

Febeliec answer to the CREG consultation on the Functioning Rules for the Belgian CRM V4

Febeliec would like to thank CREG for this consultation on its proposal for changes of 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, made during previous consultations as well as all related meetings of the WG Adequacy of Elia, which are also reflected in the Functioning Rules. Febeliec will not dive into 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.

On the topic of the payback obligation and the payback exemption for Demand Side Response which is being discussed, Febeliec appreciates the effort taken in the Functioning Rules to provide for the implementation hereof if a formal decision is taken in due time by the European Commission regarding approval of this exemption. Febeliec wants in this context refer to its comments on this topic, but will not repeat them here, also due to constraints imposed by CREG on the length of the answers to this consultation. Febeliec however most strongly insists that any such payback exemption would also be applicable retroactively, so also for all capacity contracts signed during previous auctions by demand side response, as its is clear that this issue also exists for those providers. Moreover, this would be in line with other retroactive applications which have been included, to avoid any discrimination in this regard for demand side response providers in the Belgian CRM.

Regarding the introduction of a Y-2 auction, Febeliec is still not convinced of the relevance of this auction and also wants to refer to its numerous comments on this topic, as such auction risks not only to split liquidity over too many auctions, with negative effects on competition and thus prices, but also creates, as already indicated before, potential issues with volumes for the Y-1 auction, if e.g. overall Belgian electricity consumption was overestimated or available capacity underestimated.

Febeliec is not going to pronounce itself on all proposed changes, but insists that at some point the Functioning Rules should become more stable, to ensure not only sufficient comprehension by all involved parties, but also to avoid that parties would decide not to participate due to regulatory complexity because of yearly important changes. Febeliec wants to insist that the combination of the Functioning Rules, over 400 pages, in combination with all the other relevant and related documents, becomes an important hurdle for any new participants.

Febeliec also wants to make following more punctual comments:

- Febeliec considers the proposed approach of a calculation of the payback exemption per delivery point not feasible from a practical perspective, as this would lead to a very high administrative overload without any real added value (and Febeliec is not even convinced that this could *überhaupt* be completely done in the way proposed by the CREG).
- Febeliec has understood from the discussions during the WG Adequacy that test would be limited to the time period 7:00-20:00, for numerous reasons, but this does not seem to be reflected in the proposed Functioning Rules.
- Regarding the request from CREG on Flexible Connection Agreements towards Elia, Febeliec wants to refer to the fact that such connections might become more frequent, also taking into account the discussions on this topic regarding the upcoming Network Code Demand Response and urges for caution towards discarding such capacity from adequacy calculations and CRM auctions, as this could severely hamper liquidity in the auctions, but even more worrisome, could unnecessarily and artificially drive up overall needs, which would both lead to undue cost increases for the Belgian CRM and thus going against the legal criteria.
- Regarding the proposed approach by CREG for the treatment of foreign capacities participating to the Belgian CRM, Febeliec is not convinced that the proposed approach with only a subset of this capacity being allowed to participate to the actual auction based on a pre-auction first round is the best approach to ensure highest liquidity and competition and thus lowest prices. Febeliec is interested in seeing how the proposal of CREG would contribute to this criterion.