



# Design Note for Tender for Low Carbon Technologies

14 October 2022

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# 1. Introduction

## 1.1 Context and goal

The purpose of the present design note is to provide all stakeholders with a clear view on the design of the tender for low-carbon technologies and to receive any useful feedback from market parties on the latest design proposals for the different aspects of the tender for low-carbon technologies to ensure security of supply in Winter 2024-25.

The proposals developed in this note build further on the discussions and proposals already made in the different Working Group Adequacy<sup>1</sup> gathering all relevant stakeholders and in the follow-up committee (hereafter referred to as “**CdS**”), the latter consisting of representatives of CREG, Elia, FPS Economy and the cabinet of the federal minister of energy.

This document serves to provide interested parties with useful background information to better understand the specific design choices and to facilitate their understanding of the functioning of the mechanism. Similar to the market-wide CRM process, the proposed design principles are expected to be formally laid down in a legal framework, in the functioning rules, and in a contract, whereas this present design note can by no means be considered as a legal document. Therefore, in case of inconsistencies between this design note and the regulatory or contractual sources, the latter will prevail.

On the request of the FPS Economy, section 3.3 of this design note includes a proposal for the CO<sub>2</sub> thresholds which would be applicable on the LCT.

### **About the public consultation**

This design note is put for formal public consultation and any remark, comment or suggestion from all parties is welcomed. All feedback received on section 3.3 will be shared with and treated by the FPS Economy.

***Reactions to this public consultation can be provided to Elia via the specific submission form on Elia’s website no later than 4 November at 6pm.***

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<sup>1</sup> Cf. Working Group Adequacy 25/8, Working Group Adequacy 13/09 and Working Group Adequacy 13/10.

## 1.2 Scope and structure

### Regulatory framework

As part of the long-term measures included in the Winter Plan introduced by the federal government on 15 July 2022, and as presented by the cabinet during the Working Group Adequacy of 25 August 2022, the Minister of energy has instructed Elia to prepare a targeted tender for demand response and storage as one of the measures to ensure security of supply in 2024-2025<sup>2</sup>.

The public consultation of this design note falls within Elia's preparatory works to organize such a targeted tender in October 2023 to ensure security of supply during Winter 2024-2025.

### Link with the design of the capacity remuneration mechanism

#### Design

The design of the LCT capitalizes on the rules of the existing market-wide CRM as laid out in the "CRM Functioning Rules"<sup>3</sup>, the Capacity Contract and the relevant Royal Decrees<sup>4</sup>. This leads to a design that is aligned with the market-wide CRM principles as far as possible. Note that in the next sections of this note, the market-wide CRM will be referred to as "CRM" while the low carbon tender as "LCT".

Therefore, the current design note focuses on the design choices that deviate from the general market-wide capacity remuneration mechanism. The design choices in line with the CRM are not repeated in this document. If the reader wishes to gain a more profound insight in these CRM-inspired rules, reference is made to the discussions during the CRM task forces and to the CRM design notes as well as the most recent version of the Functioning Rules, published on Elia's website<sup>3</sup>. Any reference made in this document to sections of the CRM Functioning Rules relates to the approved version as published on the Elia website at the time of writing of this document (Functioning Rules v2). Finally, the CRM Functioning Rules are evolving in time and Elia intends to adopt some design changes in the next version of the Functioning Rules V3 (launched for public consultation on 25/11/2022, submitted to CREG on 01/02/2023 and officially published by CREG on 15/05/2023). Where possible, the LCT design already anticipates these envisaged

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<sup>2</sup> <https://www.elia.be/-/media/project/elia/elia-site/users-group/ug/wg-adequacy/2022/20220825/20220825workinggroup9slidespresentation.pdf>

<sup>3</sup> [https://www.elia.be/-/media/project/elia/elia-site/users-group/ug/wg-adequacy/2022/20220513\\_crm\\_functioning\\_rules\\_clean\\_en.pdf](https://www.elia.be/-/media/project/elia/elia-site/users-group/ug/wg-adequacy/2022/20220513_crm_functioning_rules_clean_en.pdf)

<sup>4</sup> <https://economie.fgov.be/nl/themas/energie/bevoorradingszekerheid/capaciteitsremuneratiemechanis/wettelijk-kader-van-het>

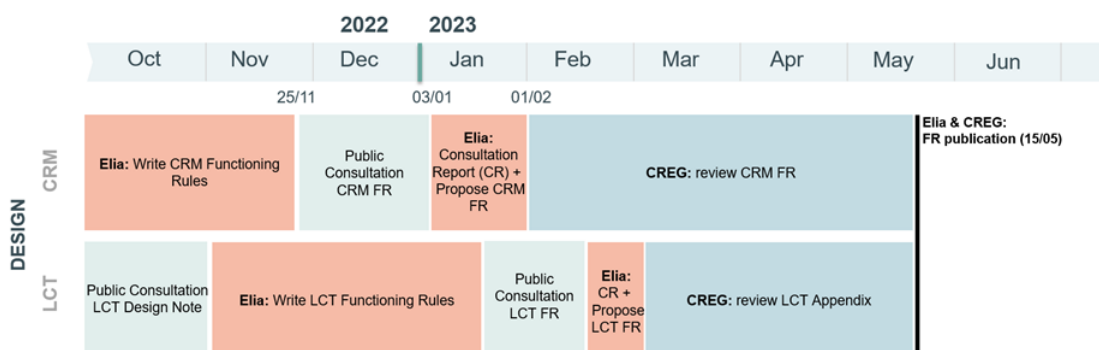
design modifications and will be aligned with the CRM Functioning Rules V3 as much as possible.

## Process

Ideally, the LCT and the Capacity Remuneration Mechanism (CRM) would follow the same timeline in terms of design and validation. However, given the timing constraints to which the LCT is set up; it is not feasible to follow the timeline as used in the CRM.

Elia proposes that the LCT will not impact the CRM's design timeline, as such, so Elia's proposal for the CRM FR (v3) will be handed in on February 1st 2023. However, Elia suggests to not deliver the proposed Functioning Rules for the LCT alongside said proposal, but deliver them as an appendix in beginning of March. On May 15th of 2023, Elia and the CREG shall publish a single document featuring the approved Functioning Rules of the CRM and the LCT.

As such, the LCT's procedures for Design, Public Consultation, Consultation Reporting and Design Adaptation can occur separately from those of the CRM's timeline, while still meeting the publication deadline of 15/05/2023 for the Functioning Rules, without requiring additional approval procedures for the regulator.



