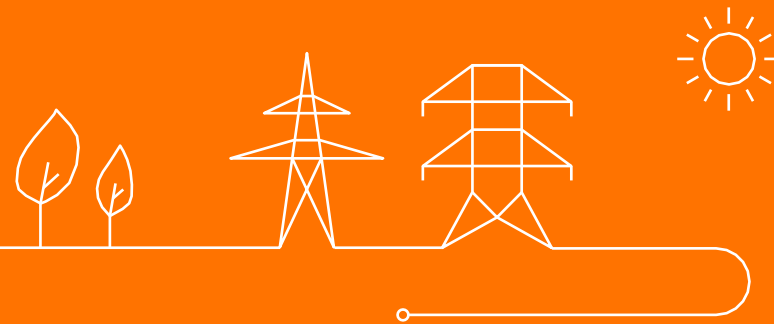
23/05/2023

Agenda

- Welcome
- 2023 CRM Auctions
- Publication of the Functioning Rules
- Update on external studies
- Status Update & Overview Cross Border CRM
- Regulatory framework evolutions
- AOB
- Next meetings



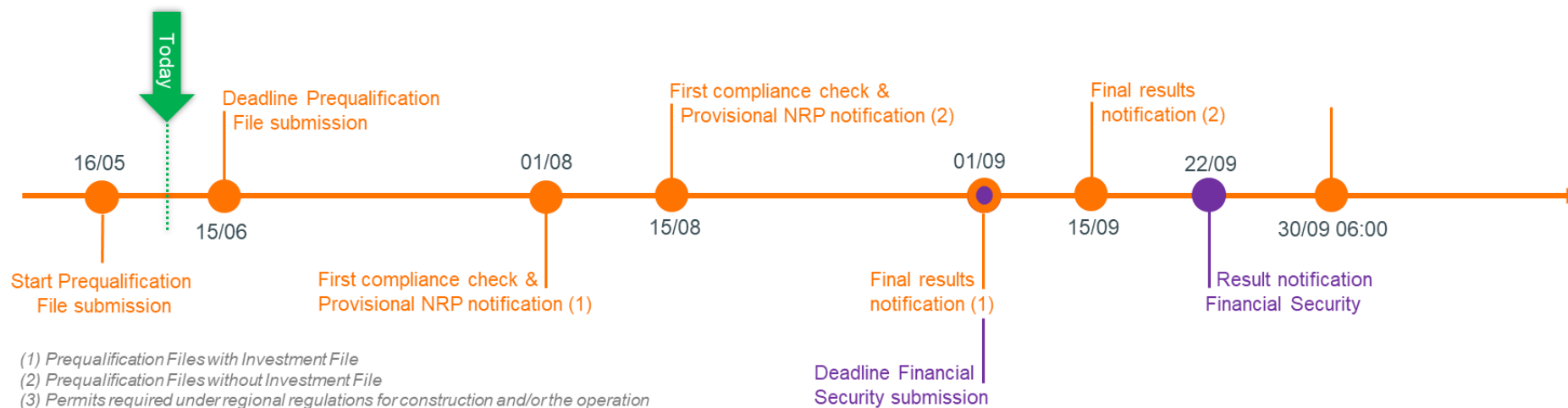
2023 CRM Auctions



Launch of 2023 CRM Auction Operations



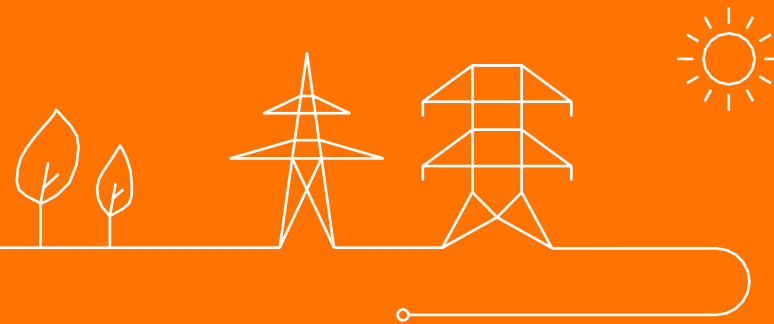
- **ADEMAR Platform** is ready and open for 2023 Auction operations (Prequalification & Financial Security): <https://ademar.elia.be/>
- The **User Manuals** are available directly in the platform
- Documents and Templates are up-to-date on **Elia website CRM page**



- Any Question? You can contact us via: customer.crm@elia.be



Publication of the Functioning Rules



Publication of the CRM Functioning Rules v3

Following CREG's decision (B)2546 and following article 7 undecies, paragraph 12 of the Electricity Act, Elia should publish the CRM functioning rules established by CREG on its website by May 15th at the latest.

- Both the French and Dutch versions are published on the webpage of the TF Adequacy
- For reference, Elia has also included the tracked changed version compared to the v2 of the Functioning Rules

The translation of the English version is under way – Elia aims to publish this version by beginning of June. It should be noted that the English version is only made available for reference and that the French and Dutch version prevail.



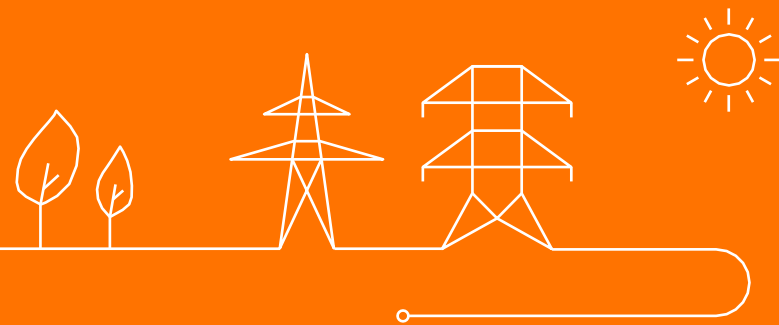
Publication of the CRM Functioning Rules v3

In its decision (B)2546, the CREG requests Elia to further work on certain topics ahead of the next submission in February 2024, most notably:

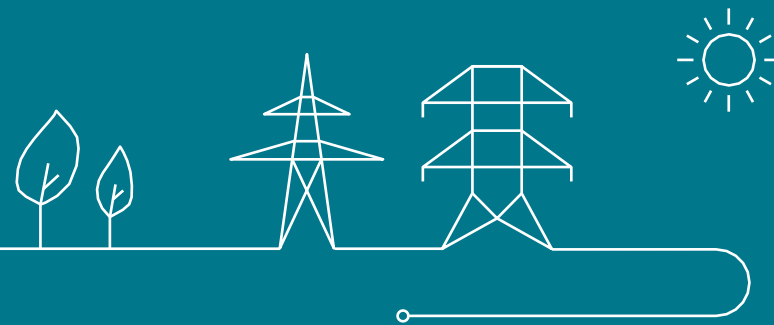
- Payback obligation per delivery point
- Timing of the transition of Additional to Existing capacity
- Cross-border participation
- The CREG wonders whether it is opportune to keep a single activation per day for energy constrained CMUs. The CREG also asks to investigate the modalities regarding energy constraint CMU.
- Add clarifications to the Availability monitoring chapter
- Discuss potential improvements to the strike price and the it's indexation mechanism



Update on external studies



Cost of Capacity

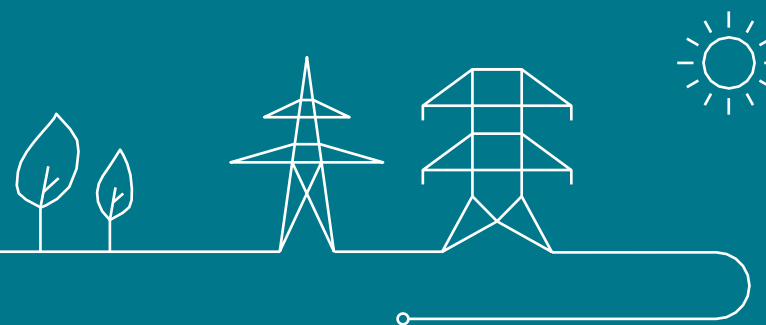


The Cost of Capacity study will be kicked off soon

- Following the RFP Elia received multiple offers for the Cost of Capacity study
- Once a consultant is selected, we aim to kick off the project as soon as possible
- The timings of the project look as follows:
 - **End of may/beginning of June:** list of technologies for the IPC and net-CONE
 - **June/July/August:** determination of Fixed and Variable O&M
 - Note that we'll be organizing a public consultation on the O&M components in the beginning of July
 - **October/November/December:** determination of the CAPEX costs
 - Note that we'll be organizing a public consultation on the CAPEX components in November

Elia actively wants to foster participation of market parties. To that extent, we might organize interviews in the course of June with market parties and the consultant to gather insights.

