

# CRM Prequalification Process

12/05/2021



## Disclaimer

*This document constitutes a presentation for the Belgian Capacity Remuneration Mechanism (CRM) and is to be considered as an educational document facilitating understanding of all other CRM documents, which together form the official legal and operational framework. As an introduction to the CRM, the presentation sets out the wide range of principles governing the mechanism as a whole, focusing on the outlook for 2021 and purposely simplifying some items to facilitate understanding. Elia refers any readers wishing to gain a complete understanding to all relevant legal, regulatory and contractual frameworks, some of which still need to be approved and/or adopted.*

*This document has no legal value and if it is in any way inconsistent with existing legal or regulatory documents, then the latter shall prevail.*

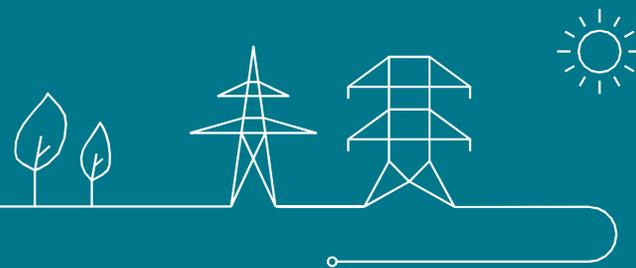


# Agenda

- *Introduction to the CRM*
- *Prequalification Process*
- *Different Prequalification Processes*
  - *The Fast Track Prequalification Process*
  - *The Standard Prequalification Process*
  - *The Specific Prequalification Process*
- *CRM Auction*
- *Capacity Contract*

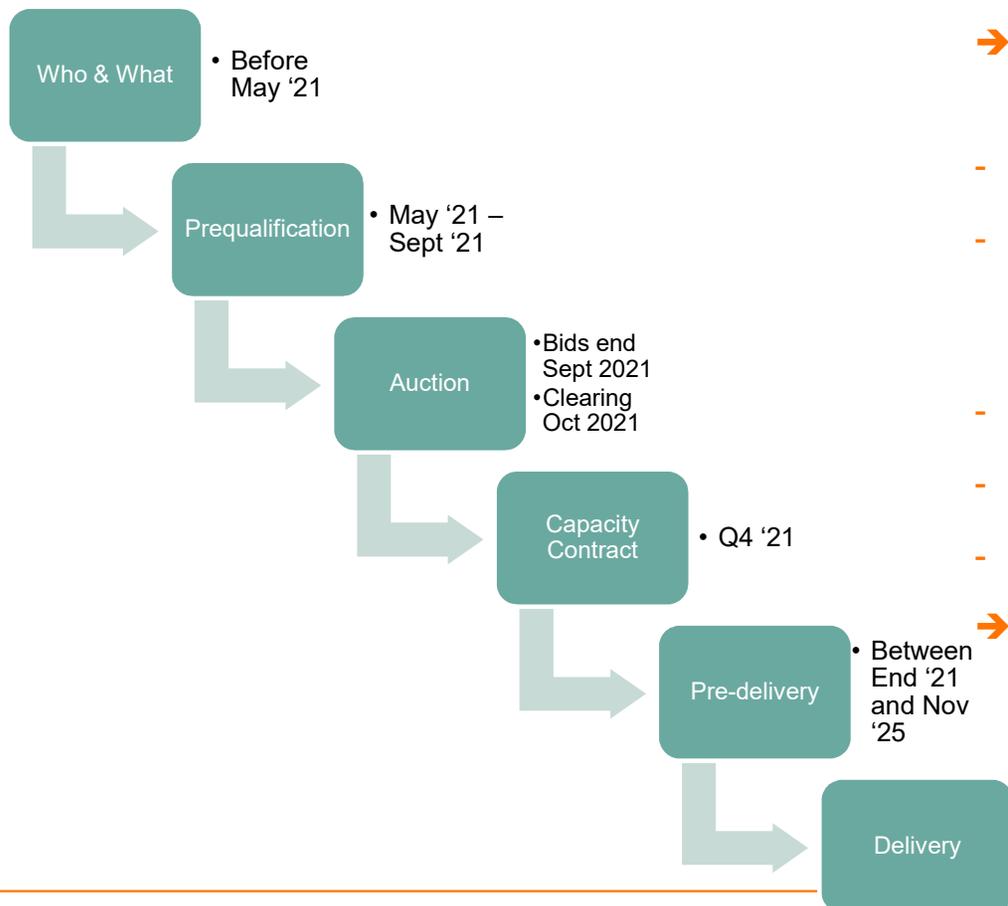


# Introduction to the CRM



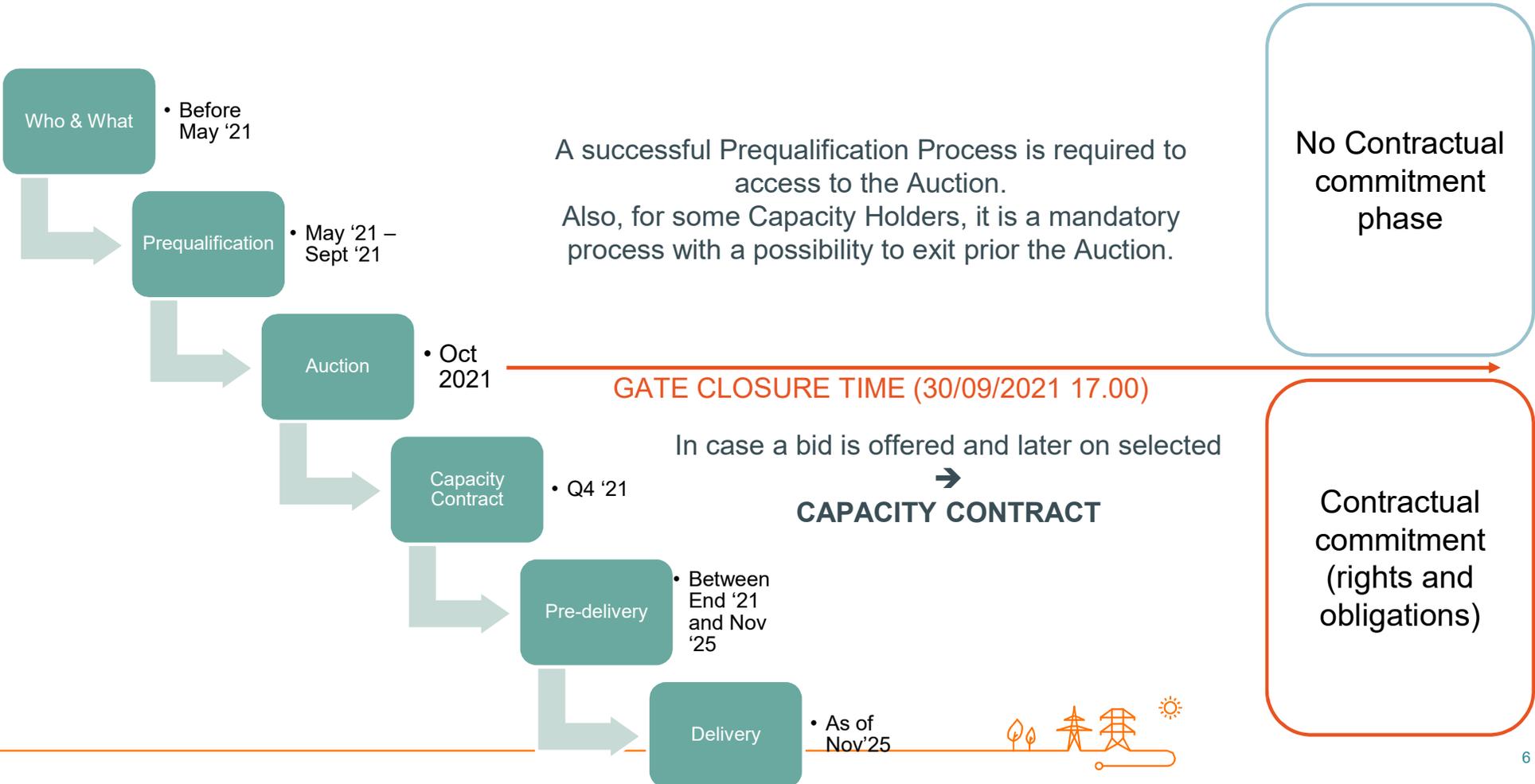
# Introduction to the Capacity Remuneration Mechanism ('CRM')