## Structure of the design note

The remainder of this note presents the various aspects of the design of the LCT in the following order:

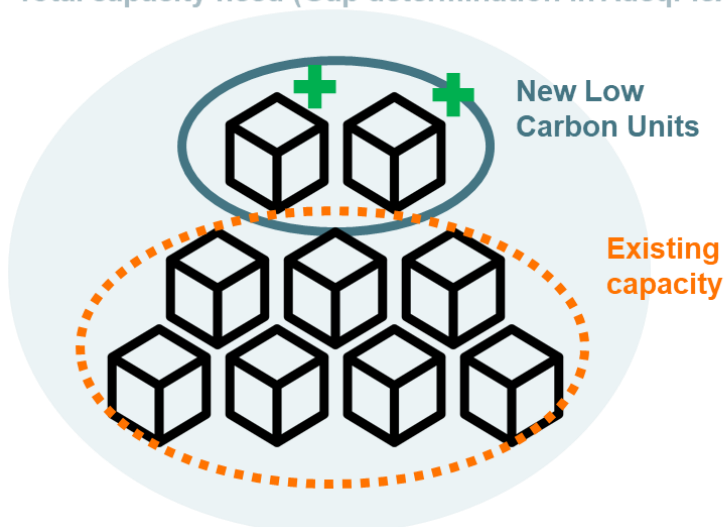
- Scope of the mechanism;
- Eligibility Criteria;
- Capacities already contracted under the CRM;
- Multi-year Contracts;
- Input scenario selection;
- Volume and price parameters;
- Prequalification;
- Financial Security;
- Auction;
- Pre-delivery Control;
- Availability Obligation;

- Payback Obligation;
- Secondary Market
- Cross Border ;

## 2. Scope of the mechanism

Whereas both the Low Carbon Tender and the market-wide Capacity Remuneration Mechanism are capacity mechanisms, the LCT's scope differs from that of the market-wide Capacity Remuneration Mechanism in terms of scope and purpose. Whereas the CRM requires all eligible Belgian generation capacity to at least prequalify, the Low Carbon Tender is solely focused on new capacities that would allow to bridge a potential adequacy gap (volume will be decided by the Belgian Authorities based on input from Elia's 2023 Adequacy & Flexibility Study), by incentivising new capacities to join the market. To achieve said purpose, capacities that are already accounted for in the adequacy assessment are not allowed to participate in the tender for 2024-2025. This also implies that, in contrast to the CRM's mandatory participation<sup>5</sup>, market parties have no obligation to prequalify to the mechanism. Furthermore, as its name suggests, the Low Carbon Tender is focused on technologies with a low carbon footprint, such as battery/ energy storage and demand side response<sup>6</sup>.

Total capacity need (Gap determination in AdeqFlex23)



## 3. Eligibility Criteria

The eligibility criteria below are based on the following principles:

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<sup>5</sup> At least for all eligible generation capacities

<sup>6</sup> The exact eligibility criteria in this regard will be set by the Belgian Authorities.



1. Ensure adequacy from November 2024 to October 2025, indicated further in this note as 2024-2025 or '24-'25, while making sure that there is no double counting of capacities. Therefore, the gap identified (if any) is closed with the volumes procured in the Low Carbon Tender by only acquiring capacities that are not participating in the energy market yet.
2. Alignment with the modalities in the CRM to transfer knowledge from the existing system and thus reduce barriers of entry and improve interoperability.

In line with the volume determination process (cf. section 6.2) that aims for the procurement of the need for new capacities in 2024-2025, the design of the Eligibility Criteria for the LCT is focused on enabling new capacities that are not considered as contributing to adequacy in 2024-2025 yet in Belgium. Additionally, only low carbon technologies are allowed to participate as set out in the Winter Plan of the Government. This selection is made in the Prequalification Process, where every capacity will be checked against the pre-defined eligibility criteria. The main criterium, following from the first principle, is defining whether or not a capacity can be considered as “new” in the energy market.

### 3.1 Definition of new capacities

#### 1/ General definition

In general, “Additional - New Build” capacities are eligible to participate in the LCT, if they also comply with the emission threshold and/or are within the set of eligible technologies.

“New Build” capacities are defined as not “in service” at the moment of the Auction. This approach might imply a volume correction in the demand curve if capacities become “in service” between the volume determination process and the Auction.

#### 2/ Demand Response assets

Demand Response requires additional criteria, as Demand Response could be classified as “Additional - Other” or “Existing”, without having contributed to adequacy. A capacity could, for example, have the required metering devices installed, making it compliant with the definition of “Existing CMU” but has potentially not participated in the energy market or exploited its offtake flexibility yet.

However, in order to satisfy one of the primary pillars of the Low Carbon Tender, namely that it shall only contract new capacities and to exclude double counting of capacities, a check will be in place to verify whether or not it has already exploited its offtake flexibility in the past. This criterium will henceforth be defined as “**Non-contributing to adequacy**”. In order to be eligible, the capacity must satisfy the following criteria:

- Has not been active in the energy market by participating in the Ancillary Services or in Transfer of Energy since the 31<sup>st</sup> of October 2021; and
- Has not reacted to balance price signals or participated in the Day-Ahead, Balancing or Intraday Markets in the last 2 winters (i.e. November 2021 to March 2022 and November 2022 to March 2023).

### **No explicit participation in the energy market**

Not contributing explicitly to Belgian adequacy is defined here as not participating in either Ancillary Services or in the Transfer of Energy. This is in-line with the Functioning Rules of the Strategic Reserves (5.3.1) and with the methodologies employed by other European countries, such as the French Appel d'offres long-terme (AOLT).

- Ancillary Services: if the capacity has not been prequalified for Ancillary Services in the past 2 years (counted at the start of the Prequalification of the LCT).
- Transfer of Energy: the capacity has not been offered through the Transfer of Energy mechanism in the past 2 years (counted at the start of the Prequalification of the LCT)..

The timeframe of 2 years is chosen as being representative for validating the presence of a certain capacity, especially in light of the high prices of 2022. A capacity not active in the last two years could henceforth not be considered as participating or planning to participate in the market in the future, while choosing a longer period might lead to the unjustified exclusion of capacities or DPs that are actually no longer contributing to adequacy.

### **No implicit participation in the energy market**

Not contributing implicitly to Belgian adequacy is defined here as not offering the capacity on the Day-Ahead, Intraday or Balancing markets and not reacting to high prices observed in those markets.

To verify this, the historical data of the Delivery Point for both Winter 2021-2022 (November 2021 – March 2022) and Winter 2022-2023 (November 2022 – March 2023) will be used to perform a baselining and identify potential price reactions. This methodology, especially the determination of “high price hours”, draws inspiration from the methodology employed for SDR in the Strategic Reserves functioning rules, Section 5.3. Furthermore, the baselining methodology is fully in line with the methodology used in the CRM Functioning Rules v2 to determine the Active Volume for a Delivery Point providing capacity by the potential for reduction of offtake, Section 9.4.3.2.3.1.1. In this way, the initial eligibility criterium is fully representative of the actual capacity delivered as if it was during a Delivery Period. This is in turn consistent with the rules in the Transfer of Energy framework, thereby ensuring compatibility with the energy market functioning.

1. Identify “high price hours” during each of the Winters. For Day-Ahead, Intraday and Balancing, a price threshold is defined as the 95<sup>th</sup> percentile of all prices that occurred during that Winter. If either the Day-Ahead, Intraday or Balancing price is above their respective threshold, that hour is flagged as a “high price hour”.
2. For each “high price hour”, perform a baselining using the historical data of the Delivery Point prior to the “high price hour” for each quarter hour, identical to the baselining defined in Section 9.4.3.2.3.3 “Baseline for Delivery Points” of the CRM Functioning Rules v2 providing capacity through the potential for reduction of offtake from the electricity grids of a CMU” of the Functioning Rules

of the CRM.

3. In order to determine whether or not a capacity is eligible, a methodology based on a PASS or FAIL for each “high price hour” is used:

a. Determine the average availability percentage for each quarter hour during a “high price hour” as follows:  $\frac{(P_{baseline} - P_{highpricehour})}{P_{baseline}}$  with

$P_{baseline}$ : the baseline offtake determined by the baseline methodology during that quarter hour; and

$P_{highpricehour, QH}$ : the average offtake of each quarter hour for the “high price hour” in question.

b. *PASS/FAIL:*

Determine for each “high price hour” if a reaction has taken place by comparing the average power during the “high price hour” with the determined baseline.

If  $P_{highpricehour} > P_{baseline}$ , no reaction has been identified and the moment is classified as a “PASS”.