Balancing

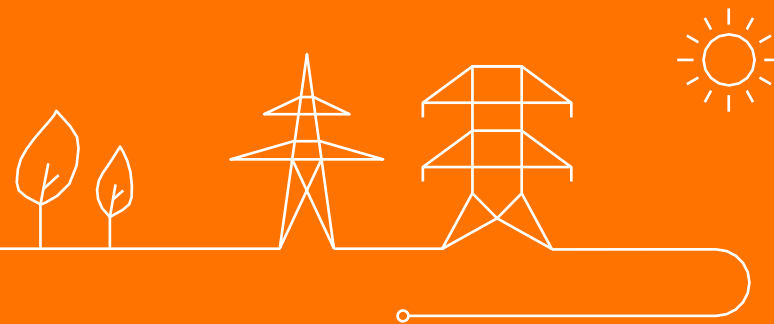


Assessment of net balancing revenues : follow up

- The current methodology used to assess net balancing revenues in the CRM framework has led to repeated discussions/debates in the WG Adequacy.
- Elia has committed to improve this methodology in the future (in the context of the CRM calibration) and would like to investigate how this can be done.
- Elia has launched an Rfp to external consultants and expects offers to work on this by early June.
- The results of this assessment will be shared with the Working Group Adequacy.
- Based on the conclusions of the exercise realized, suggestions/modifications can be considered for the methodology laid down in the Royal Decree Methodology.



Status Update & Overview Cross Border CRM (XB CRM)



Introduction – Cross Border CRM

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

**Indirect: through interconnector and not directly connected to the Belgian grid.*

- Capacities from **France, Germany** and the **Netherlands** (“Foreign Capacities”) should be able to participate in the Auction and deliver in the CRM.
- Maximum participation is limited to the “**Maximum Entry Capacity**” (MEC), determined for each Delivery Period, each Auction and for each border.

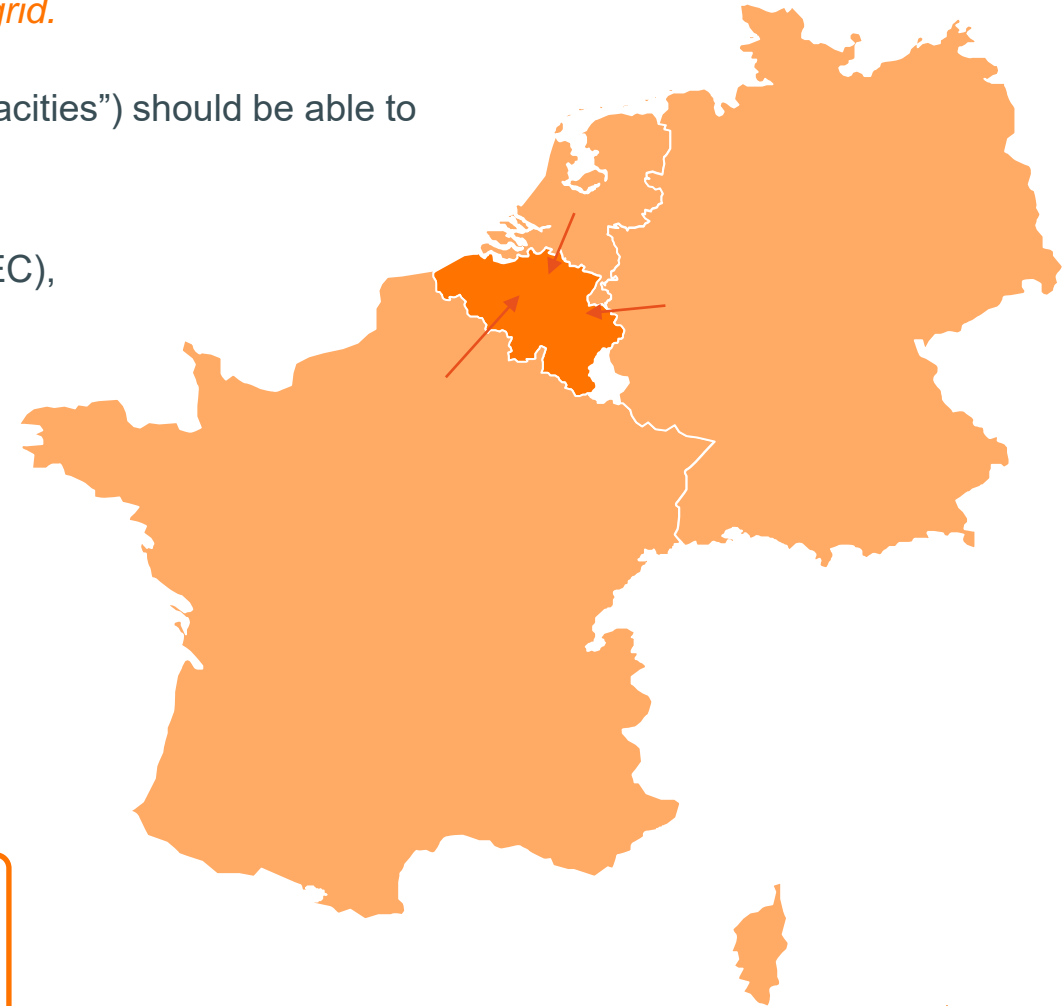
Status

TSO-TSO Agreements with neighbouring TSOs awaiting approval of the CREG

Design & (operational) processes required for Cross Border Participation are being developed

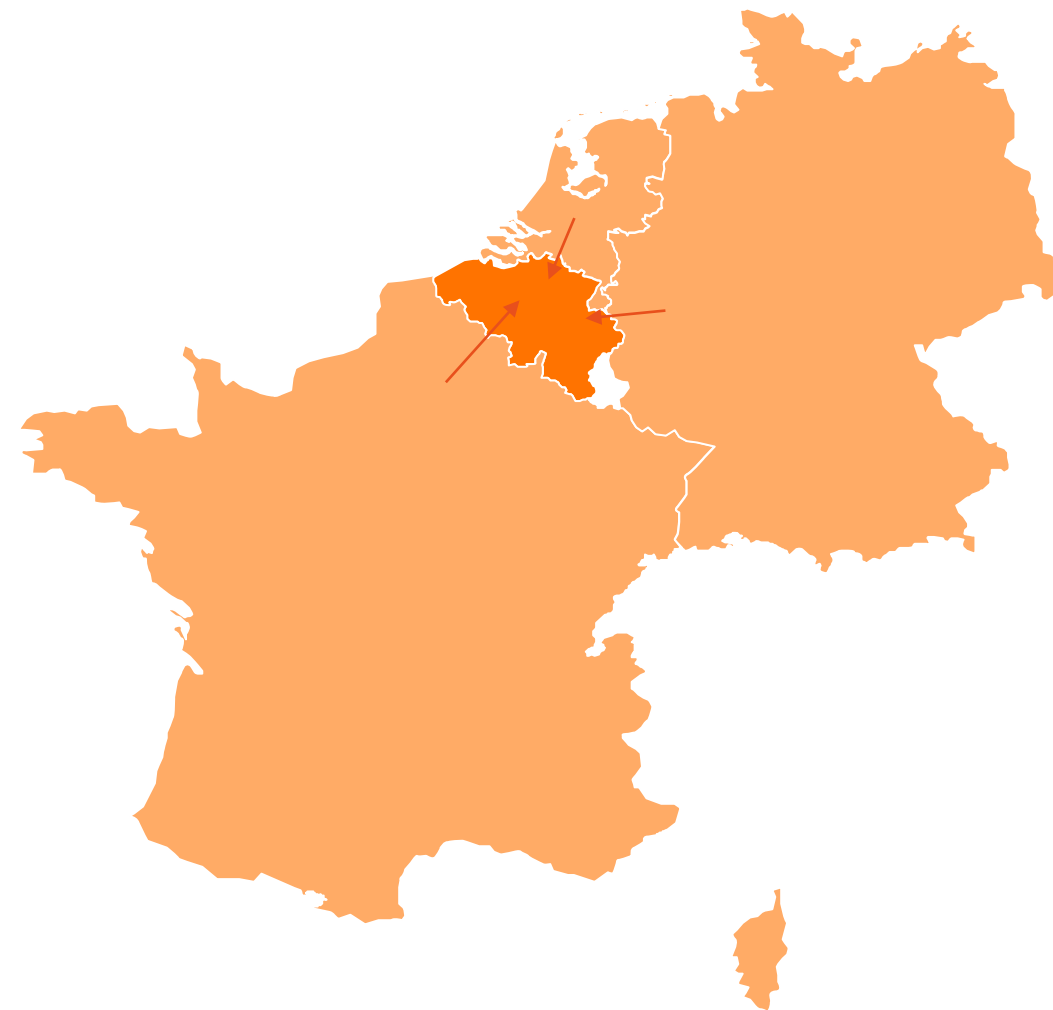


First **XB Participation in Delivery Period ‘25-’26**, with Prequalification and Auction for Y-1 (DP ‘25-’26) and Y-4 (DP ‘28-’29) in 2024