## → The CRM sequence (2021 perspective):



- The CRM is a new financial supporting mechanism of the Belgian Authorities to support the national Adequacy
- For the capacity holder of **Eligible Capacities**
- Who intends to provide, under certain conditions, (the) **Availability of its Capacity(ies)** (Production, storage or Demand side response) in the Market
- Against **Remuneration**
- And for specific **Delivery Periods** (bloc of 1 year) as of Nov '25
- Awarded in a market-wide **Auction**
- First Delivery Period is one year starting November 2025, supported by 2 preliminary Auctions (under Ministerial instruction):
  - Y-4 Auction: '4 years ahead' → *First on Oct. 1<sup>st</sup> 2021*
  - Y-1 Auction: '1 year ahead'

# Introduction to the Capacity Remuneration Mechanism ('CRM')



CRM elements may change, are presented for information purposes only, and are based on Elia understanding on 10/05/2021 (see Disclaimer)

## General overview

The main objective of the presentation is to highlight the customer obligations and possibilities in the Capacity Remuneration Mechanism (hereafter 'CRM') Prequalification Process foreseen in 2021.

The two first phases of 2021 are composed of the:

- **Prequalification Process** allowing a participation in the Auction and started last Friday 7<sup>th</sup> of May '21 @ 17h
- **Auction**, a market-wide bidding procedure with a selection of the offers leading to a CRM Capacity Contract

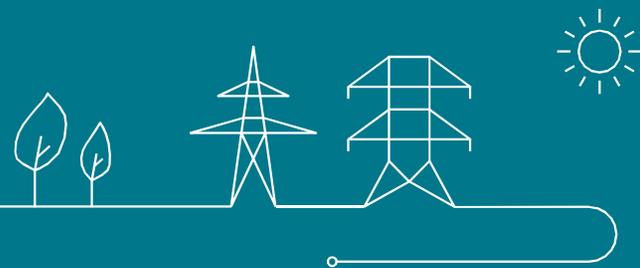
In some cases and under certain conditions, the capacity holder is obliged or may enter the Prequalification Process.

It is never mandatory to participate in the CRM Auction, therefore, until the Auction Gate Closure Time (30/09 17.00 and 30/09 9am for Opt Out modification), such Candidate has **different alternatives to stop** (fully or partially) its participation to the Auction.

Elia CRM webpage: <https://www.elia.be/en/electricity-market-and-system/adequacy/capacity-remuneration-mechanism>



# Prequalification Process



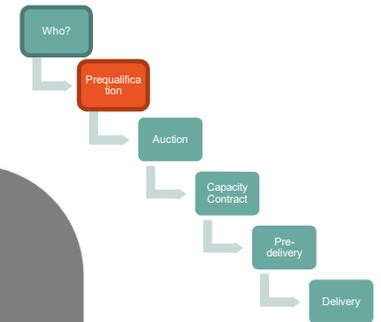
## CRM Prequalification Process objectives

The **Prequalification Process** aims to ensure, for the Capacity Holder, its compliancy with Functioning Rules requirements

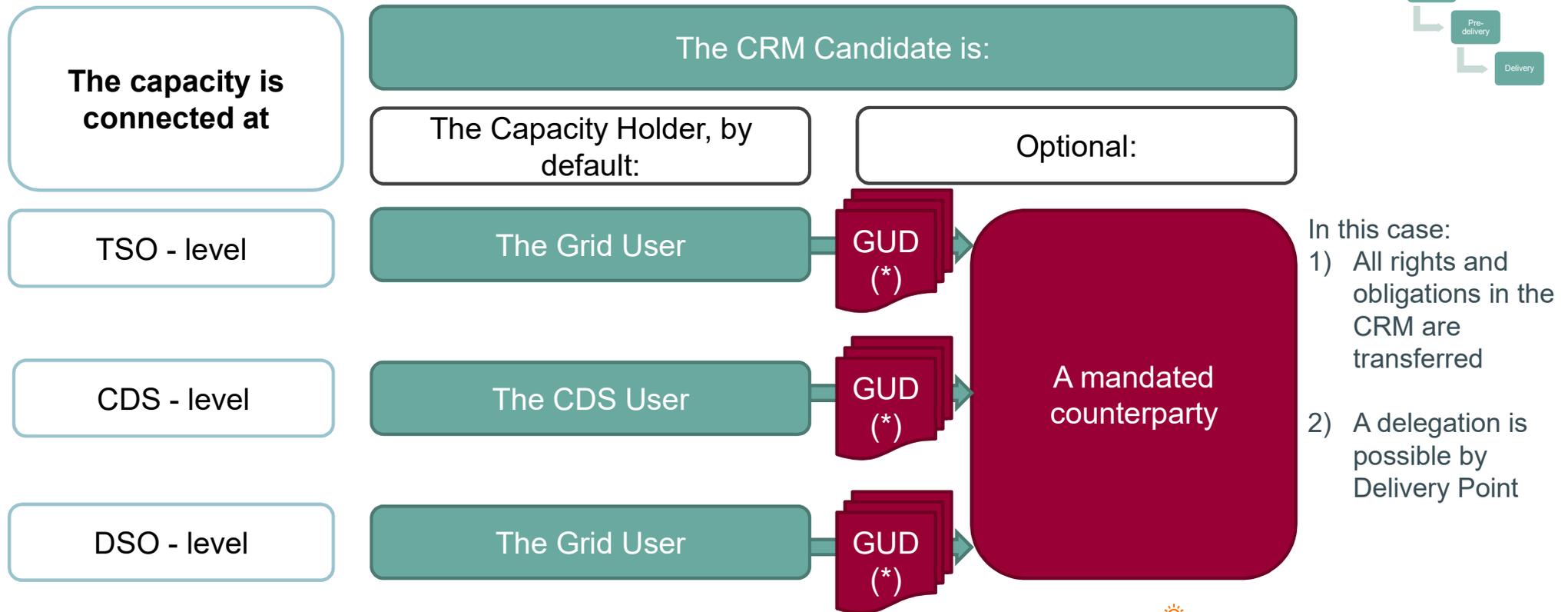
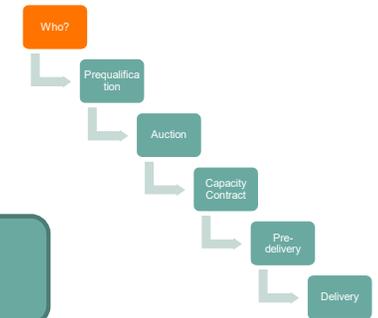
- Either by processing the adequate Prequalification process(es) until **the submission of an offer in the Auction**
  - Process standard, or
  - Process specific
- Or by processing a **Fast Track Prequalification process to exit**