Else if  $\frac{(P_{baseline} - P_{highpricehour})}{P_{baseline}} < 15\%$ , no reaction has been identified and the moment is classified as a “PASS”.

Else if  $\frac{(P_{baseline} - P_{highpricehour})}{P_{baseline}} \geq 15\%$ , a reaction has been identified and the moment is classified as a “FAIL”.

Over both Winters if at least 85% of the high price hours are classified as “PASS”, the Delivery Point does not participate implicitly in the energy market and is thus eligible for the Low Carbon Tender.

As an example, for a fictitious Delivery Point, the “high price hours” have been determined. The example uses full hours for baselining instead of quarter hours as mentioned in the methodology above for the sake of simplicity. One such hour occurs on the 7<sup>th</sup> of December 2021, from 14:00 until 15:00. During that moment, the average measured power is 11000 kW. To determine the baseline, the baselining methodology (X out of Y) is used. Five representative days in the past are identified:

Date & Time of high price hour	Average Power [kW]	
07/12/2021, 14:00-15:00	11 000	
Date & Time of Representative days	Average Power [kW]	Reference day
05/12/2021, 14:00-15:00	12 900	X
01/12/2021, 14:00-15:00	16 100	X

30/11/2021, 14:00-15:00	16 000	X
25/11/2021, 14:00-15:00	11 000	
22/11/2021, 14:00-15:00	13 000	X

From these five representative days, four reference days are chosen that lead to the highest average baseline, as indicated in the table above. Based on this, the baseline can be calculated as 14500kW. The average availability percentage for this specific high price hour is thus  $(14500 - 11000)/14500$ , or 24%. Following the PASS/FAIL methodology, this “high price hour” can be classified as a FAIL. Performing this methodology for each “high price hour” over both Winters leads to a PASS/FAIL classification for each “high price hour”. If the number of passes is >85% of the total amount of “high price hours”, the Delivery Point is eligible for the Low Carbon Tender.

This PASS/FAIL methodology is put forward as the most robust since it allows for more errors and variability in the historical data, making sure it thus avoids false positives while ensuring there is no double counting. It furthermore reduces the impact of outliers in the historical data (such as temporary shutdowns).

For the methodology proposed above, the capacities will be able to indicate holidays, strike days or a closing period to exclude certain representative days in accordance with the rules in the CRM Functioning Rules, Section 9.4.3.2.3.3.

If the Demand Response capacity is classified as “Additional, Other” (as defined in the terms & definitions of the CRM Functioning Rules) and no validated metering data is available at the moment of the eligibility check (cf. at the moment of Prequalification File submission), metering data from an Access Point can also be used as a proxy.

### 3.2 Capacities already contracted under the CRM

Capacities that fulfil the previous eligibility criteria, shall be allowed to bid into the LCT if they are in Pre-delivery for the CRM during the Delivery Period of the LCT, as these capacities are not yet “contributing to adequacy” during that specific Delivery Period of the LCT and could thus help close the gap. These capacities also need to fulfil the previous eligibility criteria.

The Contract Duration will be limited to a single year, the Delivery Period of the LCT itself and the bid by these capacities will be limited to the Intermediate Price Cap.

### 3.3 Emission limit

*On request of the FPS following section has been included in the design note for the LCT. Any feedback on the emission limit will be shared with and treated by the FPS Economy.*

For the low carbon tender (LCT), the specific emission limit is set at 29 g CO<sub>2</sub>/kWh. This

value has been chosen to support low carbon electricity participation in line with similar mechanism developed in the UK<sup>7</sup> and approved by the European commission. The quantification's methodology of the specific emission limit would be the same as the one developed in the Capacity remuneration mechanism and can be found in the Annex A.10 of the CRM functioning rules.

As a reminder and in line with Acer's opinion 22/2019 the emission factors of the capacity that does not use fossil fuels and the emission factors linked to the energy storage fed by the network is considered to be carbon neutral. Concerning the energy storage units that are directly connected to a generation unit, the capacity provider will have to provide the documents that prove the unit is in conformity with this specific emission limit. On-site back-up generation units linked to demand response and used temporarily to meet electricity requirements, thus providing a reduction of network electricity demand, should be subject to this specific emission limit.

For your information, ex-ante and ex-post validations will also be performed at the end of the prequalification and of each calendar year of the delivery period. These checks will be intended to verify the compliance with the CO<sub>2</sub> emissions limits of the units that participate in the LCT.

## 4. Multi-year contracts

Offering multi-year capacity contracts can encourage the participation of capacities that require a significant level of investments, such as battery projects in some cases<sup>8</sup>. In order to enable competition for such capacities requiring a high level of capex investments, multi-year contracts of maximum 15 years, 8 years or 3 years will be allowed. The award of a multi-year contract is subject to the condition that it is demonstrated that a pre-defined level of investment costs is or has been required to develop these capacities and subject to approval of such investment file by the CREG.

From a contractual perspective, capacities selected in the LCT will be awarded a specific "Low Carbon Tender" contract for the Delivery Period 2024-2025. Although the contract template for the "Low Carbon Tender" contract is expected to be similar to a CRM Capacity Contract, it is only possible to award CRM Capacity Contracts as of Delivery Period 2025-2026, as foreseen in the CRM Law. However, if the capacity is selected for a multi-year support, all Delivery Periods after 2024-2025 will be covered via a CRM Capacity Contract<sup>9</sup> with all modalities of the CRM for the remaining years. In summary,

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<sup>7</sup> [Contracts for Difference - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

<sup>8</sup> Experience from the CRM illustrates for example that batteries can be eligible for multi-year capacity contracts.

<sup>9</sup> [https://www.elia.be/-/media/project/elia/elia-site/electricity-market-and-system/adequacy/crm/2022\\_09\\_05\\_capaciteitscontract-en.pdf](https://www.elia.be/-/media/project/elia/elia-site/electricity-market-and-system/adequacy/crm/2022_09_05_capaciteitscontract-en.pdf)

a multi-year contract resulting from selection in the LCT will always be a combination of a 1-year “Low Carbon Tender” contract for the first Delivery Period 2024-2025 and a CRM Capacity Contract for the remaining years.

This contractual arrangement facilitates the transition from the LCT into the CRM and avoids that two different mechanisms need to be followed up by Elia and the Capacity Providers. Additionally, ensuring that contractual rights and obligations under the LCT are fully aligned with those under a CRM Capacity Contract during Delivery Periods as of 2025-2026 facilitates the participation of the contracted LCT capacities on the CRM Secondary Market during this period (see section 13).

From all the above follows that all modalities during the Delivery Period of the “Low Carbon Tender” will be identical to the modalities of the CRM, as highlighted in section 11 and section 12, thereby guaranteeing the content of the contract must not be amended.

Finally, to avoid over-procurement, the contribution to adequacy of these multi-year contracts during the Delivery Periods of the market-wide CRM is taken into account via the volume determination process for the CRM in line with article 11 of the Royal Decree Methodology. More specifically, the volumes of the multi-year capacity contracts are added to the “capacities already contracted during earlier auctions” as defined in the Royal Decree. Therefore, the final volume to be procured in the CRM Auctions is reduced with the Capacities already contracted during earlier Auctions (including the Low Carbon Tender).