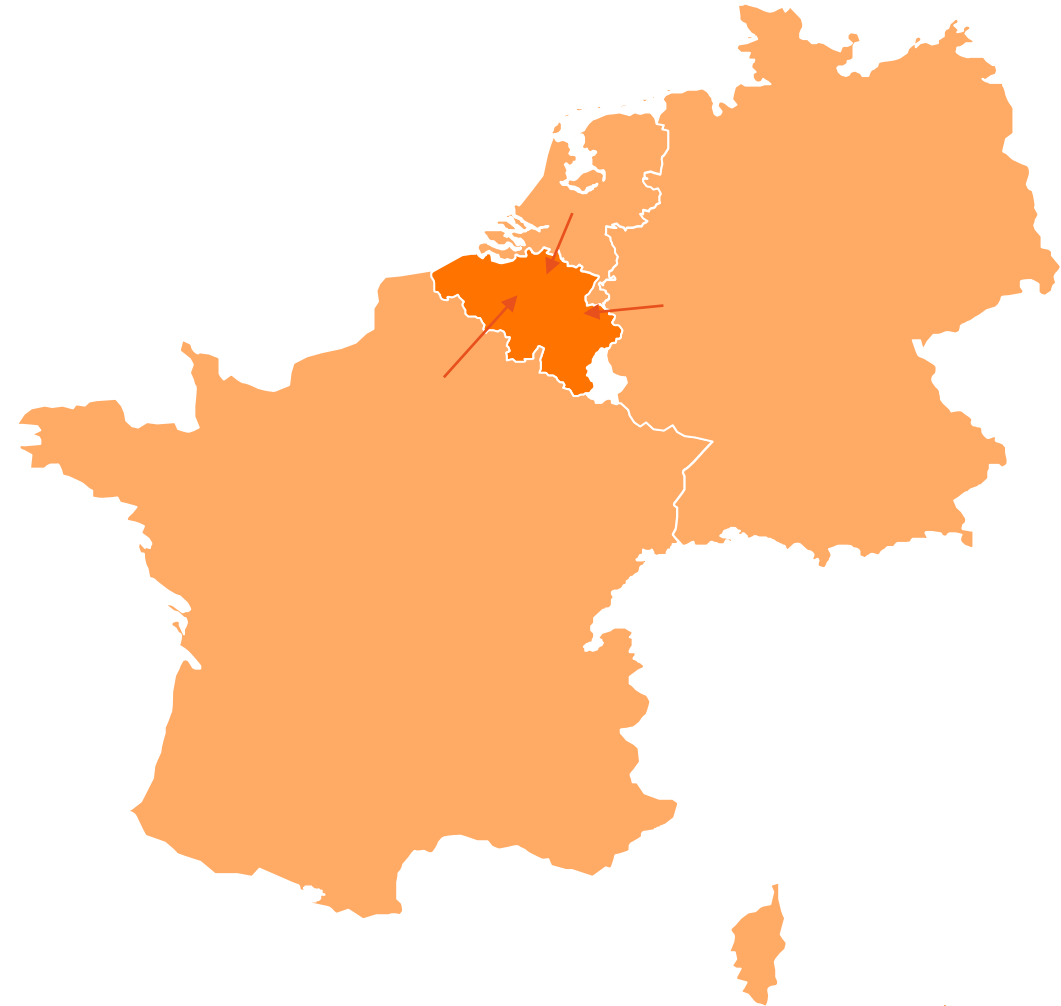
Introduction – Cross Border CRM Design Principles

1. Level playing field for XB and Belgian capacities (fully competitive Auction)
2. Allow explicit contribution/contracting of XB capacities
3. Principle of least cost for all aspects of XB design



Introduction – Cross Border CRM Operational Principles

- 1. Alignment of processes for Foreign and Belgian participation, based on “most equivalent design”**
- 2. Elia as the main actor in XB CRM, centrally processing all aspects of the CRM, supported by Foreign TSOs**
- 3. Foreign TSOs remain the first point of contact for the Foreign CMU**



Introduction – TSO-TSO Agreements

To enable Cross Border Participation, a close cooperation with the Foreign TSOs is essential

Elia does not have the same access to data, documentation, ... on Foreign Capacities as it has for Belgian ones

Elia does not have the necessary knowledge on required permitting, grid connections, ...

→ TSO-TSO Agreement required for each Country



TSO-TSO Agreement structure

- Main body
- Annex
- Execution Agreements

Introduction – Functioning Rules for Cross Border participation

The rules for Foreign CMUs will be set-out in the Functioning Rules of the CRM

Separate Chapter of the Functioning Rules *“Indirect Foreign Capacity Participation”*

- Containing all clauses related to Cross Border
- Indicating which aspects of the other Functioning Rules are relevant/irrelevant
- Indicating how the processes will be handled by Elia



Similar to the approach used for the Low Carbon Tender

This Chapter and the Functioning Rules in general will cover **all necessary/required information** to enable participation for a Foreign CMU.

Introduction – High-level role of the Foreign TSO

1

First point of contact for

- Awareness of and entry into the Belgian CRM
- Basic information on the Belgian CRM
- Support of Foreign CMUs in certain processes

2

Support & input towards Elia for all country/area-related specific aspects

- e.g. checking permits, connection points, technology, other subsidies, legal aspects of Financial Security
- Support to follow-up on Foreign CMUs (Quarterly reports, ...)

3

Live testing, data procurement essential for operation of the CRM

- e.g. Pre-delivery testing, NRP determination & test, Availability testing & monitoring
- Provide Elia with the metering/daily schedule data

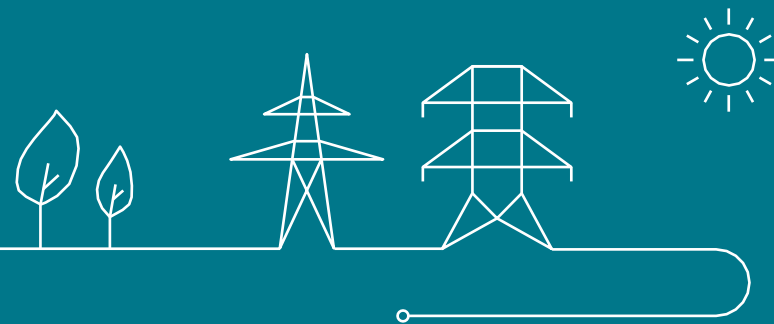


Elia still processes all essential aspects of the CRM centrally

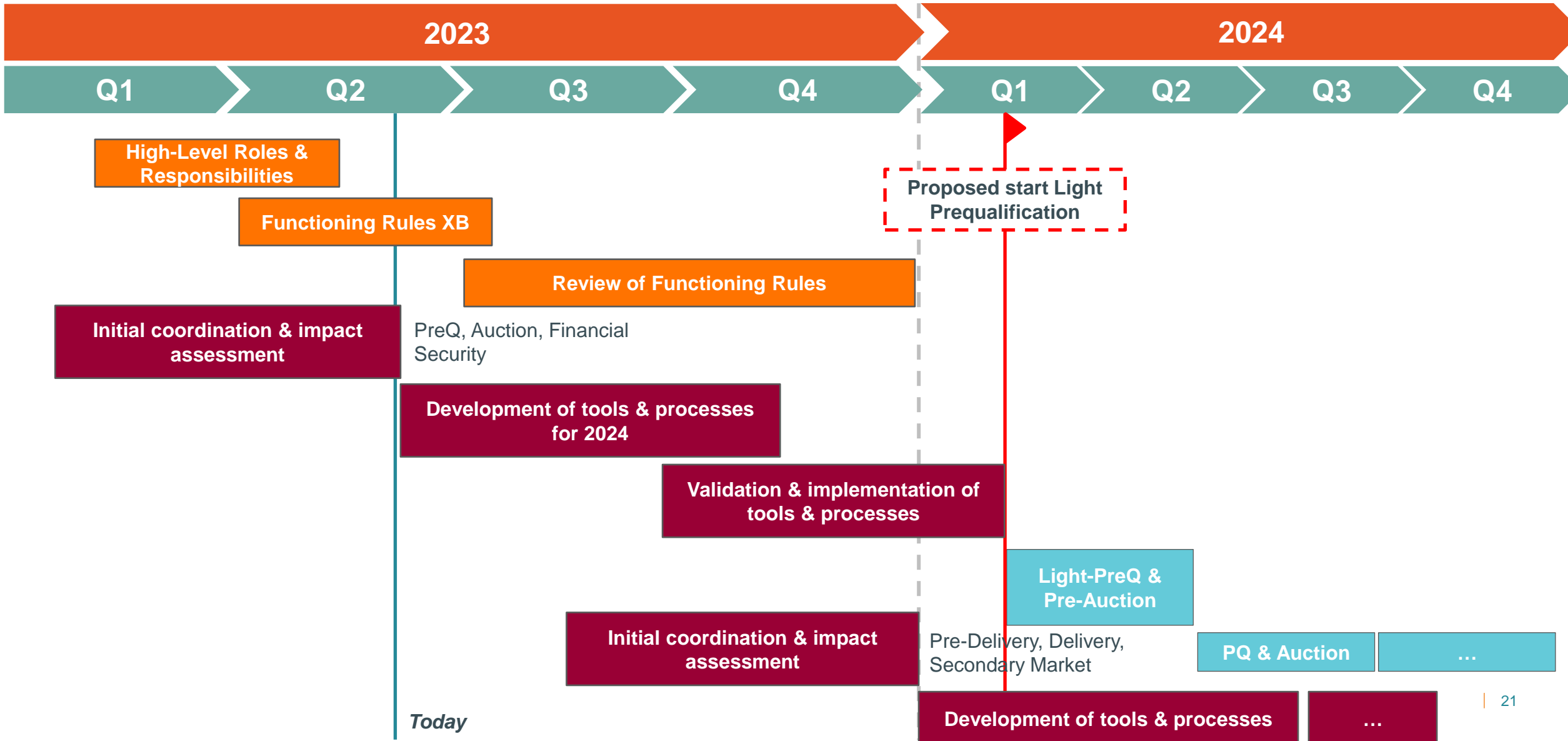
- Single implementation/tool required
- Ease of auditability
- Elia in the drivers seat of all critical processes