The **objectives** of the Prequalification process(es) are the following

- Collecting adequate and correct data related to each CRM Candidate capacities
- Determining the volume to be submitted by CMU during an Auction (Eligible Volume)



# Who is prequalifying in the CRM?



\* Grid User Declaration document to be signed



## Prequalification Process terminology: derating factors (Y-4 2021)

All technologies are allowed to participate to the CRM ('market-wide')

However are subject to a derating factor (\*) representing the technology enhancement of the security of supply

<https://economie.fgov.be/sites/default/files/Files/Energy/CRM-bijlage-reductiefactoren-veiling-10-2021.pdf>

Catégorie I : catégories d'accords de niveau de service (SLA) / Categorie I : categorieën met overeenkomsten inzake dienstverleningsniveau (SLA)	
Sous-catégorie (durée de disponibilité en heures) / Subcategorie (beschikbaarheidstijd in uren)	facteur de réduction/reductiefactor (%)
1	11
2	19
3	28
4	36
6	52
8	65
illimité/onbeperkt	100
Catégorie II : technologies thermiques avec programme journalier / Categorie II: thermische technologieën met dagelijks programma	
Sous-catégorie / Subcategorie	facteur de réduction/reductiefactor (%)
turbine à gaz cycle combiné/gasturbine gecombineerde cyclus	91
turbine à gaz cycle ouvert/gasturbine met open cyclus	90
turbojets/turbojets	96
moteurs à gaz / gasmotoren	95
moteurs à diesel/ dieselmotoren	93
centrale de cogénération/warmtekraachtkoppelingsinstallatie	93
biomasse/biomassa	93
déchets/afval	93
nucléaire/kernenergie	96
charbon/steenkool	90

Catégorie III : technologies à énergie limitée avec programme journalier / Categorie III : technologieën met beperkte energie met dagelijks programma	
Sous-catégorie (durée de disponibilité en heures) / Subcategorie (beschikbaarheidstijd in uren)	facteur de réduction/reductiefactor (%)
1	11
2	19
3	28
4	36
5-6	52
7-8	65
Catégorie IV : technologies dépendantes des conditions climatiques / Categorie IV: van de weersomstandigheden afhankelijke technologieën	
Sous-catégorie / Subcategorie	facteur de réduction/reductiefactor (%)
éolien offshore / offshore wind	15
éolien onshore / onshore wind	6
solaire/zonne-energie	4
hydraulique / hydro run-of-river	34
Catégorie V : Technologies thermiques sans programme journalier / Categorie V: Thermische technologieën zonder dagelijks programma	
Sous-catégorie / Subcategorie	facteur de réduction/reductiefactor (%)
technologies thermiques agrégées / geaggregeerde thermische technologieën	62



## Prequalification Process terminology: derating factors

Here are some examples :

A production unit 1: CHP of 27 MW, connected on the TSO (Elia) is under an individual schedule MW obligation (=TSO & > 25MW) (*'with daily schedule' obligation*)

The Derating Factor applicable to the unit is therefore under CAT II:

- CAT II: CHP: 93%
- Capacity after application of the Derating Factor: 25,11MW  
(27 MW \*0,93)

A production unit 2: CHP of 4 MW, connected on the DSOs or TSO (Elia) is not under an individual schedule MW obligation (=TSO & >25MW) (*'without daily schedule' obligation*)

The Derating Factor applicable to the unit is under CAT V:

- CAT V: Thermal: 62%
- Capacity after application of the Derating Factor: 2,48 MW  
(4 MW \*0,62)
- Note that an SLA of CAT I: can be selected instead in the Prequalification process

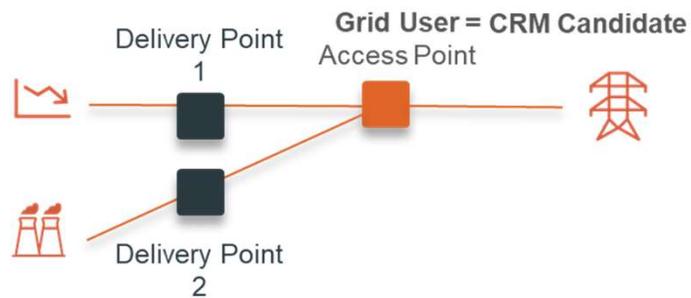
## Prequalification Process terminology: Delivery Points

The Delivery Point ('DP') is the smallest granularity of the CMU ('Capacity Market Unit') which is the generic unit of the CRM



*"A (future) point on an electricity grid or within electrical installations of a Grid User where the Service is or will be delivered..."*

*(Functioning Rules "Delivery Point")*



Could be either a Headmeter or a Submeter in conformity with standard set by Elia

Different statuses:

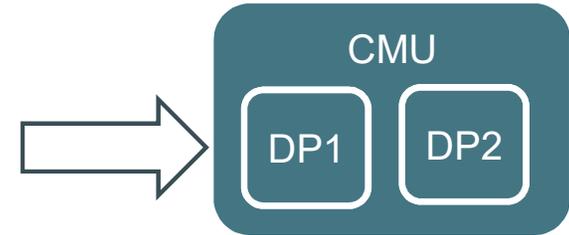
'Existing' DP providing it meets:

Standard metering equipment  
+ All technical agreements

'Additional' DP: for which it is not possible to measure the Nominal Reference Power (under metering requirement) at the moment of Prequalification Process

## Prequalification Process terminology:

A **CMU** ('Capacity Market Unit') is the CRM participation unit



### Composition

- Individual CMU
  - = **One capacity** (DP)
- Aggregated CMU
  - = **Several** associated capacities (DPs)

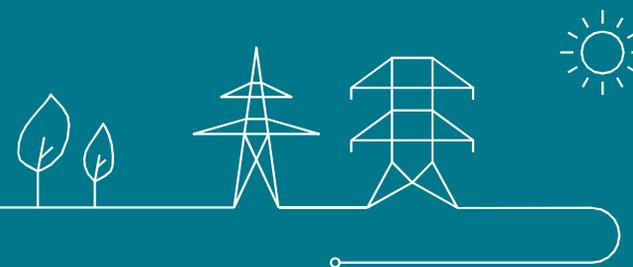
### Status

- The CMU is **Existing** if it contains solely Existing delivery points
- The CMU is **Additional** if it contains at least one Additional delivery Point
- The CMU is **Virtual ('VCMU')** if it contains no Delivery Points (yet)