## 5. Input scenario selection

The Delivery Period and timing of the Low Carbon Tender aligns with the next Adequacy & Flexibility study to be performed by Elia over the 2024-2034 period (Elia’s Adequacy & Flexibility Study 2023). The scenario used for the calibration parameters of the LCT must therefore be in line with the base scenario used for the 2024-25 of the Adequacy & Flexibility study. As such, the scenario and all necessary parameters for the determination of the volume and price parameters as well as all the intermediate values will not be consulted upon as a separate public consultation but in parallel with the Adequacy & Flexibility 2024-2034 public consultation which will start end of October 2022.

Similarly to the market-wide CRM only 1 scenario will be simulated for the LCT parameters and therefore the scenario for the LCT must include the base scenario but may also include additional sensitivities proposed as part of the Adequacy and Flexibility study.

The rules regarding the input scenario selection for the LCT will be the same as those applicable to the market-wide CRM. We therefore refer to the Royal Decree Methodology

<sup>10</sup> for details regarding this process.

## 6. Volume and price parameters

The Low Carbon Tender is only applicable for new capacities and only consists of 1 Auction being held 1 year before the start of the Delivery Period.

The capacity to be contracted in the LCT only consists of required additional capacity needed to close the gap between the expected capacity assumed to be in the market and the capacity needed to reach the legal adequacy criteria (reliability standard) for Belgium. This is a fundamental difference between the LCT and the market-wide CRM and implies a different approach to the volume determination which will be further explained in section 6.2.

Similarly to the market-wide CRM, derating factors, a global auction price cap and intermediate price cap will be applicable. The determination of the derating factors, global auction price cap and IPC will follow the same approach as the market-wide CRM and will therefore only be covered briefly.

As for the demand curve for the auction, the shape as for the auction Y-1 of the market-wide CRM will be used as shown on the figure below.

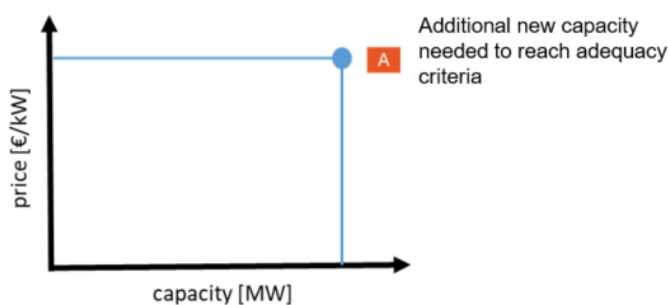


Figure 1: Demand curve of the Low Carbon Tender

### 6.1 Derating Factors

Derating factors will be calculated and applied in the same way as in the market-wide CRM mechanism. We therefore refer to the Royal Decree Methodology for further

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<sup>10</sup> <https://www.ejustice.just.fgov.be/eli/bsluit/2021/04/28/2021041351/justel>



details.

## 6.2 LCT acquisition volume determination

Since only new Belgian capacities are contracted and only 1 Auction takes place the parameters needed for the volume determination of the market-wide CRM become obsolete. Instead, the method to estimate the required additional capacity to meet the reliability standard as described in paragraph 4.2.4. of the Adequacy and Flexibility study will be used<sup>11</sup>. This is also the same approach as used in previous Strategic Reserve calculations<sup>12</sup>.

The volume to be acquired in the LCT is determined using an iterative process. Starting from the base scenario as defined in paragraph 6, capacity is added stepwise until the adequacy criteria is met.

At each iteration of the adequacy assessment, a full probabilistic simulation of the European electricity market is carried out. Three steps are performed:

- The first step is the Monte Carlo simulation of the scenario as explained in chapter 4 of the Adequacy & Flexibility study.
- The second step is the identification of structural shortage periods. The hourly output of the simulation is analyzed to determine whether the adequacy criteria is fulfilled.
- The last step assesses the need for additional capacity. If the adequacy criteria is not met, additional capacity is added and the process is repeated. If the adequacy criteria is met, the process is halted.

Other parameters calculated in the market-wide CRM mechanism are not required:

- Cross-border capacity cannot participate to the LCT and cross-border contribution therefore will not be explicitly calculated but taken into account when calculating the gap (its contribution will be accounted for in the simulation process described above).
- The difference demand components (average demand during scarcity hours, balancing reserves, ENS) are not needed to be computed. The volume to be contracted in the LCT will be equal to the additional new capacity and 100% available required to be added to the Belgian system in order to comply with the adequacy criteria.

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<sup>11</sup> [https://www.elia.be/-/media/project/elia/shared/documents/elia-group/publications/studies-and-reports/20210701\\_adequacy-flexibility-study-2021\\_en\\_v2.pdf](https://www.elia.be/-/media/project/elia/shared/documents/elia-group/publications/studies-and-reports/20210701_adequacy-flexibility-study-2021_en_v2.pdf)

<sup>12</sup> [https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2020/20201130\\_strategic-reserve-2021-22-v\\_final-1\\_en.pdf](https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2020/20201130_strategic-reserve-2021-22-v_final-1_en.pdf)



### 6.3 Global Auction Price Cap

The global auction price cap will be calculated according to the market-wide CRM methodology as described in the Royal Decree Methodology. The preselected capacity types will be technologies which are eligible for participation in the Low Carbon Tender.

### 6.4 Intermediate Price Cap (IPC)

An intermediate price cap will be applicable to capacities with a capacity category with a maximum contract duration of 1-year in line with the market-wide CRM. Since both 1-year and multi-year contracts are permitted in the low carbon tender, the need for an Intermediate Price Cap (IPC) is applicable on the LCT as well. The IPC will be calculated according to the CRM methodology as described in the Royal Decree Methodology.

## 7. Prequalification

In order to prequalify for the LCT, the same tools will be used as the ones set up for the CRM, as described in section 2.6.2 of the CRM Functioning Rules. Moreover, generally the same processes and requirements will apply, however with the following exceptions.

### 7.1 Prequalification Processes

First, the fast track prequalification process will not be available for capacities towards the LCT. Since no capacity will have a legal obligation to prequalify, there is no reason for capacities to follow the fast track prequalification process towards the LCT.

Second, subject to an implementation feasibility check by the DSOs and Elia, the Specific Prequalification process – which is normally only available in the run-up to a Y-4 CRM Auction as no Virtual CMU can participate in a Y-1 Auction, may be made available towards the LCT, specifically and solely to allow for participation of low-voltage capacities (connection voltage < 1kV). To this end, a Virtual low-voltage flex CMU could be introduced, which:

- Can be offered in the LCT without specification of EAN codes;
- Will only be able to apply for a Capacity Contract Duration of 1 Delivery Period, as the underlying capacities are not known yet;
- Upon selection in the Auction, will have to be converted into an Existing CMU before the start of the Delivery Period following the rules and process that would then be defined by Elia in coordination with the DSOs and/or by the DSOs themselves, consisting only of low-voltage capacities (connection voltage < 1kV).

Market parties are invited to express, during the public consultation, their interest in the facilitation of low-voltage flexibility participation in the LCT via a so-called Virtual low-voltage flex CMU. Market parties feedback could then play a role whenever priorities in terms of implementation developments need to be determined.

## 7.2 Prequalification requirements

While the Prequalification requirements are expected to largely remain the same as the ones that apply for the CRM, where necessary they will be aligned with the legal framework established for the LCT, which may omit or add certain specific requirements. As described in section 3, at least the eligibility check will be added as a step in the Prequalification Process.

## 7.3 Volume determination

First, no (Associated) Remaining Eligible Volume will be calculated for any CMU that prequalifies for the LCT, since no CMU can hold a Capacity Contract from the CRM with a Transaction Period that covers the Delivery Period 2024-2025 to which the LCT relates (given that the CRM only covers Delivery Periods as of 2025-2026). Therefore, (Associated) Remaining Eligible Volumes are not relevant.

