

Febeliec answer to the Elia public consultation on the scenarios, sensitivities and data for the CRM parameter calculation for the Y-1 auction Delivery Period 2026-2027, Y-2 auction Delivery Period 2027-2028 and Y-4 Auction for Delivery Period 2029-2030

Febeliec would like to thank Elia for this consultation on the scenarios, sensitivities and data for the CRM parameter calculation for the Y-1 auction Delivery Period 2026-2027, Y-2 auction Delivery Period 2027-2028 and Y-4 Auction for Delivery Period 2029-2030.

Febeliec strongly regrets that Elia still does not involve the stakeholders in the development of this methodology, other than the stakeholders imposed by the law (FPS Economy plus coordination with CREG). Febeliec will provide its comments on the consultation but this does not mean that Febeliec agrees with the applied methodology and should in no case be interpreted as such.

Febeliec wants to reiterate its longstanding position regarding the calculation being conducted for just one scenario, with only one specific subset of sensitivities being selected. While Febeliec understands that in the end one final scenario has to be selected for the calibration, Elia could still conduct calculations for multiple scenarios which would allow much better insight in the sensitivity of the results regarding the changes in the scenario. Even though no legal obligation exists for such additional calculations, there also does not exist a legal prohibition for such calculations and they would deliver essential insights for a thorough analysis and selection of the final scenario to be applied. Febeliec insists that it would be wise and prudent to run at least some alternative scenarios, even though there is no legal obligation, in order to provide the necessary relevant input for any governmental decisions.

In general, Febeliec already wants to indicate the lack of much actual data provided by Elia. Many spreadsheets provide hardly any methodology used for the calculation or determination of the data, do still not provide all sources and thus in fact provide hardly any basis to provide input on.

On the different composing elements, and within the short timeframe provided by Elia for the consultation, Febeliec would like to make following comments:

- Individually modelled thermal generation
 - Febeliec has no comments on the specific units presented, but reiterates a longstanding comment on the lack of transparency on the announced (temporary) closure of power plants in Belgium.
 - Regarding decommissioning, Febeliec takes note of several decommissionings listed by Elia, such as Sappi Lanaken, but (see also below) wonders to what extent also the related energy consumption reductions are taken in to account.
- Storage
 - For storage and in particular batteries, no full methodology is available describing volume determination.
 - Moreover, Febeliec is surprised by the proposal of Elia for small scale storage, as currently many new and existing players are active in this domain and the business cases for such batteries, even without CRM, have become very positive. Febeliec considers the proposal from Elia for small scale storage an underestimate and thus not in line with the legal lowest cost criterion.
- Forced outage rates
 - Febeliec does not understand why the forced outage rate of nuclear plants is considered so high, as the two most recent reactors will be maintained, after a very extensive overhaul and investment program, which should lead to positive effects regarding forced outages. Febeliec thus also recommends to apply the proposed sensitivity, with a much lower outage rate (which also at 10% is much higher as the outage rates used for all other technologies, with the exception of the (in the mean time quite dated) turbojets).
- Demand

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 40 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxco Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Janssen Pharmaceutica, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Pfizer, Proxiums, Recticel, Sol, Tessengerlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

