

Formal reply Elia regarding the CREG draft decision (B)2356 on the formal requirements for a request for a derogation from the intermediate price cap

Elia – March 17, 2022



Table of content

Table of content	2
1. Introduction	3
2. Remarks regarding additions and deletions	3
3. Remarks regarding the application of the WACC	4
4. Remarks regarding the wording	4

Confidentiality: This document does not contain confidential information.

1. Introduction

In the framework of the Belgian Capacity Remuneration Mechanism (CRM), a capacity provider has the possibility to apply for a derogation of the Intermediary Price Cap (IPC), which, if successful, allows him to obtain a capacity remuneration that exceeds the initial limit imposed by the IPC. To demonstrate that he is eligible for such a derogation, it needs to be demonstrated that the IPC is not sufficient to cover the missing money of the CMU in question. To that extent, the capacity provider needs to furnish all the data necessary to perform this exercise.

The CREG provides a form that capacity providers need to fill out with all data relevant for the IPC derogation. The CREG wishes to update the formal conditions that must be met by a request for the derogation and decided to organize a public consultation based on a draft decision.

In this note, Elia would like to provide its remarks on the proposal made by CREG. This note is structured as follows: firstly, Elia takes note of several elements that were added or deleted compared to the requirements from last year. Secondly, Elia wishes to share some remarks with regards to how these elements are then processed, in particular for the application of the weighted average cost of capital. Lastly, some remarks on the wording in the different languages are added.

2. Remarks regarding additions and deletions

In the “Application Details” sheet, it looks like some corrections should be made regarding the derating factors:

- The derating factors “Category I SLA 5h” and “Category I SLA 7h” are missing;
- The derating factor “Category I SLA 6h” value is not correct. The CRM calibration report precise that its value is equal to 77% and not 73%.

Elia takes note that the efficiency has been well updated from “% HHV” to “% LHV” and thanks CREG for the update which will make Elia’s calculation more straightforward.

Regarding the cost, Elia notes that some elements are missing compared to IPC derogation files from the previous auction (e.g. local taxes, gas logistics optimization) and would like to know if it has been simply removed or if it should be considered as transferred in another cost category.

Still regarding the cost, Elia notes that a category “Offset Black start costs” has been added compared to IPC derogation files from the previous auction. This does not seem to be in line with the current legal framework as it is not foreseen in the Royal Decree Methodology. Therefore, Elia wonders if this category can indeed be added.

Regarding the revenues, Elia notes that the category “Avoided offtake costs due to running the plant” has been added compared to IPC derogation files from the previous auction and would like to know if it has been simply removed or if it should be considered as transferred in another revenues category.

3. Remarks regarding the application of the WACC

Elia observes that the CREG has adapted the application of the weighted average cost of capital (WACC). Elia finds that the proposed adaptation is not in line with the RD Methodology as the proposal only allows the applicant to submit one single WACC for the entire Missing Money calculation in the tab “Application IPC Derogation”. However, the WACC can vary depending on the investment, and the law explicitly allows the applicant to submit a different WACC for different investments.

Art 22, § 2, 2° “(...) Voor elke investering dienen minstens de volgende gegevens te worden aangeleverd : totale investeringskost, financieringskost inclusief gewogen gemiddelde kapitaalskost, economische levensduur van de investering, motivatie m.b.t. de relevantie voor het leveren van de dienst, realisatiejaar van de investering en geannualiseerde kost die daaruit voortvloeit”

4. Remarks regarding the wording

Finally regarding the wording, Elia would like to provide some comments regarding the terminology that is being used:

- For the FR form :
 - o “coûts variables d’entretien” should be renamed to “coûts variables de maintenance”;
 - o “facteur d’efficacité” should be renamed “rendement énergétique”. For a battery, we speak about a « rendement de charge-décharge » and for a PSP, “rendement de pompage-turbinage”;
- For the NL form:
 - o In the “Aanvraaggegevens”-tab, “Derating Factor” should be translated as “Reductiefactor” rather than “Declasseringsfactor” in order to be in line with the definitions from the Electricity Act;
- For the EN form:
 - o In the “Application IPC Derogation”-tab, a distinction is made between “Income” and “Revenues”, whereas this is always translated in French and Dutch as “Revenus” or “Inkomsten”, respectively. Elia would like to know whether there is a particular reason for the use of these two different concepts in the English version.