XB CRM Timeline

Implementation & Operational timeline



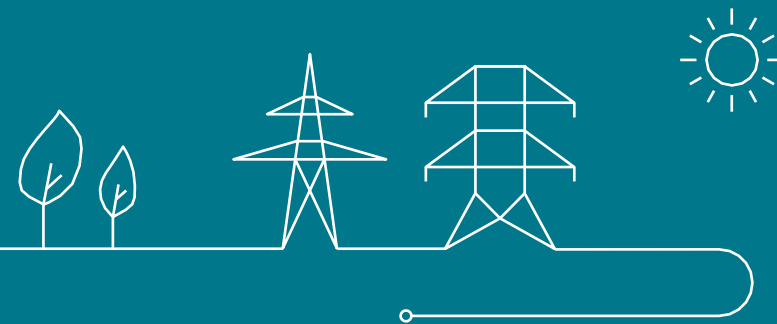
The following timeline has been proposed to achieve Cross Border Participation and Light Prequalification in 2024



Today

XB CRM Design

Design differences for XB CMUs participating in the BE CRM



XB Design – Overview of Main differences

Eligibility & Auction differences

- ✓ Only allow Additional and Existing Capacities, **no unproven Capacities (no Virtual CMUs)**
- ✓ Only 1-year contracts allowed, **no Multi-Year** (due to variability of the MEC)
- ✓ Y-4 and Y-1 XB Auction, but with **pre-defined split of MEC to be auctioned between Y-4 and Y-1***
- ✓ Only TSO-connected, **no DSO/CDS-connected** XB Capacities (at first)

Process differences

- ✓ Additional processes: Light PQ and a Pre-Auction (per border, limited to MEC) before a CMU can enter the Prequalification and main Auction*
- ✓ Financial Security as of the Pre-Auction*
- ✓ Full access to the Secondary Market, but limited to MEC/Contracted Capacity per border*
- ✓ Implicit contribution of MEC if not sufficient interest*

* covered in subsequent slides

XB Design – Additional Processes Light PQ & Pre-Auction

For each border (DE, NL, FR)

Light PreQ

All interested **Foreign** capacities go through Light Prequalification.

Declarative basis

- NRP declaration
- Permits, renunciation of operating aid, CO2 emissions
- Technology

→ Only a light “sanity” check performed by Elia & Foreign TSO

Pre-Auction

For each border, a **Pre-Auction** is held to select the most promising CMUs, limited to the MEC
+ *potentially a certain margin to account for optimization in final Auction & CMUs not fully Prequalifying*

The bid during Pre-Auction is **final** to prevent gaming.

Financial Security

Financial Security to be provided before bidding in the Pre-Auction

For all selected Foreign capacities & interested Belgian ones

Prequalification

The CMUs selected in Pre-Auction go through the regular Prequalification Process.
... together with all interested **Belgian** capacities

If **after selection in Pre-Auction** a Foreign CMU

- Fails to Prequalify
- Has been determined to have a lower NRP than their bid Volume

The CMU is **penalized** and potentially **excluded**.

Auction

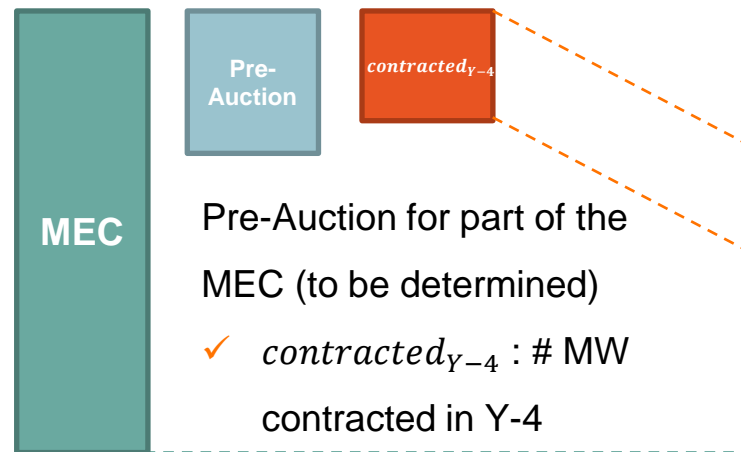
The CMUs are entered into the regular Auction.

Auction is cleared limiting the Foreign participation to the MEC for each border.

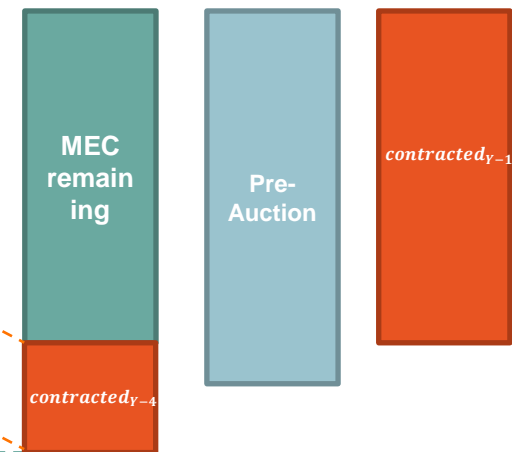
XB Design – Pre-Auction regular flow

Principles of the Pre-Auction (regular flow)

Y-4



Y-1



Already contracted MW to be accounted for in the volume to be Auctioned in Y-1

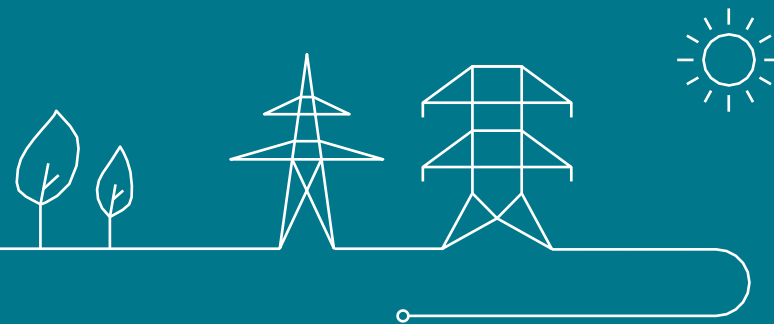
✓ Volume to be Auctioned = $MEC_{Y-1} - contracted_{Y-4}$

Other considerations:

- Small margin on top of the Volume to be Auctioned during **Pre-Auction** in Y-1 (+ ensuring a minimum number of participants)
- If a CMU is selected in the **Pre-Auction**, they have the **obligation to Prequalify** and will **bid in at the same bid price and bid volume as in the Pre-Auction**.

