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Febeliec answer to the joint public consultation Elia – FPS Economy on the application of the methodology for obtaining an individual derogation from the IPC and on the determination of the missing money in the context of the IPC and derogation from the IPC

Febeliec would like to thank Elia and the FPS Economy for this consultation on the application of the methodology for obtaining an individual derogation from the IPC and on the determination of the missing money in the context of the IPC and derogation from the IPC. Febeliec is surprised to see that while the first auction still has not provided any results, already modifications have to be considered and are proposed to the CRM framework. Febeliec wonders whether this is an indication of fundamental issues with the CRM and is a forebearer of a range of further potentially very impactful elements of the CRM framework that might not have been so well designed, which could be detrimental to the total cost for consumers.

On the content of the current consultation, Febeliec is extremely surprised to see that risk aversion of investors[1] is yet again cited to add yet another additional return on investment to the WACC. After already applying a risk premium for each technology on the (very) limited list of reference technologies (for which Febeliec is convinced that it does not necessarily take into account all relevant reference technologies and by omitting some could already give a skewed result, to the detriment of cost for consumers), yet another risk premium taking into account the economic lifetime of investments is to be taken into account, after which yet again an additional uncertainty margin of 5% is to be added. Febeliec considers the pancaking of all these components not in line with the legal obligation for the CRM to be at the lowest possible cost for consumers. Art 19bis §2 according to Febeliec opens the door to arbitrary increases of the risk premiums (and thus the WACC and thus the cost for consumers) for the CRM, which goes not only against the legal criterion of lowest cost, but also drives to the question whether the CRM framework should shield participants for **all** project and investment risks while at the same time allowing them to keep a substantial part of market revenues in good market conditions. An additional risk premium to cover for the longer lifetime of investments could be considered absurd, as it would mean that the longer a capacity holder participates to the CRM and receives subsidies, the higher such subsidies should be to cover an (imaginary?) risk (of getting subsidies over a long period?) at the detriment of consumers. Febeliec finally wants to point out that the model risk referred to in the consultation exists for all possible investments (e.g. also for its members in their installations), yet is part of any investment decision and is normally not covered at all by subsidies. Febeliec thus strongly wonders why participants to the CRM should yet again receive an additional risk premium, which is not available for any other investments and thus will undermine the level playing field. Febeliec believes this to be true not only for the intermediary price cap and its derogations but in general for what the CRM framework is concerned.

[1] Febeliec wants to reiterate its many previous comments on this point, as it has argued since the beginning of the discussions on any capacity remuneration mechanism in Belgium that when risk aversion is cited, it should be noted that in the European energy market the BRPs are the key actors who have to ensure that supply and demand in their portfolios are balanced at all times, to avoid exposure to potentially very significant imbalance prices (as could be seen in the recent months). As such, the risk aversion of BRPs will drive their requests for additional dispatchable capacity, which should ensure that they will offer correct market prices for any such capacity, which should ensure that providers of such capacity are correctly remunerated for their dispatchable capacity. This clearly shows according to Febeliec that indeed risk aversion, but then of BRPs, is the driver for market functioning, and as such should clearly allow to overcome any risk aversion of producers or other providers of capacity and thus nullify in essence the need for any CRM in Belgium.