- For Demand, Febeliec regrets that currently no data nor assumptions are provided. Febeliec also regrets that this means that the assumptions of Elia on this topic will not be put into public consultation and can only hope that the applied (new and not yet consulted) methodology and results are both robust and correct. Febeliec in this context also wants to refer, sadly enough, to all the announced closures of industrial sites as well as the many sites and investment projects which are currently on hold or questionable, and insist that these are duly taken into account, both on the near future level of electricity consumption as the further in the future expected consumption, as it is clear that electrification effects will only be visible for those consumption sites that survive and remain in Belgium. Febeliec in this context also wants to refer to the study conducted by KPMG¹ last year, in which 24 decision makers from industrial consumers indicate that, to the largest extent, apart from licence to operate investments, hardly any additional investments are being decided, except in certain very specific cases, and this due to the high prices and the competitive disadvantages as compared to a.o. Other regions in the world. Febeliec insist that this is duly taken into account to avoid that through overdimensioning of the CRM the overall Belgian electricity costs would even further increase and thus further unduly hamper the competitive position of Belgian (industrial) consumers.
- Regarding EVs, Febeliec wonders to what extent the proposed increases are not an overestimate, as lately sales numbers of EVs have been declining and EVs appearing in secondary markets seem to be acquired mostly abroad, thus to a large extent not remaining in the Belgian market to increase the overall figures whenever electric (lease) vehicles are to be replaced by new ones.
- Regarding heat pumps, Febeliec also wonders to what extent these figures are not overestimated, as also in this segment installation rates seem to lower, on one side because of lower (residential) electricity costs in comparison to the high of the energy crisis and on the other side due to higher financing costs, impacting the rate of return but also the overall level of affordability for consumers.
- Febeliec hopes that also values will still be provided regarding overall and average peak consumption, and this during moments of scarcity (as a consumption peak during summer to absorb (otherwise incompressible) generation would of course not be relevant for an adequacy exercise. Febeliec wants to reiterate that consumers, when prices are high (in scarcity situations, relevant for the calibration of the CRM) would not continue to consume under normal behaviour, as the recent history has shown that consumers are already to a large extent price sensitive if prices already reach levels of 100s of euros and would presumably be even more price sensitive and thus show higher elasticity when price levels would reach 1000s of euros under scarcity situations, which is the only moment when peak load is relevant for the exercise conducted by Elia in the framework of the CRM calibration.
- For total electricity demand, Febeliec most strongly insist that an analysis is conducted on the quality of Elia's total electricity forecasts during all its adequacy assessments (starting already a decade ago with the strategic reserve analyses) in comparison with the observed reality on the one hand for now historic years with measured values and on changes for future years over the different analyses it has conducted, as Febeliec is convinced that Elia systemically overestimates total electricity demand and thus creates a biased analysis of potential adequacy concerns at the detriment of unwarranted adequacy concerns and unnecessary costs for strategic reserves and CRMs, resulting in an unnecessary and undue additional system cost for consumers. Febeliec finds the approach by Elia non-representative of reality, resulting in a probably severe overestimate of total Belgian demand and thus an overestimate of adequacy needs, which will then result in potentially unnecessary higher costs for consumers (if needs are unnecessarily and artificially increased) who are currently already facing the very negative impact of higher energy bills.
- Demand Side response
 - Febeliec regrets that, also related to the lack of overall electricity demand, no overall figures for demand side response can be provided. Febeliec regrets that a new methodology, in replacement of the E-Cube study with all its conceptual flaws, will not be put into consultation, nor its results, although both are detrimental to a correct determination of any adequacy concerns.
 - Febeliec continues to wonder, after already having made this comment in several previous consultations, how exactly emergency and other diesel generators will be treated, as it remains unclear if and how such generators are taken into account, and if so, for which volumes. Febeliec wants to stress that in Belgium literally 100s of MWs of emergency generators are installed, with its own members already having massive volumes of emergency generators (in at least one case even 100s of MWs for certain grid users), not even taking into account the 100s of MWs installed at a.o.

¹ <https://www.febeliec.be/data/1696843676KPMG-Report-Febeliec-October-2023.pdf>

hospitals, where a CREG study indicated an installed capacity of at least 200 MW. Febeliec explicitly asks that Elia finally provides some clarity on this element and its inclusion in the analysis.