Second, it will not be possible to notify Opt-out Volumes towards the LCT.<sup>13</sup> Again, no capacity will have a legal obligation to prequalify, hence there is no need for a classification (IN/OUT) of volumes with an obligation to prequalify that do not wish to participate in the LCT, as is the case under the CRM.

At the same time though, CMUs that have successfully prequalified towards the LCT should still have the possibility at that moment to decide not to participate to the LCT. While a CRM Actor always has the possibility to archive its CMU, there would be no Opt-out Notification possibility towards the LCT. However, this will be tackled by the removal of the bidding obligation (cf. section on Auction). Concretely, this means that Prequalified CRM Candidates will be able to choose the Bid Volume, albeit capped by the determined Eligible Volume. Volumes that are not bid in the Auction for the LCT, will not be considered as contributing to adequacy in the Delivery Period to which the LCT relates. Such classification makes sense as the LCT aims at delivering new capacities.

## 8. Financial Security

The Financial Security obligations will apply to CMUs that intend to participate to the LCT, in the same way as they apply to CMUs that participate to the CRM. Moreover, also for capacities that participate to the LCT, the principle applies that the Financial Security obligation of a CMU does not apply cumulatively when several Validity Periods overlap. ELIA has identified no need for other specific provisions in the context of the LCT.

However, there is one adaptation that will be made to the Financial Security rules in

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<sup>13</sup> Please note that Opt-out Notifications will still be possible and relevant towards the Y-4 Auction related to Delivery Period 2027 – 2028 that will be organized in the same year.

general, that is also relevant for CMUs that participate to the LCT, namely that for Existing CMUs the end date of the Validity Period should also consider the date of signature of the Capacity Contract. This is to account for the fact that when there are no possible penalties anymore related to a pre-delivery control after the signature of the Capacity Contract signature, the Validity Period should end and the Financial Security should be released.

More specifically, it is proposed that for Existing CMUs, the Validity Period should end fifty Working Days after the last of the following dates occurs:

- the due date of the last credit note that can be issued by the CRM Actor (or in the absence of a credit note, the invoice issued by ELIA in its place), relating to any financial penalties after the issuance of the pre-delivery activity report, in accordance with the Capacity Contract; OR
- the date of the Capacity Contract signature.

## 9. Auction

The same tool to submit and follow-up on Bids that is implemented for the CRM, as described in section 2.6.4 of the CRM Functioning Rules, will also be used for the LCT. However, there are some specificities related to the LCT, as discussed in what follows.

### 9.1 Bidding

First, following what has been discussed already in section 7.3 regarding the removal of the Opt-out Notification possibility towards the LCT, ELIA proposes not to oblige prequalified CMUs to offer any volume in the Auction. This is different from the current obligation that applies in the CRM, requiring Prequalified CMUs to offer the entire (Remaining) Eligible Volume into the Auction, actually requiring the CRM Actor to submit an Opt-out Notification to the extent it does not wish to offer (part of) its capacity in an Auction. By removing the bidding obligation, the calculated Eligible Volume will rather serve as a maximum volume that can be offered for that CMU in the LCT.

Second, as the LCT will be organized in the same year as a Y-4 Auction for the CRM is also organized, CMUs may be interested to participate in both. ELIA proposes to allow CRM Actors to make Bids related to the same CMU in the LCT as well as the Y-4 Auction, but only under the following conditions:

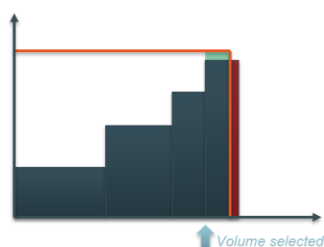
- **Bids do not have overlapping Transaction Periods.** Concretely, this means that a Bid for a CMU in the Y-4 Auction is only possible when the Capacity Contract Duration of the Bid related to that CMU in the LCT is no longer than three Delivery Periods;
- **Bids are completely independent.** The Auction algorithm may select both the Bid in the LCT and the Bid in the Y-4 Auction, or just one of them, depending on the specific optimization processes of the LCT and the Y-4 Auction separately.

## 9.2 Clearing

First, as the LCT will be organized in the same year as a Y-4 Auction of the CRM, it is necessary to determine the sequence of the clearing. In this respect, process-wise ELIA proposes to consider the LCT as a Y-1 CRM Auction. This means that – as described in 6.3.3 of the CRM Functioning Rules concerning a Y-4 and Y-1 Auction – ELIA will first apply the Auction clearing methodology for the LCT and afterwards for the Y-4 Auction. In doing so, the implications of the result of the clearing of the LCT will be taken into account towards the clearing of the Y-4 CRM Auction. These implications may relate to CMUs selected in the LCT with a Capacity Contract Duration of more than three Delivery Periods, or to the consequences of CMUs selected in the LCT in terms of grid constraints that apply in the Y-4 Auction (cf. infra).

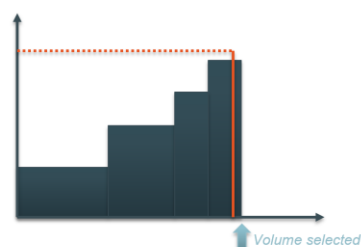
Second, ELIA proposes to adapt the Auction clearing optimization methodology for the LCT, intended as a general CRM design change also for any upcoming Y-1 CRM Auction. Specifically, for the LCT as well as any Y-1 CRM Auction, it is proposed not to perform a welfare maximization optimization, but rather to perform a cost minimization. These optimization methodologies are compared in the illustration below. A cost minimization methodology is deemed appropriate whenever a price-insensitive demand curve is determined (as is the case for both Y-1 CRM Auctions and the LCT). It is only because of the price-sensitive (sloped) demand curve that a cost minimization approach is not feasible for Y-4 CRM Auction, requiring to resort to a welfare maximization approach.

Maximize welfare, given demand curve



- Demand curve represents the willingness-to-pay for each MW;
- The added value of the last MWs (willingness-to-pay minus cost, cf. green area) is typically low in comparison to the cost of MWs that have no value according to the demand curve (cf. red area);
- Possibility to contract less than demand curve volume

Minimize cost, with volume constraint



- Price-aspect of demand curve is not considered by the algorithm, cf. dotted line (but can be enforced by capping the bids);
- Algorithm will look for the most cost-efficient solution that meets the volume constraint;
- Contracting demand curve volume is guaranteed (except if not enough volume is offered)

Translated towards Functioning Rules, the objective function for the cost minimization auction algorithm methodology will be described as follows (to be seen as replacing current § 321 of the Functioning Rules):

- ELIA pursues the combination of Bids that minimizes the cost for selecting the Bids considered in the combination, calculated as the Bid volume multiplied by

the Bid Price, summed over all Bids considered in the combination

Moreover, the following constraint will be added (to be seen as an additional point to current § 323 of the Functioning Rules):

- ELIA only considers the combination of Bids of which the sum of the volumes of the Bids is higher than or equal to the volume associated with point B of the demand curve as established in the Ministerial Decree, after consideration of the necessary adaptation and corrections of the demand curve

Such volume constraint makes sense as the LCT, in the same way as a Y-1 Auction, aims to close the remaining adequacy gap.

Finally, it deserves to be clarified that the Global Auction Price Cap as well as the Intermediate Price Cap will apply whenever relevant, in accordance with the Bid Price compliance conditions as currently described in section 6.2.1.1.1 of the CRM Functioning Rules.

