Febeliec answer to the CREG consultation on the CRM Functioning Rules

Febeliec would like to thank the CREG for this consultation. Given the urgency, Febeliec understands the limited response time and the other limitations imposed (e.g. 15.000 characters), but sincerely hopes such approach will not be used as a precedent for future consultations. Because of these limitations, Febeliec will only comment on those issues where Febeliec has a fundamental problem with the CREG proposal. Febeliec would like to underline that the fact that we only reply to the points raised by the CREG in this consultation, does not imply that we agree with the rest of the functioning rules. Febeliec understands the present consultation only concerns a subset of modifications envisaged by the CREG, thus Febeliec also refers to all its previous comments on the CRM functioning rules and underlines that most of these comments remain valid, as it is also not clear which other than the consulted modifications the CREG is still envisaging.

For section 2.3 on the auction procedure and dummy bids, Febeliec understands the need to adapt the final auctioning volumes to evolutions occurring after the CRM volume determination but would like to point at the risk of manipulation of the auction and its outcome, especially but not only related to the introduction of negative dummy bids (as compared to positive dummy bids, for which Febeliec refers to the need to adapt volumes based on new information on additional generation, storage or DSR capacity outside of the CRM between the volume determination and the auction).

For section 2.4.1 on predelivery obligations, Febeliec insists that no discrimination is introduced, whichever option is chosen to align the application of the rules between CMUs and Additional CMUs. For side number 23, Febeliec agrees that this point should be clarified and that indeed 100% of the capacity should be available at the delivery period.

For section 2.4.2 on predelivery penalties for existing CMUs, Febeliec understands the need for penalties, yet insists that these should not lead to discrimination between different types of CMUs. Febeliec also most strongly insist that predelivery penalties should not be so prohibitive as to scare potential capacity providers away to participate to the CRM auction.

For section 2.4.3 on communication on the declared day-ahead[1] price, Febeliec supports the proposal of the CREG and insists that also sanctions are introduced for Elia in case Elia does not timely fulfil its obligations. This comment is also more general and beyond the scope of this section 2.4.3. Furthermore, Febeliec insists that such penalties are not borne by the Elia grid users through its tariffs.

For section 2.5.1 on availability tests in case of no AMT moments, Febeliec strongly opposes the proposal of the CREG. The proposal implies that even if the system undergoes no stress (as there are no AMT moments, e.g. during summer), Elia would have to ask capacity holders to inject extra electricity (power plants/storage) or stop consuming (DSR/storage) in order to only test whether they would be capable to deliver. Febeliec insists that such tests are costly and (e.g. in case of demand response) could lead to substantial value losses, but would only at best lead to information about their capabilities during non-AMT moments (and e.g. not how they would react in the critical winter periods), might even worsen system constraints (e.g. during incompressibility periods) and last but not least it would be unclear who should determine when such tests should be conducted, as they are not related to AMT moments. Even without applicable penalties, such test would thus have a very negative impact and would in any case not lead to any benefits for the electricity system. And as argued above, even for informational purposes, such tests would not provide much benefits, while

[1] Febeliec wonders whether the same logic should also not be applied to the other declared market prices, such as intraday and balancing.

only increasing costs for capacity providers and thus in fine increasing the overall cost of the CRM, to the detriment of consumers, without any additional added value.

For side number 34, Febeliec is surprised to see that there is a distinction between the Dutch and French version. Febeliec agrees with the Dutch version, stating that it is applicable to announced non availability, but does not agree with the French version which states **not** announced non availability, as this seems a strange approach.

For section 2.5.3 on availability obligations, Febeliec does not understand the comment of the CREG, as the penalty is always applied with an adder (1 **+** penalty factor), so even during the non-winter period, announced missing capacity would pay one time the penalty, while during the winter announced missing capacity would pay 1,9 times the penalty and unannounced missing capacity 2 times the penalty. On side number 40, Febeliec agrees with CREG that indeed the mechanism should incentivize capacity providers to have their CMUs especially available during the winter months. As such, Febeliec supports a modification to the Functioning Rules that supports this goal and agrees that the current proposal of Elia not necessarily would lead to the desired objective. Febeliec however has no opinion on the concrete proposal of the CREG as also other possible modifications could lead to the desired objective. For side number 37, Febeliec believes that the referred period should be 01/04/20xx-31/10/20xx and not 1/04/20xx-1.

For section 2.6 on financial guarantees, Febeliec considers an obligation to supply a financial guarantee before any contractual obligations exists as excessively prohibitive for market parties wishing to participate in the CRM. For Febeliec a financial guaranteed can *only* be required from the moment there is an obligation, following an auction result and signed capacity contract. Febeliec however understands that it is important that at such point a financial guarantee should firmly be given.

For side number 44, Febeliec instates that if a cap per damage case and per year is applied, such cap is applied per CMU and not per CRM party, as this would otherwise lead to a disproportional advantage for parties with multiple CMUs as compared to those with only a single CMU.

For side number 46, Febeliec strongly opposes the proposal of the CREG as it considers the obtention of permits not to be a case of force majeure, as it is part of the project risk of the CRM capacity providers and should as such be managed by them. Furthermore, also the public authorities have responsibilities here and it can be expected from public authorities that they do their utmost to not increase regulatory risk.

On section 2.9, Febeliec understands the proposal of the CREG wishing to introduce an arbitrage committee to resolve conflicts. However, it is unacceptable for Febeliec that the only parties represented in the committee have the possibility to revolve the costs of a conflict to the absent party, the final payer of the cost of the CRM (which is even more acutely so if even the CREG is not necessarily represented in the committee). Febeliec therefore insists that the party who finances for the CRM is duly represented in any such arbitrage committee, if one were to be put forward.

For section 2.10.1, Febeliec supports the CREG proposal.