XB CRM Design

Determination of Max Entry Capacity (MEC)

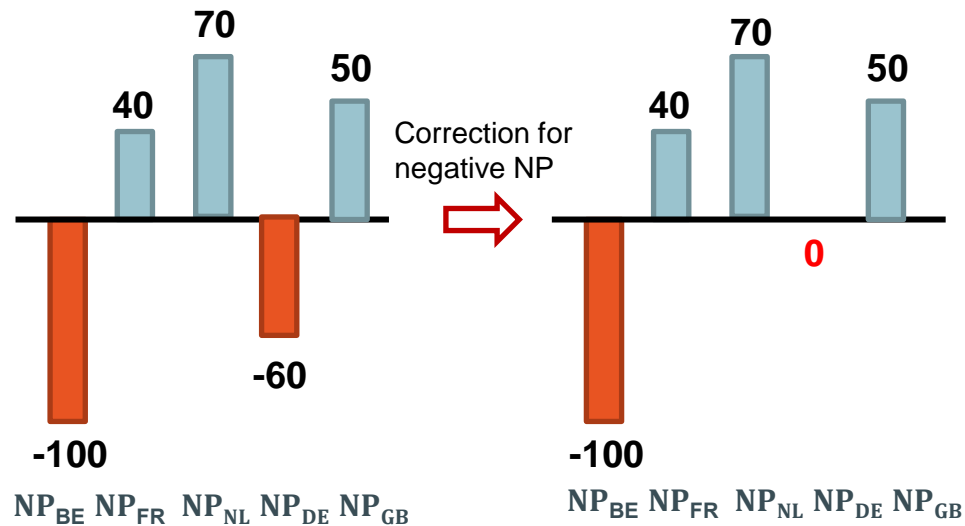


Determination of the Max Entry Capacity (MEC) per country

The MEC per country is calculated as the average **contribution** of each country over all scarcity moments.

1 Contribution of each country during each scarcity moment is calculated on the **Net Position (NP)** of each country

Example for 1 scarcity hour in Belgium:



$$\text{Contribution FR} = -NP_{BE} * \frac{NP_{FR}}{NP_{FR} + NP_{NL} + NP_{DE} + NP_{GB}} = 100 * \frac{40}{40 + 70 + 50} = 25$$

$$\text{Contribution NL} = -NP_{BE} * \frac{NP_{NL}}{NP_{FR} + NP_{NL} + NP_{DE} + NP_{GB}} = 100 * \frac{70}{40 + 70 + 50} = 43,75$$

Contribution DE = 0 : contribution = 0 if the Net Position is negative

$$\text{Contribution GB} = -NP_{BE} * \frac{NP_{GB}}{NP_{FR} + NP_{NL} + NP_{DE} + NP_{GB}} = 100 * \frac{50}{40 + 70 + 50} = 31,25$$

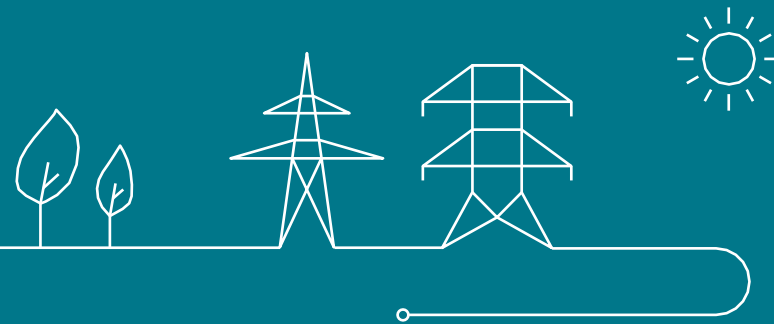
During scarcity moments Belgium never has a positive Net Position

Countries with a negative net position during a scarcity moment don't contribute to adequacy in Belgium in that moment

2 The **MEC of each country** = average contribution over all scarcity moments

XB CRM Design

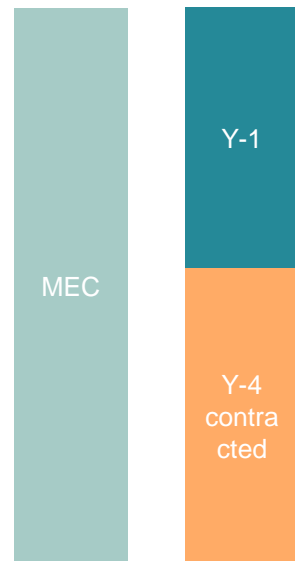
1 – How to divide the MEC between the Y-4 and Y-1 Auction?



XB Design – Division of MEC between Y-4 and Y-1 (illustration)

Illustrating the potential issues due to inconsiderate division of the MEC

Y-4

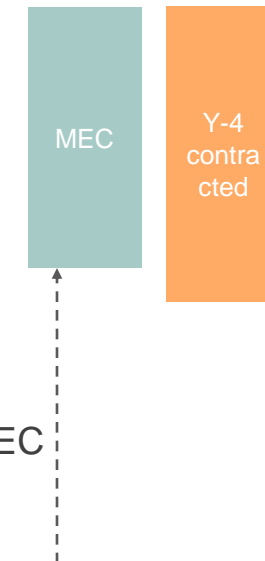


Y-1 No change or an increase in MEC



No issues, Y-1
volume can be
Auctioned

Y-1 Significant decrease in MEC



Clear issues

- Potentially much less volume in Y-1
- Or even
- Volume contracted in Y-4 > MEC

Clearly, care should be taken when determining the division of MEC between Y-4 and Y-1

XB Design – Division of MEC between Y-4 and Y-1 proposals

Starting point

How to divide the MEC between **Y-4** and **Y-1** for the (Pre-)Auction?

Considerations

MEC uncertainty between Y-4 and Y-1

- Going **up**: volume that **can** be procured in Y-1 goes up: OK
- Going **down**: issue if too much volume has been procured compared to the new MEC?

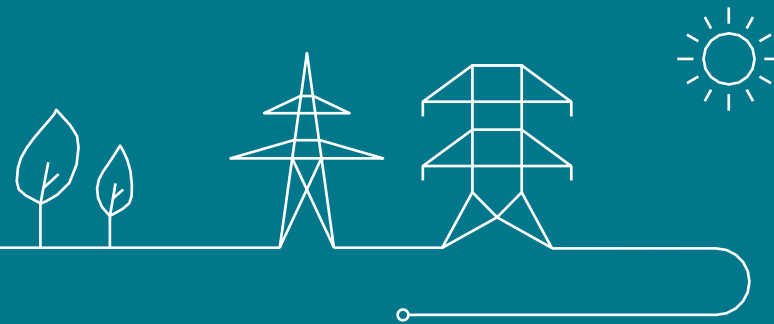
Very low MEC values could make doing a Y-4/Y-1 Auction not worthwhile (e.g. <5MW)

MEC [MW]	Y-4 '25-26	Y-4 '26-27	Y-4 '27-28
<i>France</i>	4	196	119
<i>Netherlands</i>	599	646	260
<i>Germany</i>	461	125	2

Elia proposed to opt for a **simplified approach of a fixed & low percentage** of the MEC to be Auctioned in Y-4 in order to reduce the risks.

XB CRM Design

2 – How to take into account the (implicit) contribution of the MEC in the Demand Curve



XB Design – (Pre-) Auction contribution of MEC

Starting point

MEC calculated by Elia and part of the Calibration Report.

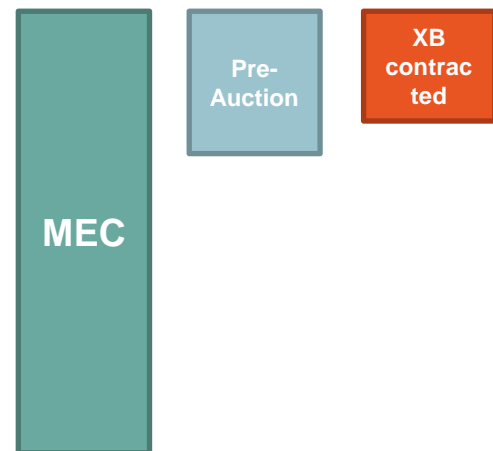
The calculated value will be put up for Auction.

Note: this has to be done for each border



Y-4

Explicit auction for x% of the MEC



→ Everything left over goes to Y-1

Correct the Y-4 Demand Curve with what is “left over”

Y-1

Pre-Auction: MEC fully filled

→ No issues

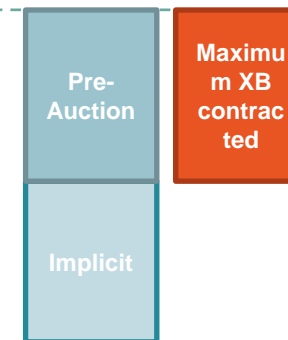


Pre-Auction: not enough Foreign cap to fill MEC (or Δ due to incompatible capacities)

→ How to deal with this “gap” during Auction?