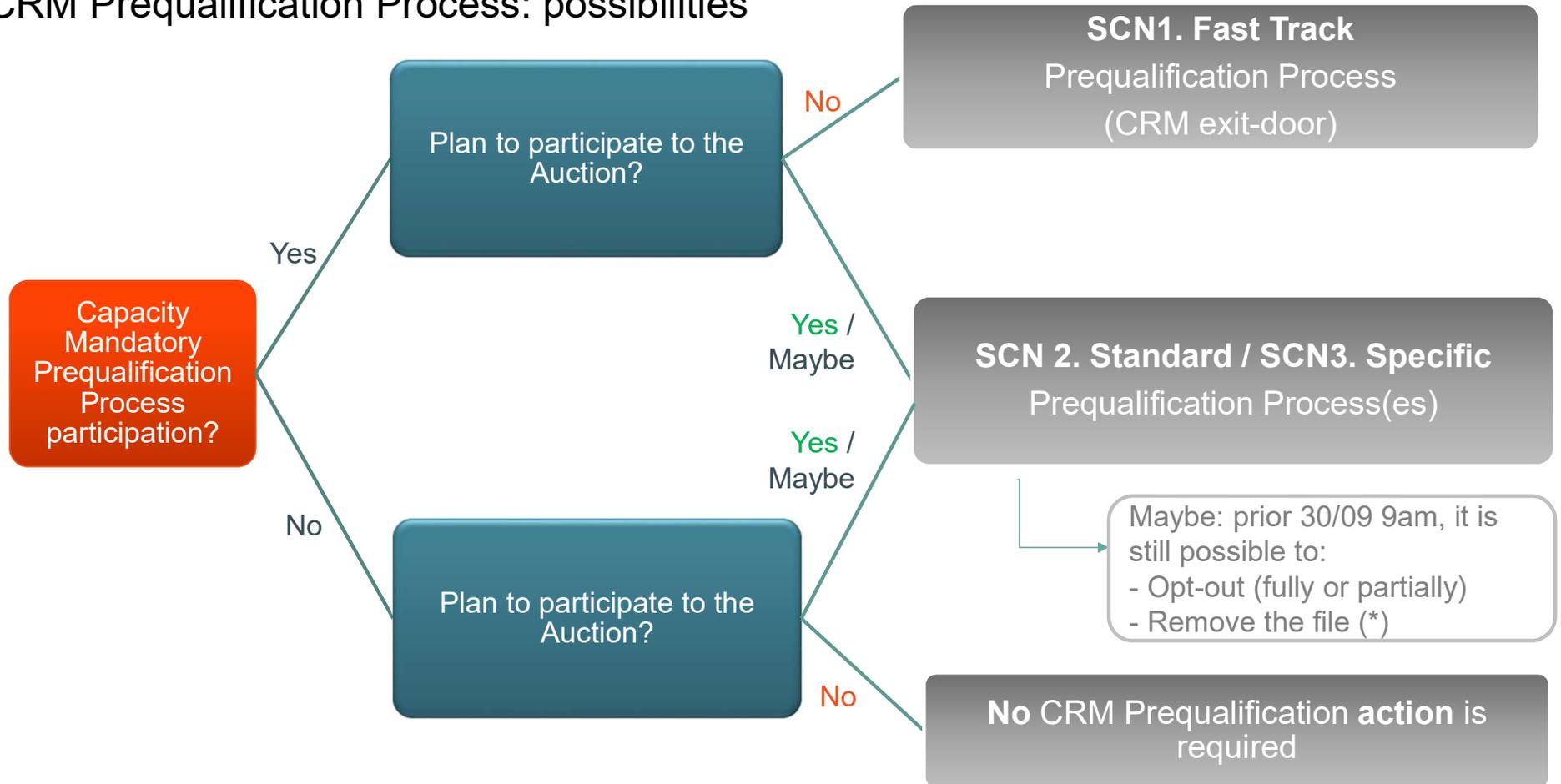
### Constraints

- The CMU has to be > 1MW derated
- A CMU with a Delivery Point under individual MW schedule(/CIPU) constitutes an individual CMU
  - → no aggregation is authorized
- One Delivery Point can't influence another one (combinability rules)

# Different Prequalification Processes



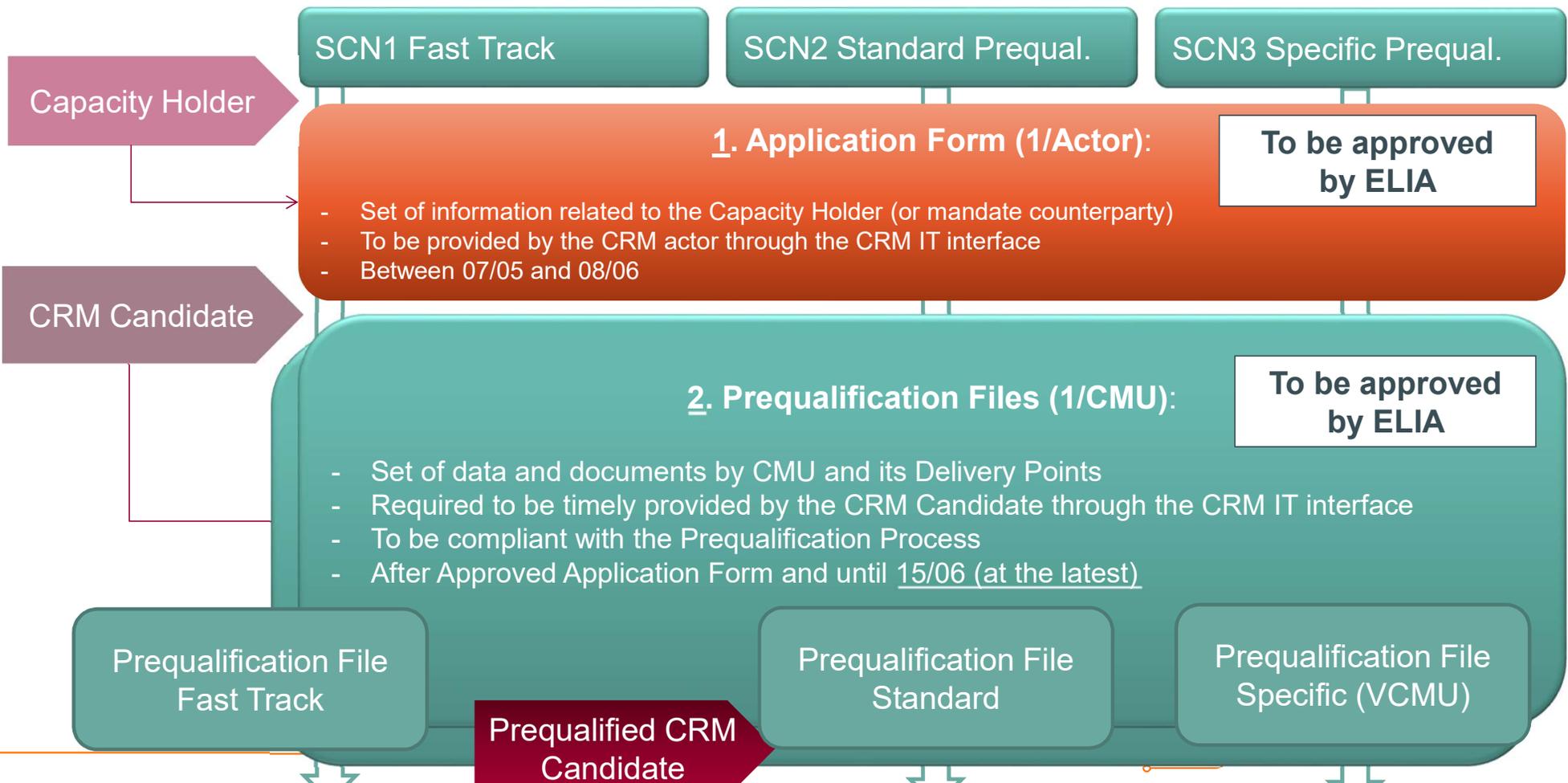
# CRM Prequalification Process: possibilities