Third, also in terms of grid constraints the LCT will be considered as a Y-1 CRM Auction. This means that ELIA will take into account the prequalified CMUs of the LCT for the calculation of the Y-4 auction grid constraints and will keep only the relevant grid constraints for the Y-4 auction clearing, based on the CMUs selected in the LCT.

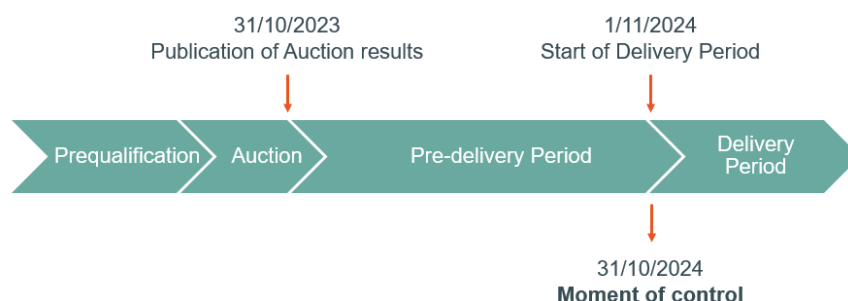
## 10. Pre-delivery Control

Considering the fact that the Pre-delivery Period of the LCT is only one year long, Elia proposes to perform a less extensive pre-delivery monitoring.

The Pre-delivery Period will commence with the publication of the results of the Auction and will end with the start of the Delivery Period. It consists of a single monitoring phase that is followed by a moment of control right before the start of the Delivery Period.

The determination of potential Missing Volumes during this moment of control depends on the type of CMU:

- Existing: no volumes check is performed. The risk of an Existing CMU being unavailable is extremely limited, especially considering the very short Pre-delivery Period. Moreover, the NRP has already been calculated for these units during Prequalification. Adding another volumes check yields little extra information and unnecessarily complicates the process for both Elia and the Capacity Providers ;
- Additional – Other: no volumes check is performed. In practice, CMUs in this category only require some minor works. The risk of an Additional – Other CMU not being available is as such extremely limited, even though the NRP determined during Prequalification is based on a declaration. No quarterly reports are required for Additional – Other CMUs;
- Additional – New Build: A complete volumes check is performed.



The volume can be verified in two ways at the moment of control. When historic data is available for the CMU at that point, the volume is determined based on this data. Alternatively, a dedicated pre-delivery test can be organized. The modalities for calculating the volume are identical to the ones that will be proposed for version 3 of the CRM Functioning Rules for the NRP determination in Prequalification.

Any Additional CMU needs to become Existing by the end of the Pre-delivery Period. Identical to the CRM, this is done by completing the Prequalification process.

No quarterly reports need to be provided by the CMU. In the CRM the reports are actively used to monitor the CMUs progress at the first of two moments of control. Seeing as any CMU is already expected to have become Existing by the single moment of control in this design, the quarterly reports add little value whilst putting a high workload on Capacity Providers.

## 11. Availability obligation

The modalities of the Availability Obligation are in line with the existing CRM design. This means that the availability obligation consists of:

- Availability Monitoring, where Elia verifies whether a unit that has a Capacity Contract correctly activates the contracted capacities; and
- Availability Testing, where Elia can in final instance impose tests on units under specific circumstances

It must be noted that the delivery period of the LCT implies that Elia will need to provide the regulator with her proposal on the testing methodology, which includes the selection of hourblocks that are monitored and the CMUs that are subject to a Test, one year earlier, i.e. in May 2023. This internal procedure is not disclosed publically.

## 12. Payback obligation

As already presented in Working Group Adequacy<sup>14</sup>, Elia is currently assessing the design elements of the Payback Obligation mechanism which needs to be updated following the feedback received from market parties.

Such adaptations include the following (non-exhaustive):

- An adaptation of the indexation mechanism of the strike price: specific details are still under investigation.
- A possible exemption of Payback Obligation for Demand Response units in the CRM.

Such design modifications are being investigated in order to take new market evolutions into account and foster participation of capacity to the Low Carbon Tender/CRM for the upcoming auctions.

In conclusion, it can be said that the updates brought to the design of the Payback Obligation mechanism, once finalized, will be considered for the Low Carbon Tender with no differentiation.

## 13. Secondary market

### 13.1 General concept of the Secondary Market

The purpose of the Secondary Market, similar to the CRM, is to give comfort to Capacity Providers to be able to transfer during their contract period (which can take up to maximum 15 years) their Contracted Capacities and related obligations to another CMU in order to allow for a better risk management. The use of the Secondary Market is to be considered as an operational way to manage and optimize the CMU's availability/unavailability, thereby ensuring system adequacy at all times. By doing so, the Secondary Market can contribute to decrease the overall cost of the LCT.

Similar to the CRM process, the Secondary Market is organized as a Title Transfer Facility, enabling a full transfer of all the rights and obligations that arise from the Contracted Capacities.

### 13.2 Legal framework

As part of the Clean Energy Package, Regulation 2019/943 imposes the organization of a secondary market for every Capacity Mechanism other than Strategic Reserves by imposing the transferability of capacity obligations between eligible capacity providers.

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<sup>14</sup> Working Group Adequacy from September 13th 2022.



### 13.3 Secondary Market design for the LCT

The CRM design note on the Secondary Market provides for a detailed description of the design of Secondary Market through a Title Transfer Facility. The Secondary Market for the LCT builds further on the exact same design principles, except for the design elements described below. Finally, the same tool will be used as the ones set up for the CRM, as described in section 2.6.5 of the CRM Functioning Rules.

#### Conditions for the Buyer of Obligation

##### Transactions with a Transaction Period that (partly) covers 2024-2025.

The CRM Prequalification Process for participation in the Secondary Market is organized in a continuous way, implying that a CMU can be prequalified for participation to the Secondary Market only and after closing of the Prequalification Process related to the Primary Market. On the contrary, access to the Secondary Market for the LCT is limited to CMUs that were successfully prequalified during the Prequalification Process preceding the Auction. As described in section 3, strict eligibility rules apply to participate to the LCT. As opposed to the market-wide CRM, only the need for new capacities in 2024-2025 is procured via the LCT. By limiting participation to the Secondary Market to the successfully prequalified CMUs during the Prequalification Process preceding the Auction, it is avoided that capacities are transferred to capacities that were already taken into account as contributing to Adequacy in the gap determination process. Moreover, due to the timing constraints, it is expected that not many “new” capacities can prequalify after the Auction and still be available during the Delivery Period.

##### Transactions with a Transaction Period starting from 2025-2026.

As set out in section 4, it is possible to obtain a multi-year contract under the LCT, implying that the LCT contract duration overlaps with the CRM Delivery Periods. The Capacity Providers with such a multi-year LCT contract are allowed to trade with CMUs that were successfully prequalified for the CRM for transactions with a Transaction Period starting from Delivery Period 2025 – 2026. Therefore, for such transactions, no additional limitations apply and all successfully prequalified Existing CMUs<sup>15</sup> can act as a Buyer of an Obligation.

#### Opening of the Secondary Market at the start of the Delivery Period

As foreseen in the E-law, the CRM Secondary Market should open no later than 1 year before the start of the first Delivery Period, i.e. 2025-2026. Moreover, the Functioning

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<sup>15</sup> It is a general requirement in the CRM Functioning Rules that only Existing CMUs can act as a Buyer of Obligation.



Rules V2 specify that the CRM Secondary Market should open before the end of the first semester of 2023. Therefore, the CRM Secondary Market will also be available for Capacity Providers during (part of) the Pre-delivery Period.

