

Febeliec answer to the CREG consultation (PRD)2428 on CONE, the correction factor X and the WACC for the T-4 auction for delivery period 2027-2028

Febeliec would like to thank CREG for this consultation on the gross cost of new entrants, the correction factor X and the weighted average cost of capital for the T-4 auction for delivery period 2027-2028.

As a general comment and in light of the steps taken by the Belgian Federal Government concerning the prolongation of at least two nuclear plants, Febeliec strongly wonders to which extent an additional CRM auction for delivery period 2027-2028 is still relevant and whether the Belgian CRM is still validated by the European Commission and in line with the last resort stipulations following European legislation, and thus whether the current consultation and the related auction still have to or even can be conducted.

Concerning the antecedents described by the CREG, Febeliec is very surprised to learn that Elia has not been able to provide the CREG with the data concerning the calculation of the IRR in the latest Adequacy and Flexibility Study in due time for this analysis, but rather would only be able to deliver such data by the end of July. Febeliec insists that this study has been conducted and finalized sufficiently ahead in time to be able to deliver such information to the regulator in due time for this analysis, in particular as this study and the related information and data have been paid for by the grid users. Any additional value that could be derived from such data should be pursued to increase benefits without additionally increasing the system cost.

Concerning the gross CONE and the derating factors, Febeliec takes note of the proposed value but does not validate these values as many comments it has provided in the past have never been satisfactorily resolved.

Concerning the WACC, Febeliec takes note of the quite significant WACCs for all technologies, taking into account that all assets participating to a CRM are to a large extent sheltered from risks such as missing money (and a.o. the remaining project and operational risks can to a large extent be managed by the asset operators). Febeliec also insists that taking into account gearing factors, the return on equity for these substantially de-risked assets reaches very high levels and it could, thus be questioned whether the applied WACCs are not too high in the context of a CRM.

Concerning the correction factor X and taking into account also the abovementioned comments, Febeliec strongly insists that this correction factor should be maintained as small as possible to avoid undue additional costs for grid users or taxpayers, and as such opposes any excessive values that would increase the total system cost and over-compensate any potential uncertainties. A correction factor of 10% as proposed by CREG could for Febeliec be conceivable, if it does not overestimate the uncertainties it is supposed to tackle from a design perspective.