(\*) Not recommended for the capacity holder with mandatory participation to comply with Law (see slide 27)

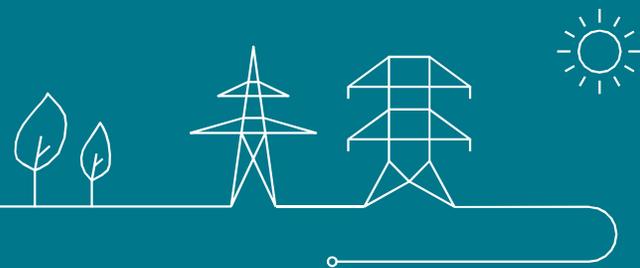


# Prequalification Process: Application Form & Prequalification Files



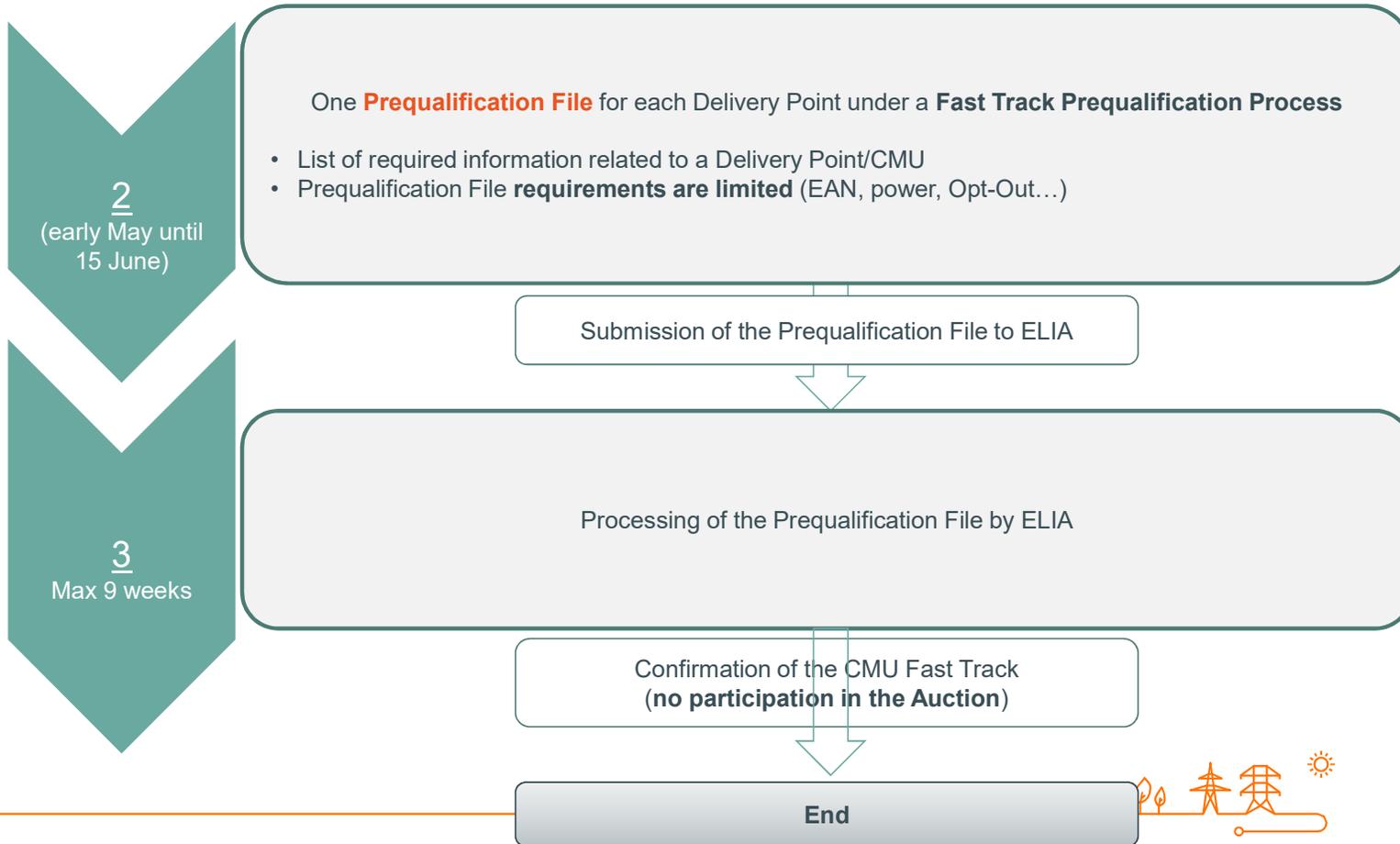
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# Fast Track Prequalification Process