For the LCT, the Secondary Market will open on the 1<sup>st</sup> of November 2024, i.e. the start of the Delivery Period of the LCT. Hence, no Secondary Transactions can be made during the related Pre-delivery Period for the following reasons :

- In line with the CRM Functioning Rules, only Existing CMUs are eligible as Buyer of Obligation in line with the CRM requirements. Additionally, for transactions with a Transaction Period covering (part of) Delivery Period 2024-2025, only CMUs that were successfully prequalified during the Prequalification Process preceding the Auction are eligible. Given that an important share of the CMUs are expected to be Additional CMUs, liquidity on the Secondary Market during the Pre-delivery Period of 2024-2025 could be very low.
- Given that a potential Buyer of an Obligations and a Seller of an Obligation can already enter into negotiations on a possible transaction, market parties can already optimize their risk management strategy by preparing for the opening of the Secondary Market in advance.

The table below summarizes the transactions that are allowed on the Secondary Market (as a reminder, no transactions are allowed during the Pre-delivery Period of the LCT):

DP '24-'25	As of DP '25-'26
With CMUs successfully prequalified during the PQ preceding the LCT Auction.	With all successfully prequalified CMUs (including the CRM).

### The treatment of Opt-out volumes

As described more in detail in the section on prequalification, no opt-out volumes can be declared in the LCT process. Hence, no opt-out 'IN' volumes are applied in calculating the Secondary Market Remaining Eligible Volume (SMREV). However, the current formulas to calculate SMREV as detailed in the Functioning Rules V2 will apply, with the Opt-out "IN" Volumes always equal to zero.

## 14. Cross Border

Explicit participation of foreign capacities to the LCT is excluded both due to timing incompatibility with the current timeline for the implementation of cross border participation in the CRM and the added complexity this would bring. However, the contribution of foreign capacities to the Belgian adequacy is implicitly accounted for in the volume determination process.



## ANNEX A: Glossary and Abbreviations

### A.1 Glossary

Term	Definition
<b>Access Point</b>	<p>As defined in article 2, § 1, 29° of the Federal Grid Code for an access to the transmission grid.</p> <p>For an access to the ELIA Grid other than the transmission grid, or to a Public Distribution Grid: a point, defined by the physical location and voltage level, at which access to the ELIA Grid other than transmission grid, or to a Public Distribution Grid, is granted, with a goal to injecting or taking off power, from an electricity production unit, a consumption facility, a non-synchronous storage facility, connected to this grid.</p>
<b>Active Volume</b>	The component of the Available Capacity measured as the part of a CMU without Daily Schedule that reacted to a market price signal in accordance with its (Partial) Declared Prices, determined according to section 9.4.3.2.3.1 of the Functioning Rules.
<b>Additional Capacity</b>	The Capacity for which, at the time of Prequalification File submission, no Nominal Reference Power can be calculated based on quarter-hourly measurements or that is subject to a technical agreement in accordance with the connection process as defined in the Federal Grid Code.
<b>Additional Capacity Market Unit (Additional CMU)</b>	A Capacity Market Unit which includes at least one Additional Delivery Point.
<b>Additional Delivery Point</b>	A Delivery Point associated to an Additional Capacity.
<b>Ancillary Services</b>	As defined in article 2, § 1, 52° of the Federal Grid Code.
<b>Auction</b>	As defined in article 2, 73° of the Electricity Act.
<b>Availability Monitoring</b>	The process to monitor whether the CMU's Available Capacity equals at least its Obligated Capacity during AMT Hours as referred to in article 7undecies, § 12, al. 3, 5° of the Electricity Act.
<b>Availability</b>	The obligation of a CMU to have an Available Capacity that equals at least

<b>Obligations</b>	its Obligated Capacity during AMT Hours or an Availability Test.
<b>Availability Test</b>	The test in which the CMU has to demonstrate its availability by actually delivering energy upon request of ELIA. During an Availability Test ELIA monitors whether the CMU's delivered energy equals at least its Obligated Capacity.
<b>Balancing Market</b>	As defined in article 2, 2° of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL).
<b>Baseline</b>	The power on which the energy volume that the CMU would have taken off is evaluated in case no Demand Side Response is activated.
<b>Bid</b>	The offer made by a Prequalified CRM Candidate in the Auction.
<b>Bid Price</b>	The price (in €/MW/year) at which a Prequalified CRM Candidate is offering a Bid in the Auction.
<b>Buyer of an Obligation</b>	The Capacity Provider taking over the rights and obligations resulting from the Capacity Contract of a Seller of an Obligation via a transaction on the Secondary Market.
<b>Capacity</b>	Power associated to a Delivery Point in accordance with article 1, §2, 4° of the Royal Decree on "Investment Thresholds".
<b>Capacity Category</b>	As defined in article 2, 84° of the Electricity Act. As determined in article 7undecies § 11 of the Electricity Act, the maximal duration for which the Capacity Provider receives a remuneration is 1-year, 3-years, 8-years or 15-years.
<b>Capacity Contract</b>	The contract signed between a Capacity Provider and ELIA as referred to in article 7undecies § 11, al. 1 of the Electricity Act.
<b>Capacity Contract Duration</b>	For Transactions on the Primary Market, the number of consecutive Delivery Period(s) that the Capacity Contract covers as stipulated in the Capacity Contract. For Transactions on the Secondary Market, the Capacity Contract Duration can be defined on the basis of other elements.
<b>Capacity Market Unit (CMU)</b>	A Capacity (« Individual CMU ») or several associated Capacities (« Aggregated CMU») used in the consecutive phases of the Capacity Remuneration Mechanism to deliver the Service.
<b>Capacity Provider</b>	As defined in article 2, 75° of the Electricity Act.
<b>Capacity Remuneration</b>	As defined in article 2, 76° of the Electricity Act.
<b>Capacity Remuneration Mechanism (CRM)</b>	As defined in article 2, 71° of the Electricity Act.

<b>CRM Actor</b>	All (potential) participants to the CRM, including a Capacity Holder, CRM Candidate, Prequalified CRM Candidate, Capacity Provider, Buyer of an Obligation and Seller of an Obligation.
<b>CRM Candidate</b>	The Capacity Holder whose application form has been accepted by ELIA.
<b>Delivery Period</b>	As defined in article 2, 77° of the Electricity Act.
<b>Delivery Point</b>	A delivery point, as defined in article 2, 89° of the Electricity Act.
<b>Demand Side Response (DSR)</b>	As defined in article 2, 66° of the Electricity Act.
<b>Derating Factor</b>	As defined in article 2, 83° of the Electricity Act.
<b>Eligible Volume</b>	The Reference Power of an Existing CMU or Additional CMU multiplied by the Derating Factor as determined during the Prequalification Process.
<b>Existing Capacity</b>	The Capacity for which, at the time of Prequalification File submission, the Nominal Reference Power can be calculated based on quarter-hourly measurements.
<b>Existing Capacity Market Unit ("Existing CMU")</b>	A Capacity Market Unit that only includes one or more Existing Delivery Points.
<b>Existing Delivery Point</b>	A Delivery Point associated to an Existing Capacity.
<b>Financial Security</b>	The security provided to cover a CMU's obligations during one or more Validity Period(s) in the form of a bank guarantee, an Affiliate Company guarantee or a cash payment.
<b>Functioning Rules</b>	The CRM rules referred to in article 7undecies, § 12 of the Electricity Act.
<b>Global Auction Price Cap</b>	The price cap applicable in an Auction to all Bids.
<b>Intermediate Price Cap</b>	The price cap applicable in an Auction to a subset of Bids.
<b>Intraday Market</b>	The energy market, as referred to in article 2, 27° of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.

