

Subject: FEBEG and Febeliec joint comments on ELIA's public consultation on the CBA on requirements for Generators applicable to existing and new Generating Units between 1 and 25 MW

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Preliminary remarks

FEBEG and Febeliec thank ELIA for having the opportunity to react to the *public consultation on the incentive Cost-Benefit Analysis on Requirements for Generators applicable to existing and new Generating Units between 1 and 25 MW*¹, which is the result of a CREG incentive.

ELIA has performed an impressive analysis and overview of all the requirements which are in the scope of such a Cost Benefit Analysis (CBA) and of all the assets that are potentially implicated in the study (1 –25 MW and connected to the Grid of ELIA).

The high technicality of the topic, the huge efforts that were needed to perform the study and the high complexity of the practicalities behind the study are for FEBEG and Febeliec already a clear indication that performing such a CBA is extremely complex and therefore unlikely to result in simple and straightforward conclusions. It was also time consuming for the market parties that needed to follow the study and fill in the questionnaires.

The inputs and suggestions are not confidential.

¹ https://www.elia.be/en/public-consultation/20231106_Cost-benefit-analysis-for-1-25-MW-generator-requirements-within-CREG-incentive

Summary and high level conclusion

We like to underline that **FEBEG and Febeliec are strongly against any ex-post implementation of grid code requirements as this would create extreme legal uncertainty and create a precedent for other retro-active changes to grid codes in the future.** Additionally any high-level, Top-Down and market wide intervention would be extremely worrisome for the following reasons:

- The study highlighted the vastness of the scope (more than 100 PGMs) and the big variation in the technologies and lifetimes of the assets which adds to the complexity. Any market wide intervention would therefore result in some cases in very high and unreasonable costs, and in other cases would even be technically impossible. This could even lead to the unwanted effect of the closure of these units, with unwanted secondary effects.
- The potential benefits are still not sufficiently quantified and for FEBEG and Febeliec it is very unlikely that these would be higher than the costs. Indeed, as indicated above we like to clearly stress that societal costs could be very high when taking into account the possible (early) termination of existing PGMs, the shock of ex-post interventions and therefore loss of confidence and trust for future projects and overall negative signals to the market parties.

We therefore urge the CREG and ELIA to refrain from any ex-post intervention (implementation) of requirements, considering the huge risks, high costs and practical complexities involved.

We could, however, as an alternative and if a clear need would be identified, accept an approach with a “substantial modernization” criterium as we already know today. This criterium opens the possibility to do a detailed case by case investigation, taking into account the costs related to grid code compliancy. If costs related to applying to the requirements make no economic sense, an exemption should be granted.

On the conclusions of the analysis, we note that ELIA mentions “*Extending the scope of the concept of substantial modernisation to existing type B PGMs does not currently make sense if no need to do so has been identified on the grid. However, if such a need were identified, the list of requirements with a “quantitative +” CBA might be good candidates for the scope of the substantial modernisation as long as the concept of “limiting element” is taken into account. This concept would protect eligible PGM owners from excessive upgrading costs as long as they can demonstrate that the cost of the required upgrades would exceed the costs of the initial project by X%.*”

As FEBEG and Febeliec we can align with this specific conclusion, and we insist that extending the scope to existing type B PGMs is therefore currently not considered. We request further exchanges with ELIA and CREG for additional clarifications if our understanding would not be shared by ELIA and/or CREG.