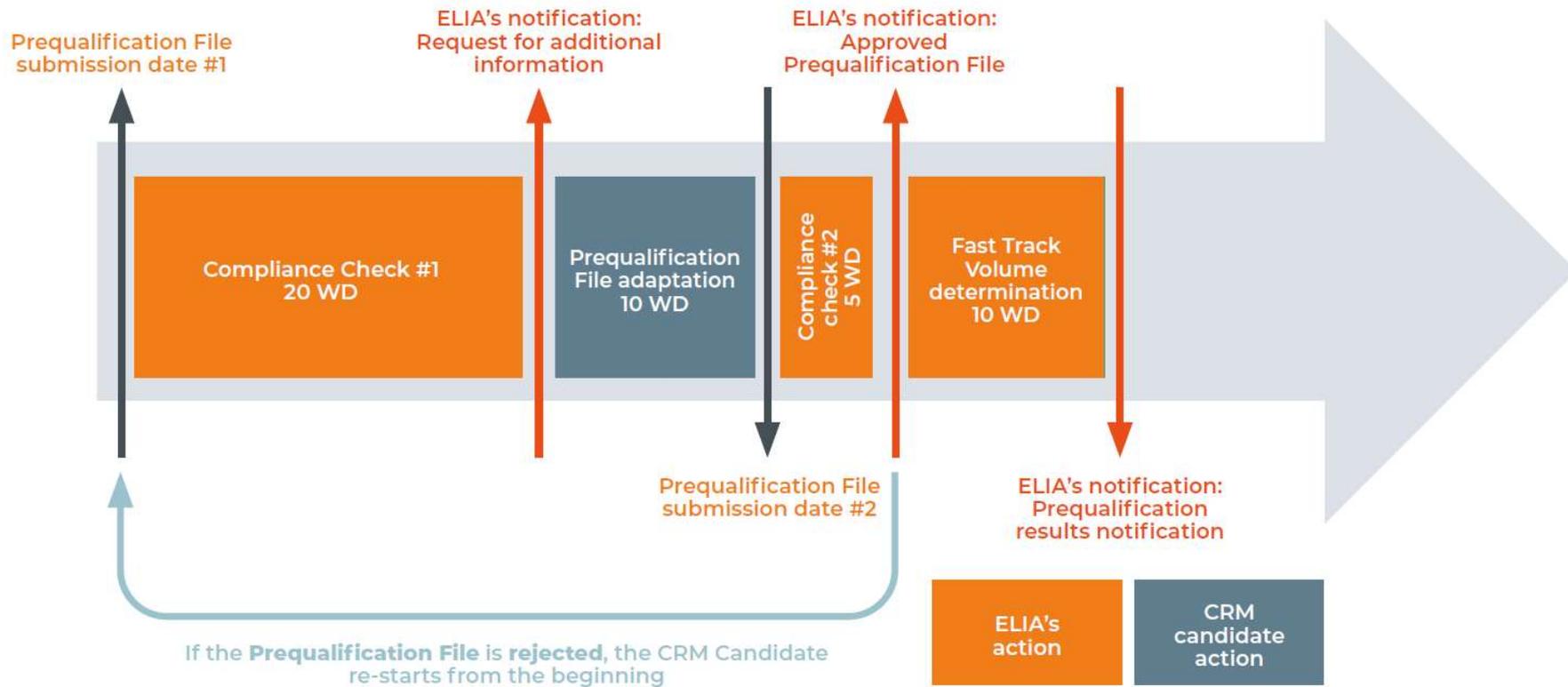
# SCN1. Fast Track Prequalification File

In this Framework, the CRM actor **has no plan to offer** volume in the Auction: the operational **effort is limited**.

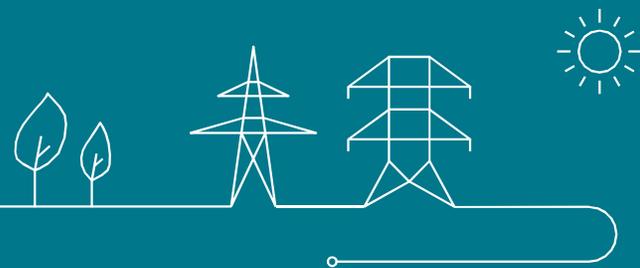


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# SCN1. Fast Track Prequalification File

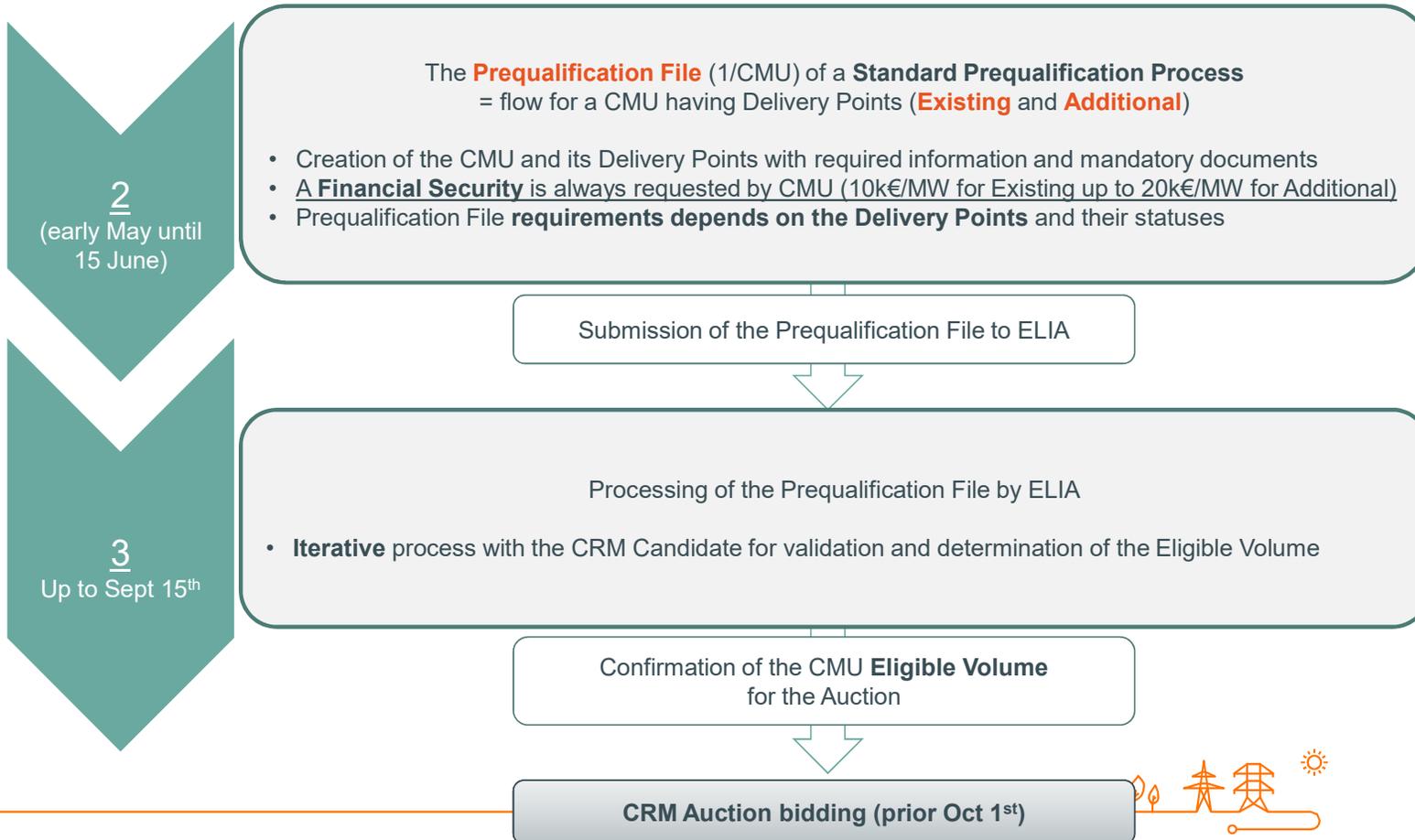


# Standard Prequalification Process



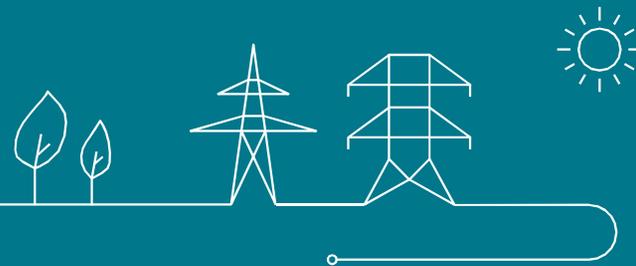
## SCN 2. Standard Prequalification Process

In this Framework, the CRM actor **plans to offer** volume in the Auction **with determined Delivery Points**: operational **effort in function of CMU**



