

Febeliec answer to the CREG consultation (C)2579 on CONE, the correction factor X and the WACC for the T-4 auction for delivery period 2028-2029

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 2028-2029.

As a general comment and in light of the decisions taken by the Belgian Federal Government concerning the prolongation of at two nuclear plants, Febeliec strongly wonders to which extent an additional CRM auction for delivery period 2028-2029 is still relevant and whether the validation of the Belgian CRM by the European Commission still stands, and thus whether the current consultation and the related auction still have to or even can be conducted.

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. As such, Febeliec continues to find a correction factor of 50% too high, where rather a correction factor of 10% could for Febeliec be conceivable, if it does not overestimate the uncertainties it is supposed to tackle from a design perspective.