1. Implicit contribution

2. Explicit contracting



Preferred option

Correct the Y-1 Demand Curve with this implicit amount

XB Design – Illustration of Scenarios for Implicit participation

Note: all of this occurs only in Y-1

Pre-Auction

1 – Normal scenario

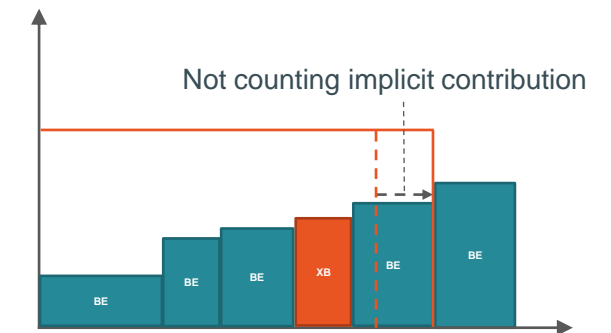
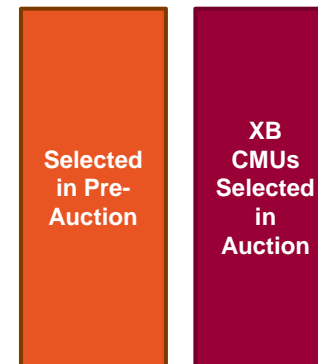
Sufficient XB interest during Pre-Auction to fill the MEC



Auction

1.1 – Competitive XB

XB CMUs are competitive → full Pre-Auctioned Volume is selected during Auction

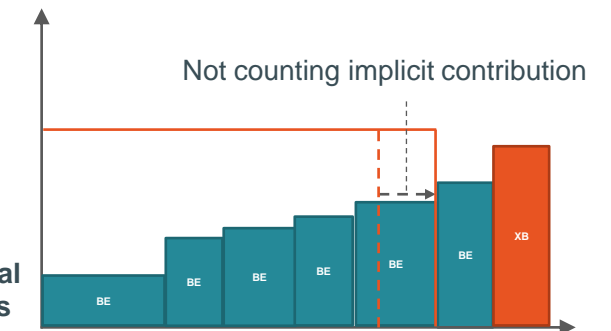


1.2 – Uncompetitive XB

XB CMUs are not competitive → < Pre-Auctioned Volume is selected during Auction



Additional BE CMUs selected in Auction



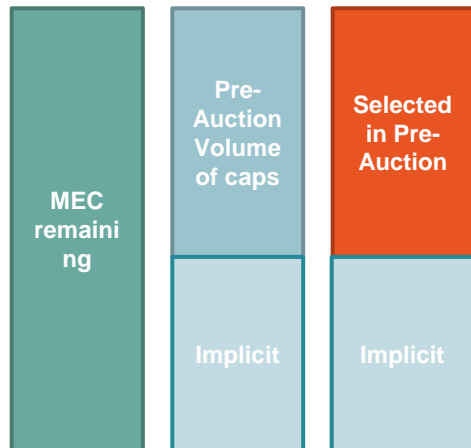
Consequence of current approach is that **potentially additional BE capacity** will be selected in the Auction

XB Design – Illustration of Scenarios for Implicit participation

Note: all of this occurs only in Y-1

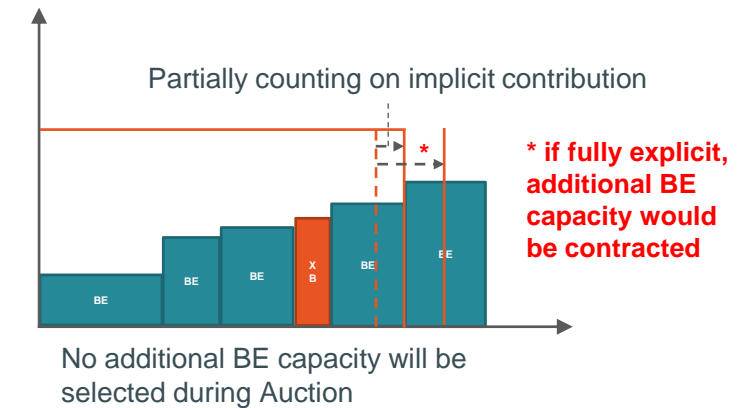
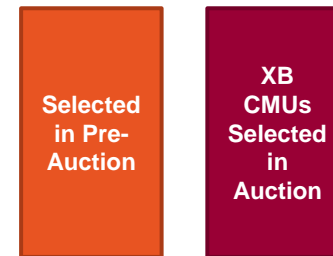
Pre-Auction

2 – Insufficient XB scenario
 Not sufficient XB to fill the MEC

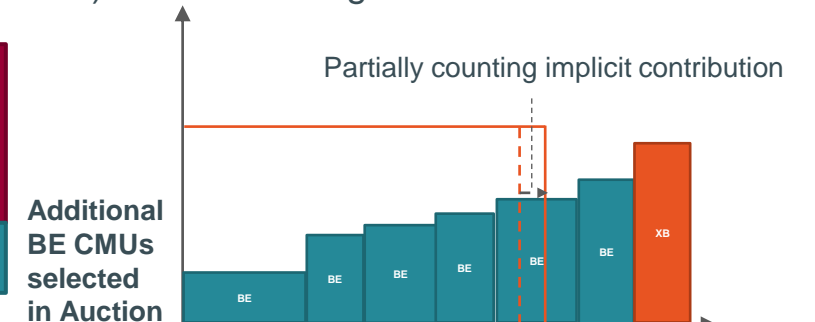
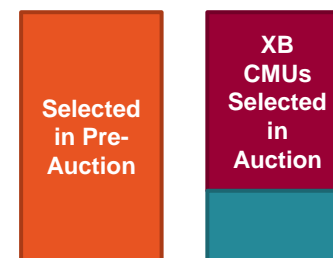


Auction

2.1 – Competitive XB
 XB CMUs that were interested are competitive and are all selected during Auction



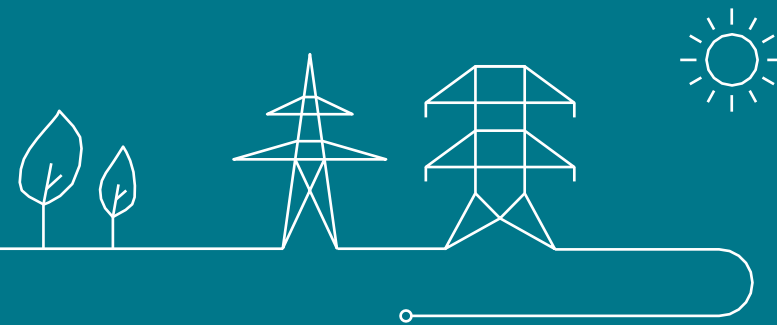
2.2 – Uncompetitive XB
 XB CMUs that were interested are not competitive and are only partially (or not at all) selected during Auction



Consequence of current approach is that **smaller portion of BE capacity** will be selected in the Auction thanks to the implicit correction.

XB CRM Design

3 – Implications for Secondary Market



XB Design – Secondary Market for XB capacities

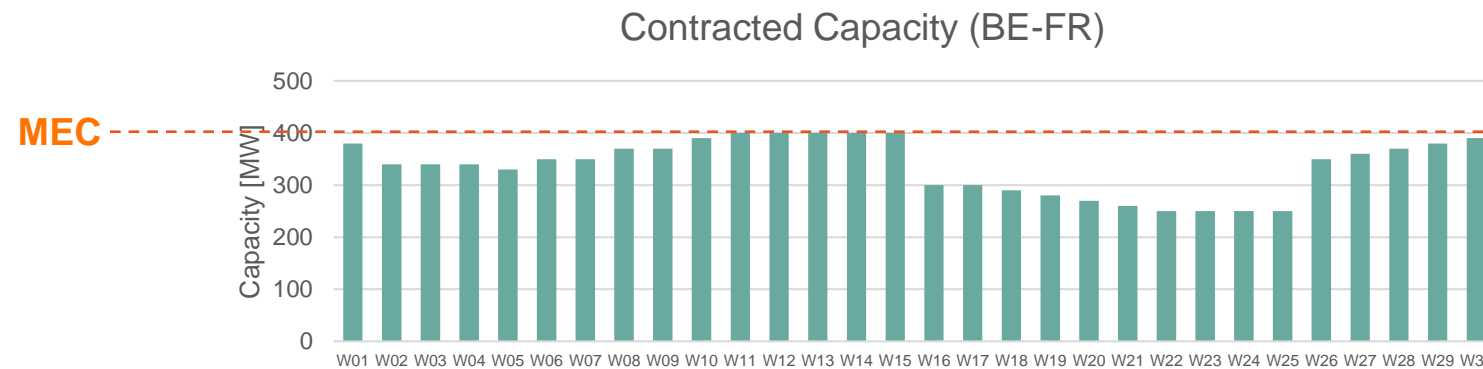
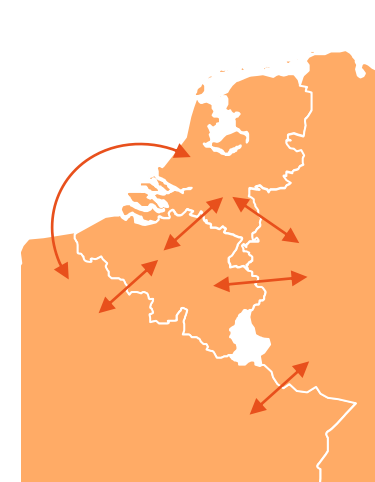
Summary: all **Prequalified** CMUs (including Foreign) are allowed to trade on the Secondary Market

→ Increased liquidity on Secondary Market

→ Allow for all CMUs to manage their risk

✓ Trade possible in **all directions** (Domestic – Domestic, Domestic – Foreign, Foreign – Foreign)

✓ All capacities have access to the **full Secondary Market** (restricted to at most the MEC, but with potential further restrictions*)



However, **two additional restrictions** are required to make sure no distortion, gaming or a is possible

- 1) Limit Total Contracted Capacity for a single border between Y-4 and Y-1 and after Y-1*
- 2) Restrict time period of trades between Y-4 and Y-1 to a full Delivery Period*

* covered in subsequent slides

XB Design – Secondary Market volume limitations for the Foreign Buyer of an Obligation (after Y-4 Auction) (1)

To account for MEC variability and to take into account the implicit contribution, the volumes that a Foreign Buyer of an Obligation can take over on the Secondary Market are limited by the available share of the Pre-Auctioned Volume.

