NON-CONFIDENTIAL Version

ENGIE thanks the CREG for the organization of a consultation on the IPC Derogation template for the upcoming auction. In this respect, ENGIE fully supports the FEBEG position and would like to draw the particular attention of the CREG on some additional elements. [Confidential]

First of all, **ENGIE is very surprised to read the proposal of the CREG to remove some important blocs of costs from the missing money computation**. In particular, the CREG proposes to **exclude the overheads, local taxes, rental fees and fixed electricity offtake costs**. The reason provided by the CREG is the need for an alignment between the IPC methodology and the IPC derogation. However, ENGIE cannot agree with this proposal[1]: it is not because the consultant AFRY, helping Elia in the determination of the costs, did not consider (forgot?) some costs that these do not exist. In practice, these costs are real and supported by the concerned assets and must therefore be integrated in the missing money computation [confidential]. **ENGIE could support in the future (so certainly not for the next T-4 auction) to strive towards a better alignment between the IPC methodology and the IPC derogation request's methodology in light of the evaluation of the right of a requestor to derogate from the IPC, but only after a new market concertation on the IPC and IPC derogation topics and after a thorough review of the Afry study**. Indeed, this first study of Afry was performed at a moment where the derogation modalities were not yet discussed. It would not be fair to fully align those topics today without having informed market parties upfront in the design discussions. Furthermore, the alignment will never be perfect as each asset/company has its specificities and the derogation request & bid is on an individual basis.

[confidential]

ENGIE finds the proposal of omitting some costs very problematic because the missing money computation in the CREG file will limit the level of the bid in the auction (cf. Royal Decree 'Methodology'). As FEBEG also pointed, as there is a direct link between the CREG template and the bid level, all the relevant costs for a capacity holder needs to be taken into account in the missing money computation.
ENGIE is in the opinion that the Royal Decree should be reviewed so that the implicit bid cap based on the IPC derogation template should be removed. [confidential]

In addition, ENGIE also recommends the CREG to limit the data to be provided in the template to the data which is absolutely required for the analysis of the CREG (which focuses on the costs and constraints' assessment but not on the revenues). [confidential]

Finally, ENGIE would like to **highlight some positive evolutions in the template and instructions** such as the evaluation of linked CMUs, the improved categorization of fixed O&M, the clarification of the notes.

Additional remarks:

- **Application per linked CMUs**: ENGIE supports the possibility to provide data at the level of the asset (in the case of linked CMUs). Dividing the costs per CMU can be very artificial and work-intensive when it comes to thermal assets. The costs are generally considered at the level of the asset [confidential]

[1] Extract CREG consultation document: "*The cost categories included in the derogation request must correspond to the categories taken into account in the AFRY study "Peer Review of "Cost of Capacity for Calibration of Belgian CRM" Study", on which Elia based its recommendation of the intermediate price cap in its calibration report. Thus, overheads, local taxes,* rental fees and fixed electricity offtake costs are explicitly excluded"

- **Indexation of costs:**

    - ENGIE does not agree that staff and wages costs should both be subject to the growth of the consumer price index (CPI) forecasted by the Federal Planning Bureau. The sector of electricity generation requires and needs to attract very specific and technical profiles. In addition, the CPI will not reflect the yearly wage increase as part of the performance management. Therefore, companies should be allowed to provide their own percentage increase for which the pertinency can be demonstrated based on, for instance, historical data.
    - ENGIE proposes an alternative methodology for the indexation of prices which are fixed per calendar year before the year of delivery (see excel file in appendix). For the indexation to apply for the Delivery Period November 2026 – October 2027, Engie proposes a formula based on the average price of 2026 or on the average prices of 2026 and 2027.
    - The Federal Planning Bureau has published new 'CPI - inflation forecasts' on 01/03/2022 for the period March 2022 – December 2023. These new forecasts should be taken into account.

- **Historical information**: it is specifically provided that, in case of absence of historical information, CREG will review the costs with an appropriate benchmark. Market parties should therefore not be obliged to provide all data, especially if this data is not relevant for the computation of the IPC. In particular:
    - revenues – up to up to 10 year compared to the delivery period - are also not relevant, since the revenues are anyway computed by ELIA. Also the CREG is not supposed to judge the level of revenues provided by the CRM Candidates. **Only the revenues of the delivery period could be requested (as these would be needed to justify the introduction of a derogation request). Derogation files that only give an estimation of revenues for the Delivery Period should not be refused/considered incomplete.**
    - Costs' data – up to 10 year compared to the delivery period are not relevant. **2 years of historical costs' data should be a maximum. Furthermore, the data between the delivery period and the auction year should not have to be provided as** these are not financially closed years.

- **Tests:** only technologies for which Elia computed a cost in its CRM calibration report (in practice only DSM) are allowed to introduce a value for the availability test. In practice, other technologies – which are barely activated in the electricity market – are also subject to tests according to the (very vague) criteria for the availability tests, set in the functioning rules. Therefore, if the CRM Candidate can argument why he assumes that a test is likely for certain technologies, these should be allowed to introduce the related costs.

- **Costs of portfolio management:** The costs linked to the management of a portfolio cannot be limited to delivery points operating in the day-ahead, intraday and balancing energy market. Portfolio management needs to also include forward trading and mid-term power plant portfolio management.

- **Investment costs:** "Each element of this calculation must be supported by third party documents (quotation, contract or invoice for similar investments,...)". If third party documents are not available [confidential], the CRM Candidate should be allowed to demonstrate the level of those costs based on other justification pieces [confidential]

- **Potential requests for further Information**: the CREG needs to be reasonable in the type of requests to the market parties, given the limited time to respond to those requests and the period at which they will be launched (summer with a lot of employees on holidays). Also, requesting information to third parties will take for more time than compiling data internally. Market parties should be able to provide any justification piece they deem relevant [confidential]

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