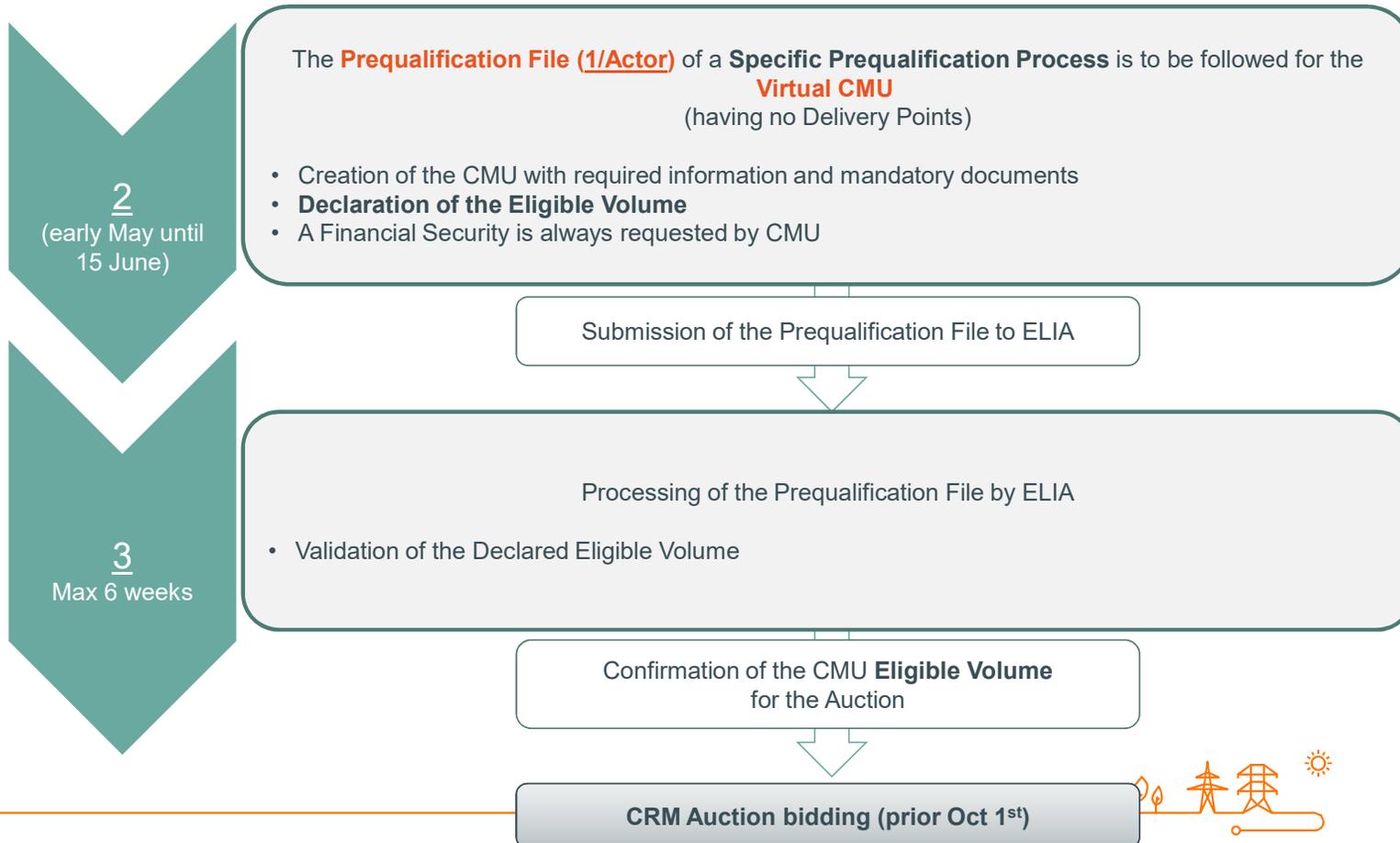
CRM elements may change, are presented for information purposes only, and are based on Elia understanding on 10/05/2021 (see Disclaimer)

# Specific Prequalification Process



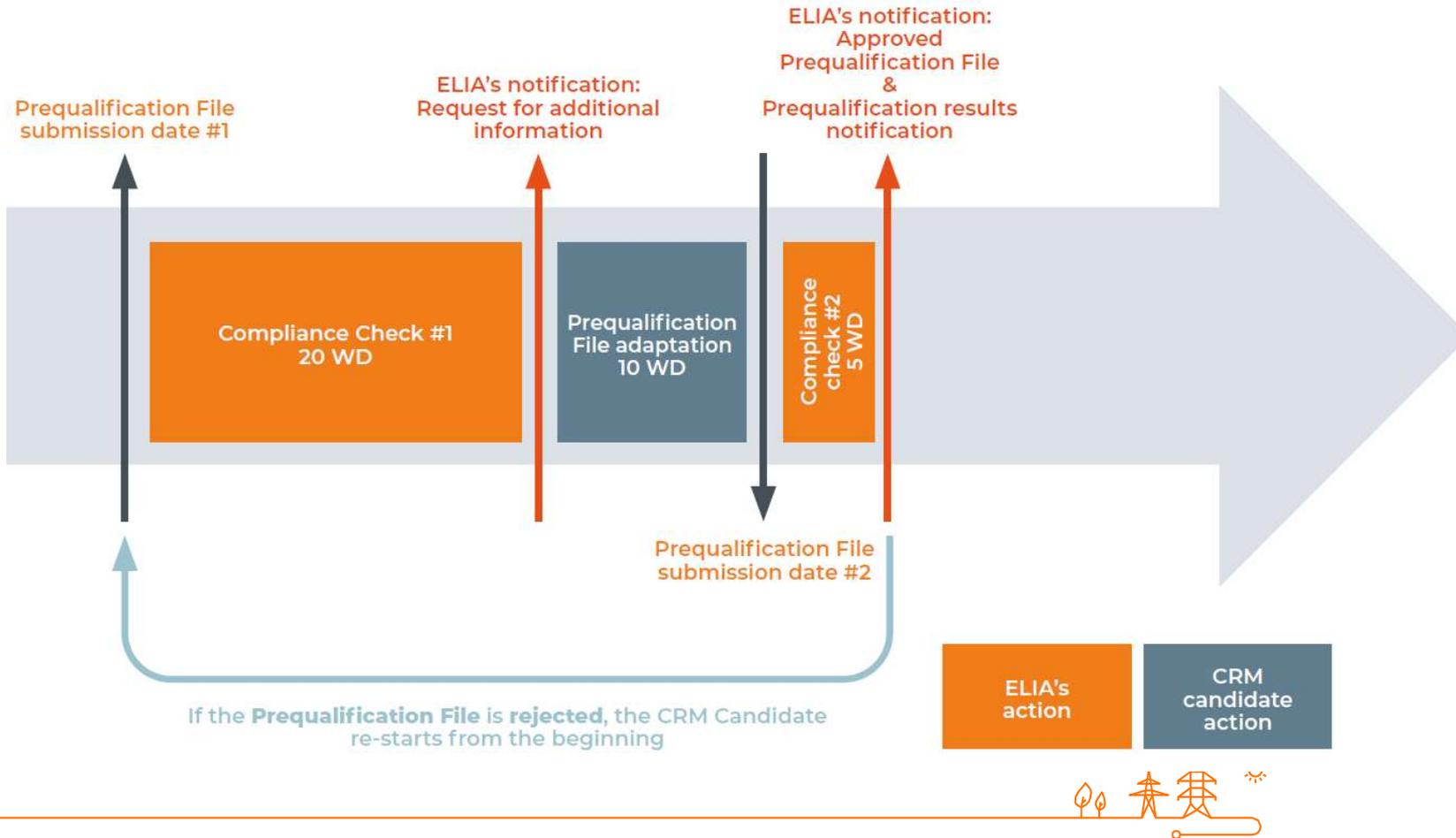
## SCN3. Specific Prequalification Process for VIRTUAL CMU