Between the Y-4 Auction and Y-1 Auction, the available share of the MEC is calculated as follows:



Proposed design:

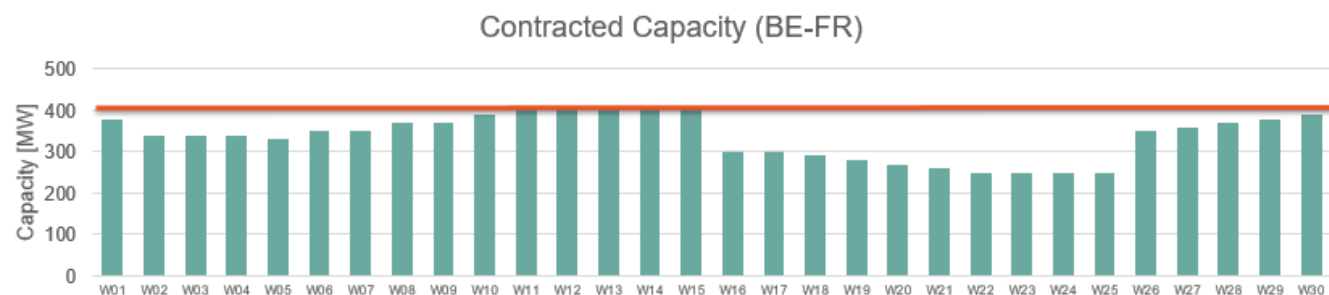
Share of MEC available for SM trades:

- ✓ Between Y-4 and Y-1 Auction: Pre-Auctioned Volume in Y-4 (this slide)
- ✓ After Y-1: total contracted on the border before Y-1 Auction + Pre-Auctioned Volume in Y-1 (= share of MEC that isn't counted on implicitly) (upcoming slide)

XB Design – Secondary Market period limitations for the Foreign Buyer of an Obligation (after Y-4 Auction) (2)

Between the Y-4 and Y-1 Auction, an additional constraint applies to avoid gaming towards the MEC volume available in Y-1

Example with free trade between Y-4 and Y-1



Available share of the MEC

- Situation could occur where a Foreign Buyer of an Obligation makes a Secondary Market transaction with a very short Transaction Period (e.g. 2 days) between Y-4 and Y-1.
- This would imply a downward correction of available “MEC” in Y-1 just for this limited Transaction Period (e.g. 2 days) : **not desirable and opens the door for gaming** by on purpose reducing the amount of MEC available in Y-1 through short trades.

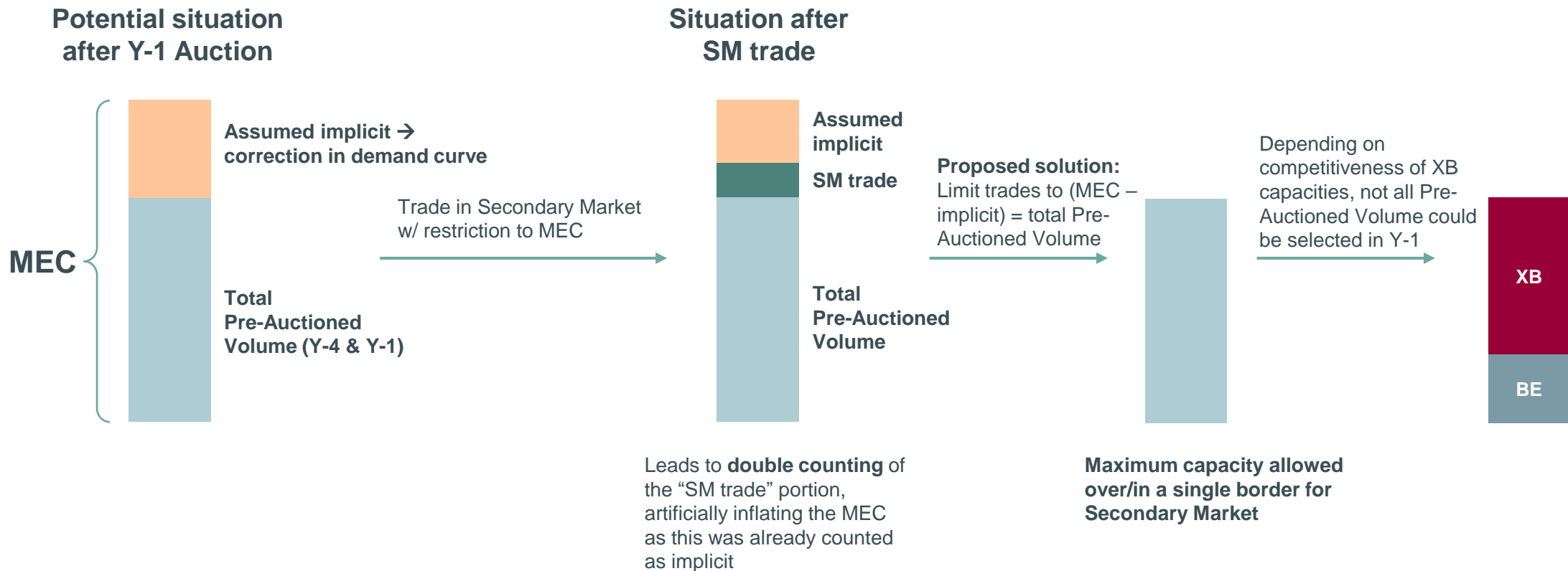
Proposed design solution:

- ✓ Limit trades between Y-4 and Y-1 to trades for a **full Delivery Period**.

XB Design – Secondary Market volume limitations for the Buyer of an Obligation (after Y-1 Auction)

If due to insufficient XB contribution during Pre-Auction, a certain volume is assumed as implicit, the available Cross Border Capacity in Secondary Market should be limited to the total contracted capacity for that border

The following situation could occur when this capacity would **not** be limited



XB CRM Processes

Operational tasks of the Foreign TSO



Operational Processes – (Light) Prequalification

Processes with/tasks of Foreign TSOs

- ✓ Foreign TSO to perform certain checks instead of Elia (e.g. verify technology, permits, identification code of Delivery Point, ...)
- ✓ Foreign TSO to provide all data required for NRP determination (injection/offtake @ Delivery Point level) (*potentially data from an NRP test*)
- ✓ Support Foreign CMUs with country-specific questions related to the PQ file

Practical processes

- ✓ Elia takes the lead and requests a check by Foreign TSO. Furthermore, Elia shares all data required by the Foreign TSO to perform the check
- ✓ Elia requests the exact Delivery Points and time periods to the Foreign TSO to allow them to provide the data
- ✓ Elia runs the NRP calculations centrally with the gathered data
- ✓ Elia supports Foreign TSO in answering questions from Foreign CMUs

Operational Processes – (Pre-) Auction

Processes with/tasks of Foreign TSOs

- ✓ Foreign TSO to provide Elia with filled-in template of mutually exclusive CMU bids due to grid constraints *for new connections* (for Pre-Auction)
- ✓ (Provide data for IPC Derogation)

Practical processes

- ✓ Elia requests Foreign TSO to fill in pre-determined template
- ✓ Elia runs the (Pre-)Auctions using the input data gathered

Operational Processes – Financial Security

Processes with/tasks of Foreign TSOs

- ✓ Perform check of FS templates upfront and every time there is a change
- ✓ Foreign TSO to support Elia if any questions/issues arise

Practical processes

- ✓ Elia checks submissions and contacts Foreign TSO if any issues arise
- ✓ Elia calls upon the Financial Security if needed