- Balancing capacity
 - Febeliec regrets that Elia takes every year higher volumes of balancing capacity to be reserved, while at the same time watering down certain balancing obligations for BRPs (e.g. Day Ahead balancing obligation). As Elia considers needs for balancing capacity to rise over time, it should rather strengthen balancing obligations, in order to avoid that evermore capacity needs to be contracted and paid for by consumers.
 - Febeliec insist that the impact of cross-border balancing capacity should be taken into account as reduction factor for balancing capacity needs, all European balancing platforms should be functional and thus should reduce the balancing capacity reservation needs. At the same time also inter-TSO capacity must be taken into account. Moreover, Febeliec also wants to point to studies in the framework of regulatory incentives conducted by Elia, which could result in less or no reservation of balancing capacity, while this impact is not at all taken into account in this report.
- Flow-based domains
 - Febeliec agrees that for the minimum minRAM 70% is chosen (although Febeliec insists that this value is a legal minimum and TSOs should strive to do better as consumers pay for 100% of the (cross-border) infrastructure). Febeliec also opposes any value below 70% as his 70% is a strict legal requirement.
 - On cross-border capacities, Febeliec does not see any information on which future grid (based also on investments) is taken into account, which is a.o. very relevant in light of many recent announcements (e.g. on hybrid offshore grids).
- Other countries data
 - Concerning the updates of other countries data, Febeliec takes note that Elia derives information from recent national studies (where it is unclear which cut-off point is taken into account to include or not updates). Febeliec wonders for example to what extent the current proposals which are discussed in a.o. Germany regarding CRM are taken into account.
 - Because of the lack of any overall electricity consumption figures for Belgium, it is difficult to validate whether similar trends can be observed.
- Climate years
 - On climate years, Febeliec can only reiterate its known comments on the blackbox approach of Elia by applying the forward looking model of Météo-France, which also incorporates policy choices regarding climate scenarios and is as such not a neutral model. Moreover, Elia refers to ERAA but a.o. ACER has voiced also concerns about the approach chosen by ERAA in this domain as well as the underlying database.
 - Febeliec again proposes to include a scenario where the historic approach, with only 30 historic climate years (and also listed as an option in the European framework) is followed, to see what the impact is of the chosen approach compared to the previous approach, to get a feeling for the implications of the blackbox that is now applied by Elia.
- Sensitivities menu
 - On sensitivities, Febeliec strongly regrets that Elia only calculates one single configuration of the base scenario and a combination (or one single) sensitivities. This approach does not provide for additional meaningful insights by comparing different constellations, which would however be very useful.
 - On the sensitivities on UK and French nuclear availability, and as already discussed in the past, Febeliec remains surprised that this is even included, as UK and France already have a CRM in place, guaranteeing the adequacy of the UK and France and according to the ERAA methodology, NRAAs can only take into account national impacts and not those cross border. Febeliec insists that, taking into account the very high effort put on nuclear availability and nuclear extensions, that at least no sensitivities are chosen which would, by themselves, exacerbate the adequacy concerns in Europe, as governments seem increasingly aware of the impact of nuclear and are taking all the necessary steps to ensure sufficient availability, also in light of the huge impact of the high prices during this energy crisis on households as well as industrial consumers. A similar reasoning applies to other generation assets, such as the Cordemais plant. On nuclear capacity, Febeliec also wants to stress that there is ever less a link between the overall production volumes of nuclear (in France but also elsewhere) and the contribution to peak demand during periods of adequacy concerns, as incompressibility issues during a.o. summer could lead to fuel-saving scenarios, lowering overall generation volumes but not

- necessarily availability during scarcity moments. Febeliec insist that such effect is duly taken into account, in order to avoid erroneous conclusions which would negatively impact the overall costs.
- On the flow-based CEP rules sensitivity, Febeliec opposes the inclusion of any sensitivity which would reduce the minRAM below 70% as this the minimum threshold. Febeliec already considers the fixed RAM 70% a very conservative approach by Elia. Febeliec also wants to refer explicitly to the ACER Opinion on this topic which has recently been released, calling for more action for Commission and Parliament to ensure that the targets are met.
 - Febeliec regrets that there is not even any mention of any possible sensitivities regarding lower demand in Belgium, due amongst other due to lower investments in industrial consumption. While no figures are provided by Elia, it is clear that such sensitivities should be considered to avoid undue overprocurement of capacity at the detriment of costs for consumers.
 - As mentioned above, Febeliec insists that the sensitivity on nuclear forced outage rates is taken into account and refers to the comments above.
- On preselected capacity types, Febeliec does not understand why OCGTs or other generation technologies are excluded for 2025-2026 (e.g. small diesel engines) and why other technologies as small-scale storage are not at all considered. Moreover, Febeliec remains puzzled why only demand side response with a SLA of 4h is considered, where many more categories exist.
 - Scenarios post DY
 - Febeliec regrets that Elia has not foreseen data or an analysis for every year in scope, specifically for 2028 but more importantly for none of the years between 2034 and 2040, where merely an intrapolation seems to be used although this according to Febeliec does not provide a sound enough basis for the needs for the CRM, as any auction could lead to a very high and unnecessary overprocurement of capacity if only a very limited number of years would be identified with potential adequacy concerns (e.g. also due to the impact of all announcements for additional investments, which could greatly limit the need for assets with long subsidy cycles, which would then erode the business cases of other asset and technology classes).
 - On the intermediate price cap, Febeliec wants to reiterate its comment on the arbitrary and too limiting selection of technologies by Elia , as this excludes many technologies (e.g. large and small scale batteries, demand side response with other SLAs, ...) and insists that the scope is extended to ensure that the CRM does not lead to unwarranted costs, in breach with the legal lowest cost criterion.
 - Revenue parameters:
 - Febeliec continues to have problems with the approach by Elia, as balancing revenues are not taken sufficiently into account. Febeliec, as mentioned above, considers the technology list for the determination of the IPC to be too restrictive and in combination by e.g. not taking into account FCR revenues or aFRR revenues, the business case of storage is largely underestimated and thus also the larger deployment of this technology as compared to Elia's forecasts in the past.

General Conclusion

Febeliec as always remains available to discuss its comments to this consultation and the input data, but also still remains available to discuss the methodology. Febeliec is looking forward to the qualitative and especially quantitative results of the adequacy study from Elia and hopes that these will be presented and discussed.