febeliec
federation of belgian industrial energy consumers

FEBELIEC vzw/asbl
BluePoint Brussels, Bld. A. Reyerslaan 80, 1030 – Brussel/Bruxelles
Tel: +32 (0)496 59 36 20, e-mail: febeliec@febeliec.be, www.febeliec.be
RPR Brussel - TVA/BTW BE 0439 877 578

Febeliec answer to the Elia consultation on the CRM Functioning Rules V4

Febeliec would like to thank Elia for this consultation on the Functioning Rules (version 4) of the CRM. Febeliec wants to refer to its numerous comments on the shortcomings and issues with the Belgian CRM, which are also reflected in the Functioning Rules. Febeliec will not dive into all the specifics of the proposed functioning rules themselves, but this should not be interpreted as an approval from Febeliec as it considers the underlying design to be flawed in many domains.

Regarding the Y-2 auction, Febeliec is still of the opinion that by yet again splitting the required volume after the Y-4 auction into two sperate (and ex ante defined) volumes the overall liquidity and competition within each auction will be lower and thus the outcome less efficient than in one Y-1 auction. Moreover, in case of an ex ante split of the volume towards the Y-2 auction which would be excessive, almost no volumes might be left over for the Y-1 auction, leading to less possibilities for in particular demand side response to participate, and this at the detriment of overall system costs and the undermining of the technology-neutrality requirement for the Belgian CRM. Last but not least, this could ultimately lead to a complete loss of appetite for such flexibility to even prequalify and participate to a CRM, leading to an even bigger competition issue and an overall increase of the costs. Febeliec thus in principle remains strongly opposed splitting volumes in order to allow for a Y-2 auction.

Regarding the new approach of Elia to consider an increasing number and volume of capacity, including new build CMUs, to be opt-out OUT instead of IN as was previously the case, and as already indicated during all the meetings of the WG Adequacy on this topic, Febeliec considers this new approach of Elia to be overly conservative as this unduly excludes a significant volume of capacity from the Belgian electricity system which can be counted upon for system adequacy. By applying such an overly conservative approach, Elia artificially increases any possible system adequacy concern, resulting in over-contracting capacity in the CRM. This not only leads to higher costs for the consumers, in breach of the legal lowest cost criterion, but also, if such volumes are then to be contracted in earlier auctions, leads directly to the deterioration of the business cases for demand side response and (smaller) storage, thus creating a self-fulfilling prophecy of insufficient capacity in the Y-1 auctions and yet again an negative impact on the overall costs. Febeliec considers the approach by Elia overly conservative, and yet another layer in the pancaking of worst case options that are selected for each determinant to calculate the required capacity for the Belgian CRM, at the detriment of the overall system costs.

On the payback obligation, Febeliec deeply regrets that the package deal regarding the indexation of the payback price in combination with the exemption of the payback obligation for certain technologies, in particular demand side response, has not been fully transposed I the CRM Functioning Rules. By the omission of the latter, participation to the Belgian CRM for demand side response has become close to impossible for most demand side response as there is the risk of having to pay back non-earned amounts, leading to a clear and definite loss for such participants under certain market conditions and thus completely obliterating their business cases and thus their appetite for participation (as could already be seen from the results of the latest CRM auction), at the detriment of liquidity and competition in the CRM auctions and thus at the detriment of the overall cost.

Regarding the case of different derating factors between two auctions and the correction Elia refers to, Febeliec remains puzzled how such correction could work, especially also taking into account secondary markets. Febeliec conceptually can still not understand how an identical asset's adequacy impact is considered by Elia in its derating approach to change (in some cases) drastically between years and auctions, with enormous impacts on not only their own eligible volume and business case, but also the overall cost of the CRM, while during the delivery periods, these identical assets could be providing identical adequacy benefits, which are not considered identical because of different derating factors calculated ex ante (and sometimes multiple years ahead). Moreover, it remains unclear which derating factors should be applied in secondary markets for any such identical assets with (sometimes fundamental) differences in derating factors over time during the pre-delivery period.

Febeliec is also lost regarding the concept of partial reduction of the volume for later auctions, as it is unclear from the Functioning Rules how this should be calculated and which impacts are to be expected from such approach. Febeliec is also not certain regarding the need of this approach nor the correctness of it.

Regarding announced unavailability, while Febeliec can accept an approach with a cumulative number of calendar days per delivery period, in order to cover e.g. for maintenance periods, Febeliec does not understand allowing for such announced unavailability during the winter period and definitely not for a total of 25 calendar days (while Febeliec does not want to pronounce itself on the overall total per delivery period of 75 days as proposed by Elia). Febeliec finds it, as also mentioned during the meetings of the WG Adequacy, quite counter-intuitive to allow assets selected in the CRM for adequacy concerns, which occur almost exclusively during the winter period, to be unavailable for almost one full calendar month and this potentially during critical periods. Participation to the CRM should not be a free lunch and especially during the winter period unavailability of participants should not be lightly condoned but rather be discouraged to the extent possible. Febeliec wants to remind that no assets owners are obliged to participate in the CRM and could thus, if their assets would be prone to unavailabilities during the winter period, opt to not offer them into the Belgian CRM and keep them running in the market. The aim of the Belgian CRM is to ensure system adequacy, not provide remuneration for assets which might not be suited to fulfil that role during the critical winter periods.