<b>Investment File</b>	The file referred to in Article 7 of the Royal Decree on "Investment Thresholds", submitted to the CREG by a Capacity Holder with a view to being classified in a capacity category associated with a Capacity Contract covering more than one Period of Capacity Delivery.
<b>Low Carbon Tender</b>	A targeted tender by Elia's design – as per instruction of the Minister of Energy – that is aimed at new, low-carbon capacities to ensure Belgian security of supply during the winter of 2024-2025.
<b>Measured Power</b>	The net active power, i.e. the difference between gross offtake and gross injection, measured at a Delivery Point. Net offtake from the grid is considered as a positive value, net injection into the grid is considered as a negative value.
<b>Missing Volume</b>	The share of a CMU's Pre-delivery Obligation considered as non-available as a result of one of the pre-delivery controls.
<b>New Build Capacity Market Unit (New Build CMU)</b>	An Additional Capacity Market Unit referred to in the commitments and waivers as described in § 93.
<b>Nominal Reference Power</b>	The maximal capacity that could be offered in the Capacity Remuneration Market, not taking into account the Derating Factor or the Opt-out Volume.
<b>Obligated Capacity</b>	The capacity of a CMU that a Capacity Provider is obliged to make available in the form of Available Capacity during Availability Tests and Availability Monitoring, in line with the availability requirement, as referred to in article 7undecies, § 12, al. 2, 5° of the Electricity Act.
<b>Opt-out Volume</b>	The (part of) the (Declared) Nominal Reference Power of a CMU for which the CRM Candidate formally indicates prior to the Auction for which it does not want to submit a Bid during an Auction.
<b>Opt-out Notification</b>	The notification based on which a CRM Candidate notifies ELIA that it has decided not to offer the Opt-out Volume into an Auction for a Delivery Period, in line with article 7undecies, § 9 of the Electricity Act.
<b>Payback Obligation</b>	The Capacity Provider's obligation to pay back an amount to ELIA in function of the Contracted Capacity as referred to in article 7undecies § 11 of the Electricity Act.
<b>Pre-delivery Obligation</b>	The capacity of a CMU that a Capacity Provider is obliged to make available during a pre-delivery control.
<b>Pre-delivery Period</b>	The period during which pre-delivery control(s) are organized by ELIA for a CMU to ensure the effective availability of the Contracted Capacities related to the CMU before the Delivery Period containing the start date of the Transaction Period associated to the CMU.
<b>Prequalification File</b>	All documents and data that the CRM Candidate has prepared, updated (when required) and provided to ELIA and which are necessary for the proper and complete execution of the Prequalification Process.
<b>Prequalification</b>	As defined in article 2, 82° of the Electricity Act, with it being understood that this process also applies to determine the possibility for Capacity

<b>ion Process</b>	Holders to participate in the Secondary Market.
<b>Prequalified Capacity Market Unit (Prequalified CMU)</b>	A Capacity Market Unit which has succeeded the Standard Prequalification Process or a Virtual Capacity Market Unit which has succeeded the specific Prequalification Process.
<b>Prequalified CRM Candidate</b>	The Capacity Holder that is allowed to participate in the Primary Market or the Secondary Market thanks to the prequalification of one or several Capacity Market Unit(s).
<b>Primary Market</b>	The market where the rights and obligations relating to the Service are created as a result of an Auction.
<b>Public Distribution System Operator or "DSO"</b>	A natural personal or legal entity appointed by the regional regulator or regional authority, responsible for the exploitation, the maintenance and, if necessary, the development of the Public Distribution Grid in a certain zone and, where applicable, for its interconnectors with other systems and who is responsible of guaranteeing the long-term ability of the Public Distribution Grid to meet reasonable demands for electricity distribution.
<b>Reference Power</b>	The Nominal Reference Power of a CMU minus the Opt-out Volume (if applicable).
<b>Regulation (EU) 2019/943</b>	As defined in article 2, 88° of the Electricity Act.
<b>Remaining Eligible Volume</b>	The maximum capacity that a Capacity Provider can offer for the purpose of a Transaction on the Primary Market.
<b>Royal Decree on "Investment Thresholds"</b>	The Royal Decree of 4 June 2021 on the determination of the investment thresholds and the eligibility criteria for the Investment Costs, and the procedure of classification.
<b>Royal Decree on "Methodology"</b>	<p>The Royal Decree of 28 April 2021 establishing the parameters by which the volume of capacity to be procured is determined, including their calculation method, and other parameters required for the organization of the auctions, as well as the method and conditions for obtaining individual derogations on the application of intermediate price cap(s) in the context of the capacity remuneration mechanism, hereafter Royal Decree on Methodology.</p> <p>This Royal Decree determines the methodology for calculation of the CRM Required Volume and the parameters needed for the organization of the Auctions in the context of the Capacity Remuneration Mechanism, established in accordance with article 7undecies, § 2 of the Electricity Act.</p>
<b>Secondary Market</b>	As defined in article 2, 92° of the Electricity Act.
<b>Seller of an Obligation</b>	The Capacity Provider that transfers the rights and obligations resulting from the Capacity Contract to a Buyer of an Obligation via a transaction on

	the Secondary Market.
<b>Service</b>	The Capacity Provider's rights and obligations related to the delivery of a Capacity, as stipulated in the Functioning Rules and in the Capacity Contract.
<b>Specific Prequalification Process</b>	The process to be followed by a CRM Candidate to prequalify a VCMU (Unproven Capacity) to participate to the Primary Market with this related VCMU.
<b>Standard Prequalification Process</b>	The process to be followed by a CRM Candidate who wants to prequalify an Existing CMU or an Additional CMU to be able participate to the CRM with this related CMU.
<b>Strike Price</b>	As defined in article 2, 80° of the Electricity Act.
<b>Transaction</b>	An agreement about the contractual rights and obligations resulting from the Service, closed in the form of a Capacity Contract between a Capacity Provider and ELIA, in the Primary Market or the Secondary Market at a Transaction Date, identified by a transaction identification number, for the Contracted Capacity and covering a Transaction Period.
<b>Transaction Date</b>	The date and time a transaction is made, i.e. the date and time that a Bid is submitted in the Auction or the date and time that ELIA acknowledges the reception of the notification of a Secondary Market transaction.
<b>Transaction Period</b>	The period linked to a Transaction, defined by a start date/start time and end date/end time, during which the rights and obligations related to the Delivery Period(s) apply, following the conclusion of a Capacity Contract.
<b>Validity Period</b>	The period of time for which a Financial Security is to be provided by a (Prequalified) CRM Candidate or a Capacity Provider, as a condition to make a Transaction on the Primary Market or the Secondary Market.
<b>Working Day</b>	Any calendar day except for Saturdays, Sundays and Belgian public holidays.

## A.2 Abbreviations

<b>AMT</b>	Availability Monitoring Trigger
<b>CMU</b>	Capacity Market Unit
<b>CRM</b>	Capacity Remuneration Mechanism
<b>DP</b>	Delivery Period
<b>DSR</b>	Demand Side Response
<b>DSO</b>	Public Distribution System Operator
<b>EBGL</b>	Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing.
<b>FR</b>	Functioning Rules
<b>LCT</b>	Low Carbon Tender



<b>NRP</b>	Nominal Reference Power
<b>TP</b>	Transaction Period
<b>Y-1</b>	One year before the start of the Delivery Period
<b>Y-4</b>	Four years before the start of the Delivery Period