

Febeliec answer to the CREG consultation on the project of decision (PRD)658E/74 on the incentives for the actualized research and development plan of Elia for the period 2020-2023

Febeliec would like to thank CREG for this consultation on the project of decision (PRD)658E/74 on the incentives for the actualized research and development plan of Elia for the period 2020-2023.

Febeliec would like to reiterate its longstanding position that it is not in favor of incentives for tasks that are core for a TSO, as according to Febeliec they fall under the legal obligation of the TSO¹. Alternatively, if tasks are not part of the mission of a TSO, Febeliec is in principle not in favor of the TSO working on them and even less so on giving additional incentives on them.

Febeliec takes note of the 28 projects introduced by Elia for this incentive program under article 26 §2 of the tariff methodology. Febeliec will not discuss in detail all projects, especially since no detailed in-depth information is available for any of the projects. However, on some of the proposed projects, Febeliec wonders to which extent they are to be considered a task for the TSO. A notable example is the Consumer Centric Market Design (CCMD) which is being developed by Elia. While Febeliec does in principle not oppose the ideas behind such a design, an important question remains to what extent such development should be conducted by the TSO and not some other (market) parties. Moreover, Febeliec observes that Elia is entering in evermore partnerships and joint ventures with other companies and entities. While Febeliec is again in principle not opposed to such partnerships (insofar a correct assignment is done of the activities and their associated costs and revenues between the regulated and non-regulated perimeter based on who has taken the risk and paid for the knowledge building and development), the work on the customer centric market design of Elia under its regulated business could in some cases lead to issues related to the neutrality and impartiality of Elia. For Febeliec, it is of the utmost importance that the TSO remains completely impartial and neutral in its role as facilitator of the Belgian electricity market, especially in light of its monopoly on its regulated activities. As such, Febeliec would insist on a very strict separation of this market facilitation role and any commercial ventures related to the Belgian electricity market, be it directly or indirectly. An example can be taken from the distribution grid operators related to the Atrias platform, where they are prohibited of developing any commercial activities related to it or enter into partnerships that would entail a same effect. With respect to this consultation, Febeliec thus clearly wants to understand for all projects to which extent they are related to the regulated business of Elia and to which extent they guarantee the neutrality and impartiality of the TSO and insists that any projects which would breach this principle would automatically be rejected.

On the incentives, and taken into account the aforementioned principle opposition as well as pragmatic approach of Febeliec to them, Febeliec wants to state that an overall maximum budget of 3,7 million euro, primarily paid for by consumers, is a large amount of money for incentives on R&D projects which should in many cases if fruitful also in the future directly and positively contribute to the bottom line of the TSO and as such Febeliec insists that a strict selection procedure is applied to ensure that only those projects which could benefit the grid users are taken into consideration and that granting the incentives ex post is also conducted strictly. Febeliec is for example surprised to see that for many of the proposed projects, (only) an extension of the duration of the project and/or budget is proposed. While for some projects issues might have arisen and some flexibility might be needed, it would be unacceptable if project and budget creep would become the norm. If projects are extended in time, the same should not necessarily be applicable on the overall budget. Also if projects do not deliver the promised results in the initial provided timeframe, they should not necessarily automatically be extended, as there is a real cost implication for consumers. While Febeliec understands that R&D comes with uncertainties, this also implies sometimes abandoning certain projects instead of continuing to invest additional resources without any clear future positive results.

On many/most of the proposed projects, Febeliec is surprised to read in the CREG's project of decision that Elia does not seem to have provided quantitative justifications and complete financial details to the CREG. While Febeliec

¹ However, from a pragmatic point of view, Febeliec has observed that the approach chosen by the CREG to give incentives has delivered (at least for some aspects) positive results and as such Febeliec could accept such approach insofar there are clear benefits for the grid users paying the tariffs and insofar they are complementary to the core mission of the TSO.

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 38 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Proxiums, Recticel, Sol, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

understands that there could in some cases be issues of confidentiality which could warrant not publishing such information (although Febeliec finds this regrettable as it is difficult to get a clear insight in the different projects without such information), Febeliec insists that in any case all such detailed information should be made available to the regulator and that in absence of such detailed information, projects submitted for incentives and support should be automatically rejected. Moreover, as in many cases apparently such information was not even available to the regulator before drafting this project of decision, Febeliec is of the impression that the position of the regulator on the proposed projects might not have been sufficiently substantiated as for many projects the regulator has stated not to include them unless additional information is provided. This implies that it is even more difficult for Febeliec based on the provided information, lesser even than the information available to the regulator, to provide a valid assessment of the 28 proposed projects. Febeliec can only observe that the regulator, with its much more in-depth view on the proposed projects, has at this point decided to reject half (!) of them for lack of insufficient substantiation. Febeliec can only hope that Elia during this public consultation will provide the required additional information, yet regrets that this information will thus not have been included in the analysis of the CREG and not included in this public consultation, implying that market parties will not have had the opportunity to assess it (or at least CREG's assessment of it if not made publicly available).

On the results and outcomes of the proposed projects, as well as those from previous years, Febeliec insists that for as many projects as possible, results are published and/or discussed with the stakeholders, as they have been providing the funding for the projects.