Operational Processes – Secondary Market

Processes with/tasks of Foreign TSOs

- ✓ Support when potential gaming is flagged by Elia and CREG requests support

Practical processes

- ✓ Elia verifies all Secondary Market transactions
- ✓ Elia identifies suspicious transactions and flags them to the CREG. The CREG then potentially contacts the Foreign TSO/NRA if follow-up is required

Operational Processes – Pre-Delivery

Processes with/tasks of Foreign TSOs

- ✓ Foreign TSO to provide all data required for the Moments of Control (identical to Prequalification), *potentially data from a test*
- ✓ Foreign TSO to verify Permit Report & permits themselves
- ✓ Foreign TSO to follow-up Quarterly Reports

Practical processes

- ✓ Elia requests the exact Delivery Points and time periods to the Foreign TSO
- ✓ Elia transfers the Quarterly Reports to the Foreign TSO after a preliminary completeness check
- ✓ Elia transfers the Permit Reports to the Foreign TSO after a preliminary completeness check

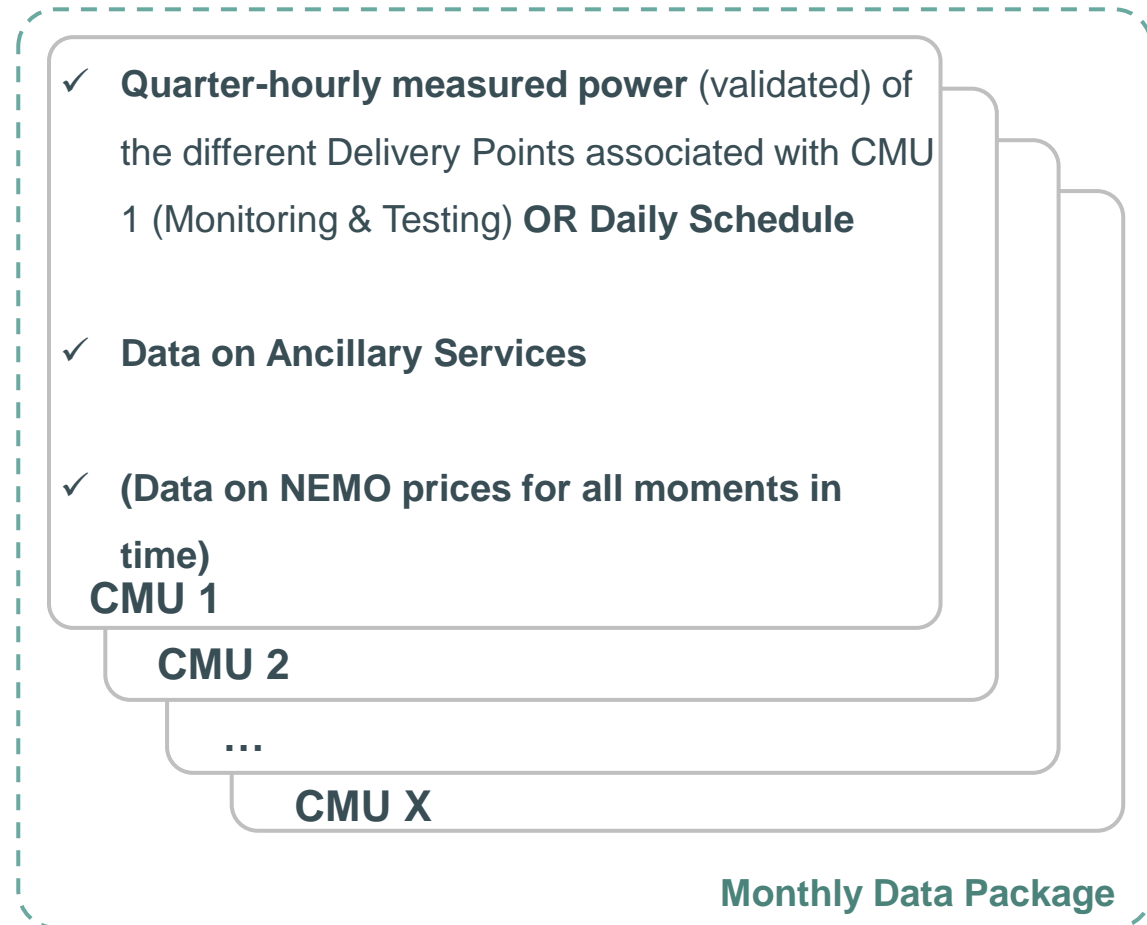
Operational Processes – Availability Monitoring & Payback Obligation

Processes with/tasks of Foreign TSOs

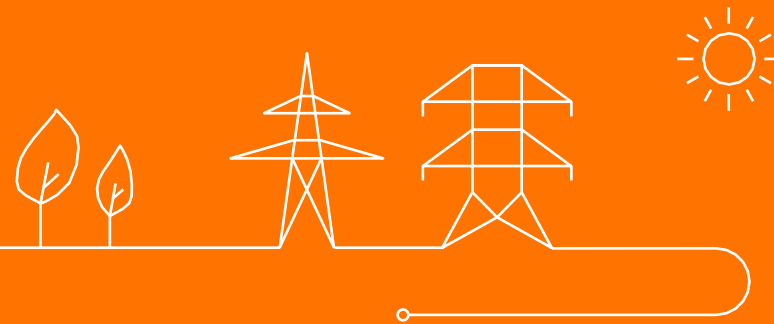
- ✓ Foreign TSO to provide all data required for Availability Monitoring & Payback Obligation for all CMUs located in their zone of control in a **Monthly Data Package** (can include an Availability Test)

Practical processes

- ✓ Elia requests all of the CMUs that have non-zero contracted capacity to the Foreign TSO for each month
- ✓ Elia runs the calculations centrally with the gathered data



Regulatory framework evolutions (FOD)



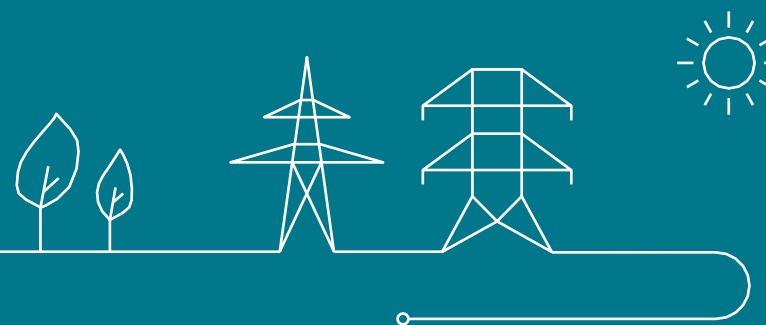
Status and Timing of current Royal Decrees

RD Investment (link to CREG's public consultation) and RD Methodology without payback exemption (link to FPS's public consultation)	Scheduled dates
Consultation report/ Elia proposal/ CREG advice	Week of the 27/03
File preparation	Week of the 03/04
Inter-cabinet WG (1)	20/04
Restricted Council of Ministers (1)	28/04
Council of State (30d)	Sent the 03/05 - Expected reception 02/06
Texts adjustments	Week of the 05/06* or electronic Inter- cabinet WG
Inter-cabinet WG (2)	13/06*
Restricted Council of Ministers (2)	16/06 ou 23/06*

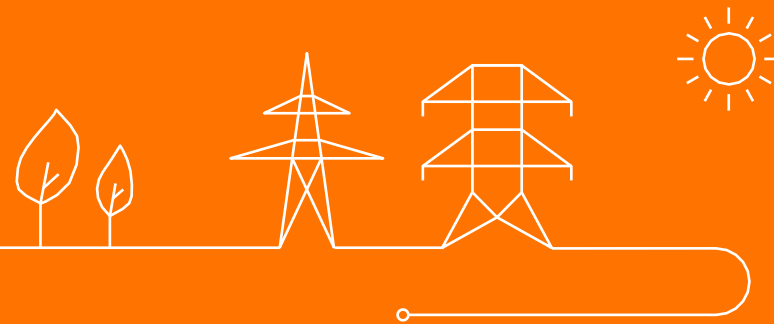
RD Payback Exemption (link to FPS's public consultation)	Scheduled dates
Consultation report/ Elia proposal/ CREG advice	Week of the 27/03
File preparation	Week of the 03/04
Inter-cabinet WG (1)	26/05
Restricted Council of Ministers (1)	26/05
Council of State (30d)	01/06 - 01/07
Texts adjustments	Week of the 03/07*
Inter-cabinet WG (2)	06/07*
Restricted Council of Ministers (2)	14/07*

* Please note that these are planned schedules and therefore subject to change

AOB



Next meetings



Foreseen timeslots for next meetings

- Friday 16th of June 2023 AM
- Thursday 29th of June 2023 AM
- Thursday 14th of September 2023 AM
- Friday 13th of October 2023 PM

Users Group Calendar: <https://www.elia.be/en/users-group>



Thank you.

