

Febeliec answer to the FPS Economy consultation on techno-economic analysis of the elements of the CRM

Febeliec would like to thank the FPS Economy consultation on techno-economic analysis of the elements of the CRM. Febeliec would like to state that it has made numerous comments and delivered a lot of input towards the Belgian CRM, during the meetings of the WG Adequacy organized by Elia, public consultations and bilateral and multilateral meetings, and wants to highlight that these comments, insofar not explicitly addressed, still remain actual even if not all comments would be covered in this consultation answer, as this consultation only focuses on a very small part of the Belgian CRM and its performance. Febeliec is also surprised that the report of Compass Lexecon is not provided in itself, which makes it difficult to give an extensive insight into their comments and results.

Febeliec wants to stress that the only goal of the Belgian CRM should be to safeguard security of supply, and this at the lowest possible cost, as clearly specified in the Electricity Law. Any other objective or any outcome that does not lead to the lowest possible cost is not in line with the legal obligation. Febeliec also wants to stress that not all capacity should participate to the CRM to ensure security of supply, as a lot of capacity will presumably continue to participate to the markets, and this because the CRM comes with a whole set of stringent requirements, obligations and penalties, but also because they believe that market conditions will be more favorable to them than the CRM framework. Febeliec also wants to refer to its manifold comments throughout the development of the CRM regarding the central role of BPs, as it is their sole task to ensure that a balance is kept between the energy sold and the energy sourced, with Elia only being responsible for residual imbalances. If all BRPs adequately perform their mission, no adequacy concerns should even exist. Febeliec remains concerned that the instauration of the Belgian CRM will lead to an erosion of the responsibilities of BRPs and their endeavors regarding maintaining balance in their portfolios, and this at the detriment of the overall system cost and thus society. This issues becomes even broader in case of overprocurement of capacity in the CRM, as this would completely erode or even annihilate the business case for flexibility, in particular demand side response and storage, thus in the end creating a self-fulfilling prophecy of adequacy and system operation issues and an exploding overall system cost.

Febeliec also wants to take this opportunity to highlight specifically its comments regarding an exemption of the payback obligation for demand side response, as this payback obligation creates a major barrier for their participation to the CRM, and undermines liquidity. For more explicit details and examples, Febeliec refers to the extensive comments and documentation that has been provided by consumers and federations during the design discussions. Febeliec also wants to refer to the participation to and outcome of recent auctions, showing a severe reduction in appetite for demand side response to participate, due mainly to this issue, leading to a less efficient outcome and undue cost increases. The argument of technology-neutrality should not be used to push certain technologies out of the CRM market.

Regarding splitting the required volumes for the CRM over an ever-increasing number of auctions (T-4, T-1 and now also T-2), Febeliec wants to warn that this could lead to ever-less liquidity in each of these auctions, leading to undue cost increases at the detriment of consumers, while even more perverse situations could arise with hardly any leftover volumes for the T-1 auction and thus not only insufficient competition and non-contracting of available existing capacity but also overprocurement due to contracting of additional new capacities, again at the detriment of overall system costs.

Regarding opt-out, Febeliec considers the current application towards out versus in volumes to be too much stringent towards not including volumes in the analysis (thus opt-out out), at the detriment of possible overprocurement of capacity. Febeliec already considers the level of competition in the CRM to be below average, as most capacities are contracted and this at too high costs compared to missing money, insofar any missing money even does exist. Febeliec wants to repeat that the only goal of the CRM should be system adequacy and not de-risking of assets, implying that as long as assets are profitable over their entire lifetime, taking into account a correct remuneration in function of the risk profile (which should be lower under a CRM), no missing money exists, when good and more challenging years even each other out over time.

Regarding the comments on the approach with a declared market price, Febeliec wants to highlight that in case participants only have very high declared market price and thus are not activated in markets whenever prices do not

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).

reach those levels, they will be exposed to more frequent test, which are not remunerated and which come at a cost, in some cases substantial, for those participants.

Regarding penalties and impact for non-delivery of contracted volumes in due time, Febeliec also wants to draw the attention towards the potentially huge impact for society. Indeed, if the CRM were to be correctly calibrated without any overprocurement, such unavailability could lead to problems with system adequacy, brownouts or even in the most extreme case blackouts. Hence the need for sufficient certainty, through a range of incentives, to ensure timely delivery of contracted volumes. A mere slap on the wrist would probably not guarantee punctual delivery. Febeliec understands that this creates potentially additional risks for CRM participants, but insists that these risks should be possible to be managed, and also insists that participation to the CRM is not mandatory, meaning that market actors wanting to avoid such issues can just remain in the market, which also implies no payback obligation or any penalties whatsoever. Febeliec also wants to refer to the Irish CRM, where a lack of sufficient safeguards has led to a lot of contracted capacity leaving the CRM framework altogether, with potentially disastrous effects and/or cost increases in later auctions. A too laxist approach could even lead to perverse effects where capacity contracted in earlier auctions would be retracted to open up more capacity at higher margins in later auctions, and any market gaming should be avoided at all costs as it would not only unduly increase overall system costs, but also undermine confidence in the CRM as a whole.