In this Framework, the CRM actor **plans to offer** volume in the Auction **with No Delivery Points (yet)**: operational **effort is very limited**

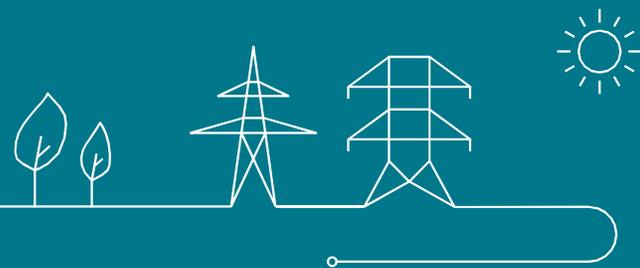


**A maximum of 200 MW** of Virtual CMUs shall be selected in the 2021 Y-4 Auction (parameter)

### SCN 3. Specific Prequalification Process for VIRTUAL CMU



# CRM Auction



## CRM Auction

→ The **access to the Auction** is granted to the CRM Prequalified Candidates CMUs

- The CRM actor enters one or more offers related to each prequalified CMUs to bid in the Eligible Volume as determined in the Prequalification Process
- Each offer consists of a volume, a chosen price and a contract duration
- The Price is limited to an Intermediate Price Cap ( for the 1 year capacity contract duration (unless he has an IPC derogation)
- The maximal capacity contract duration of a bid is determined by CREG (investment file of the CMU)

→ Prior the Auction:

- 1- The CRM Candidate can still reduce (partially or entirely) its Eligible Volume through Opt-Out (up to 30/09 9am)
  - The CRM Candidate adapts its bids in the Auction accordingly (up to 30/09 17.00)
- 2 - If by Law, there is no mandatory prequalification participation on the capacity, the CRM Candidate can still remove its Prequalification File without legal consequence (see Functioning Rules modalities)

→ Auction algorithm selects the bids that maximize the global welfare considering the Grid Constraints

→ The selected offers are listed in a Capacity Contract under ‘transactions’

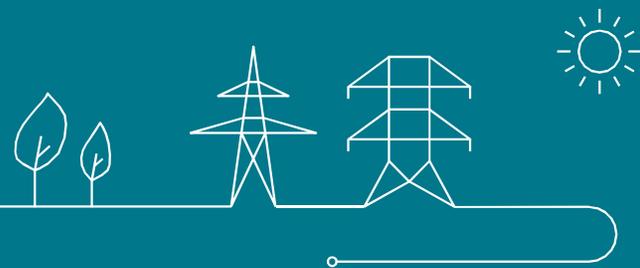
→ Two Auctions are organized for each Delivery Period

→ Yearly Auctions are organized for the next Delivery Periods

- A Y-4 Auction (‘4 years ahead’)
- A Y-1 Auction (‘1 year ahead’)

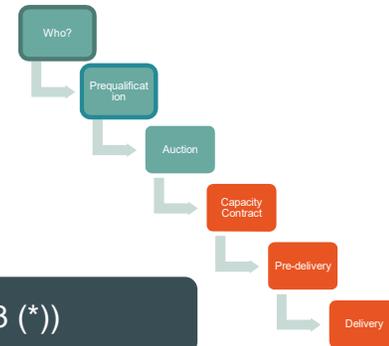
2021	2022	2023	2024	2025	2026	2027	...
Auction Y-4 2025			Auction Y-1 2025	Delivery Period 2025			
	Auction Y-4 2026			Auction Y-1 2026	Delivery Period 2026		
		Auction Y-4 2027			Auction Y-1 2027	Delivery Period 2027	
			Auction Y-4 2028			Auction Y-1 2028	Delivery Period 2028

# Capacity Contract



# Capacity Contract with Elia for the Service

→ Service is related to the Pre-Delivery and the Delivery Period



**Payments Transaction(s)** after the month M of Delivery Period 2025 (settlement in M+1 and invoicing in M+3 (\*\*))



(\*) Settlement and Invoicing modalities are in the proposed Capacity Contract

## Contractual obligations (Service)

[Q1 '22 until Q4 '25]

As of Nov '25

**Pre-delivery Period:**

All contracted CMU become Existing CMU prior Nov'25.

Reports on capability for additional / virtual CMU each quarter.  
Information on Work plan, permits, yards,  
+ Availability tests for all CMU prior '25.

Penalties to pay in case of delays or missing capacities (\*)

**Availability Obligations:**

As of Nov'25, the Delivery Points Availability in the Energy Markets is monitored.  
Availability is to be considered in Availability Monitoring (AMT) Moments (when DA prices are 'high') and tests moments.

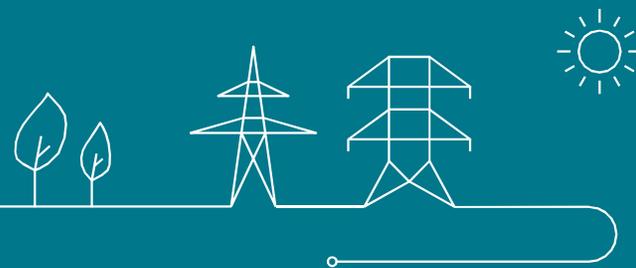
Penalties to pay in case of unavailable capacities (\*)

**Payback Obligations in the Delivery Period as of Nov '25:**

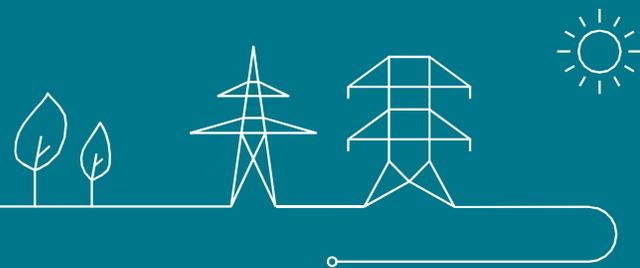
If DAM Price > 300€/MWh and the asset is activated in the Market, the Capacity Provider reimburses the delta for its contracted capacity.



**Thank you !**



# Back-up slides



## Opt-out: a lower participation in the CRM

**All technologies are allowed** to participate to the CRM

**However are subject to a derating factor (\*)**

In some cases, it is possible to submit a self-reduced capacity for the Auction (→ 'Opt-Out')

Opt-Out IN = volume remains in the market

Opt-Out OUT = volume not in the market + reason



(\*) representing the technology enhancement of the security of supply