Plan Wathelet:

A global approach to ensure electric security of supply at short and medium-term at the lowest cost for citizens and industries

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European context

An energy market in transformation:

- Liberalisation
- Market coupling
- Transition through renewable production

Challenge for all European countries : to reconcile the triangle

Security of supply – costs/prices – environment

A balance difficult to strike. Important to avoid false promises

European context

Same challenges for all countries :

- A decentralized renewable production
- An intermittent production
- A profitability of the thermal power plants under pressure
- A diluted responsibility in the field of security of supply

Same fact in all countries :

The market doesn’t succeed in doing it all by itself !

European context

No shared European vision :

Each country searches its owns solutions, defines its priorities in the triangle

– All countries determine the security of supply as a prerequisite

– On the other hand, the environmental choices (nuclear phasing-out of not, choice of technologies) and the sharing of the costs between the consumers can be divergent

Belgian context

The constraint in Belgium :

Law of 2003 : nuclear phase-out begins in 2015

But, up to now, no vision, no plan, no framework to make this phase-out possible.

Two objectives at very short term :

- Security of supply in the context of the nuclear phasing out
- Prices and cost for citizens and industries

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Short term facts

Short term :

- Loss of 3274 MW by 2015 in a « business-as-usual » scenario
- Belgium structurally dependent on imports during winter (more than 3000 MW during 29 days this winter)
- Example of the 17 January 2013 revealing :
  - No shortage despite Doel 3 and Tihange 2, three forced outages and limited importation (due to France).
  - But the electrical system was « at the brink ». All available power plants were called upon and Elia's entire reserve (also the demand response contracts) were used. There were no margins left.
  - More difficult situation was avoided due to specific measures taken in 2012, for example in demand response (70 MW more than the previous years : 261MW => 331 MW)

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Short term facts

Conclusions at short term :

- Difficulties to cope with **PEAK** demand for the coming winters.
- Intensity of the difficulties could be influenced by some uncertainties: evolution of the production park in Belgium (shutting downs, mothballing, conversions, Twinerg question) and abroad, interconnections, evolution of the consumption (economic growth), weather conditions.
- Lessons of January 17th: the solution must be global taking into account demand response, interconnections and power plants.
- Additional capacities indispensible to be able to cope with peak demand by 2017 (difference between security of supply for all the Belgian consumers and the profitability of the power plants)

Plan Wathelet : Medium-term facts

At medium-term :

- Planned nuclear phasing from 2022 onward

=> Base-load capacities needed.

- Flexible capacities needed to balance the growing of intermittent renewable production
- At least 6 years to build a new power plant (3 to 4 years if all the permits are already obtained)
- Financial and economical conditions not present at the moment to support the realisation of a new investment (too much uncertainties)

Plan Wathelet : A global approach

- Development of interconnections to *contribute* to peak and base load needs at short and medium-term.
- Life time extension of Tihange 1 (decided on 4 July 2012) to *ensure* a sufficient production at short term
- Support to the demand response potential to *contribute* to peak demand.
- Preservation of existing power plants to *contribute* to short term needs
- Support to new investments to contribute to peak needs and to anticipate the medium-term base load needs.

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A global approach

Principles:

- Let the market work a maximum
- Cost for customers and the State must stay under control : capping and flexibility
- **Anticipation** : regarding the timing needed to concretize investments in the energy field some of the evolutions must be anticipated taking into account the transition to a new energetic framework by supporting competition and investment climate

3 questions need to be addressed :

- *What are the economic conditions of the life time extension of Tihange 1?*
- *Do we support existing power plants and demand response ? If yes, how ?*
- *Do we support new investments? If yes, how ?*

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Life time extension of Tihange 1

Under discussion.

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Improvement of the profitability of existing power plants

1. **Improvement of the competitiveness to maintain as much existing power plants as possible in the market**

   Exoneration of the federal levy on natural gas used in power plants

   Compensation for large-scale gas customers (degressivity and capping)

2. **Reform of the ancillary services market**

   More short term products : win-win

   - Reduction of the risk premium for the providers of services
   - Reduction of the cost for the community

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Improvement of the profitability of existing power plants

3. **New injection tariffs**

   Decided by Creg after the judgment of the Court of Appeal

4. **Creation of a strategic reserve**

   Objective: based on a permanent analysis, creation of this reserve in case existing capacities and possibilities (interconnections, demand response) are not ensuring a sufficient level of security of supply

   Procedure : tender by Elia for annual or bi-annual contracts.

   Open to : Power plants « out of the market » and demand response

   Instrument of last resort : capacities in the reserve are maintained out of the market.

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Support for new investments

Facts :

Due to economical uncertainties, no new investments

Difficulties with peak demand by 2017

Difficulties to replace nuclear base load production by 2022

Due to construction timing (many years), support scheme needs to be implemented now.

Which support scheme ?

Insurance system to prevent market distortion and “oversubsidization”

Return on investment guaranteed by the State by covering the missing money in the market (up to a certain capped level)

Plan Wathelet:

Support for new investments

Why a call for tender ?

Focused intervention less « market-disturbing » than a general capacity-mechanism.

Competitive procedure to limit the cost

Why only gas power plants?

Existing projects

Uncertain conditions

Good balance between flexibility (to function alongside renewable production) and efficiency (to replace nuclear power plants)

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