

## **Febeliec answer to the FPS Economy consultation on the project of Royal Decree CRM Methodology**

Febeliec would like to thank the FPS Economy for its consultation the proposal for modification of the Royal Decree Methodology regarding the Belgian CRM.

Febeliec is not in favor of organizing yet another CRM auction, this time a Y-2 auction, as it comes with several drawbacks and potential pitfalls.

First of all, by organizing too many auctions, liquidity might get divided and thus reduced in each of those auctions, leading to an unnecessary cost increase through less competition.

Secondly, by taking away part of the volumes previously reserved for the Y-1 auction, the remaining volumes for this latter auction, specifically focusing on existing assets and in particular also demand side response, might greatly decrease or even theoretically become zero or even negative. Indeed, any overestimate of the capacity needs in calibrations for Y-4 and/or Y-2 auctions, especially in a context of declining electricity consumption volumes as can be seen for the last decade and certainly for the last year(s) (a.o. because of the on-going energy crisis and related economic downturn), could lead to a severe erosion of the remaining Y-1 volumes to be contracted. This in its turn could be an indication, especially if participation to the auction greatly surpasses the requested capacity, of an over-procurement in earlier periods/auctions and thus an undue increase of costs for consumers.

Thirdly, Febeliec was very surprised to see in the consultation document that the FPS Economy warrants the organization of a Y-2 auction based a.o. on the needs for demand side response. However, Febeliec remains of the opinion that for most, if not all, of these assets a Y-1 auction provides sufficient time (and for all other assets, a Y-4 auction also exists). Febeliec however most strongly wants to draw the attention towards a clear barrier for participation of demand side response, which is the still lacking exemption of the payback obligation. Moreover, Febeliec also wants to refer to its comments on the multi-year contracts and the related investment thresholds, both for new and existing capacity, where it considers the approach to be not technology-neutral. Regarding the classification method, Febeliec wonders why for existing capacities the number of categories for existing assets is limited to 1 year and 8 year, with the omission of 3 years and 15 years which also exist for new capacities. Regarding the costs that can be taken into account for the investment thresholds, Febeliec remains very strongly opposed to the proposal to not take into account those costs for the increase of production or storage of goods other than electricity as well as any other investment for which the primary goal is not offering electrical capacity to the Belgian electric system (as such explicitly mentioned in the consulted document), as this introduces at bare minimum a barrier for participation for demand side response and in its most stringent application a discrimination regarding eligible costs with respect to other assets. This comment also applies, and has many times been made, regarding new capacities and is as such not limited to only the scope of existing capacities. Costs for generation capacity or batteries are completely eligible, but investments in demand side response, by for example adding buffers in the processes, storing (intermediary) goods, investing in the extension of production capacity so to be more flexible with the production levels and thus mimicking the behavior of batteries, adding control equipment and so on, are excluded, thus in effect making participation to the CRM of demand side response even more difficult than it already is today due to other barriers, such as the payback exemption mentioned above. Febeliec understands that the inclusion of such investment costs as eligible costs could have an impact, but believes that through increased competition in the framework of the CRM as well as the application of a merit order approach this effect should to a large extent, if not completely, be mitigated. Febeliec also request that the Royal Decree Methodology is amended to ensure that the above-mentioned level playing field regarding eligible costs is also reflected in the relevant articles.

In any case, Febeliec strongly insists that in case the volume determination for a possible Y-2 auction would lead to a very small required volume, such auction would not be organized and this to avoid the above issues as well as saving on the costs related to such auction, both for the organizer as well as the participants. Moreover, Febeliec remains sacrosanct about the need for technology-neutrality and maintaining a correct level playing field to ensure maximum participation and thus competition in order to strive for the lowest possible cost of the CRM, in line with the related criterion in the law.

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*Febeliec represents corporate energy consumers in Belgium for whom energy is a significant component of production costs and a key factor of competitiveness. Febeliec strives for competitive prices for electricity and natural gas for its members, and for more security of energy supply in the context of the energy transition. Febeliec's members are 5 sector federations and more than 40 companies from various sectors (chemistry and life sciences, petroleum products, glass, pulp & paper and cardboard, mining, textiles and wood processing, brick, non-ferrous metals, steel, transportation, construction materials, data centers, telecommunications). Together they represent some 80% of industrial electricity and natural gas consumption in Belgium and 225.000 jobs ([www.febeliec.be](http://www.febeliec.be)).*

Regarding the consultation document, Febeliec has also identified several strange formulations in the Dutch version, which it considers due to translation issues (e.g. *“door Elia opgerichte start-ups”*, *“aantal bijkomende start-ups”*, *“minder bedrijfsuren of starts”*, ...). Either these should be corrected or their meaning clarified.