



Elia Transmission Belgium NV
Taskforce CRM
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Brussels

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| uw brief van | uw kenmerk | ons kenmerk | datum |
| - | - | | 22/12/2022 |
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Concerns: feedback from Zandvliet Power NV on the public consultation of Elia on the Functioning Rules (Version 3) of the Belgian Capacity Remuneration Mechanism (CRM), dd 25/11/2022.

Dear,

In relation to the **strike price indexation**, Zandvliet Power can support, in the current market circumstances, the formula proposed by Elia in the framework of this consultation by introducing a fix and variable component and integrating the DA monthly market price into the variable component. Based on the simulations provided by Elia, the new formula limits the payback moments which is a positive evolution. However, there is still a risk that future market conditions evolve in such a way that the formula leads to significant payback of unearned revenues. Therefore, Zandvliet Power strongly recommends Elia to add, in the functioning rules, a clause, allowing a review of the formula in the future. This will provide confidence for market parties that the payback obligation remains sustainable in the future and actually targets the recovery of the "windfall profit".

In addition, Zandvliet Power would like to propose an **improvement to the new formula**: the variable component of the new formula should only be computed on positive day-ahead prices, and should in any case never be negative. This principle was presented in the Adequacy Working Group at 13/10/2022, but is not retained in the proposed Functioning Rules.

Because the current crisis revealed an important flaw in the design and important risks for the CRM Actors, Zandvliet Power considers it essential that the improved formula for the strike price indexation also applies retroactively for **existing contracts** signed for the delivery period 2025-26. In a context of high natural gas prices, a strike price of 300 €/MWh would generate important payback moments of unearned revenues. This is contradictory to the objective of the payback obligation.

In addition, we encourage Elia to further investigate the opportunity to make **the AMT Price**, in the framework of the availability monitoring, **more dynamic** during the delivery year. In the current rules, the AMT price is computed and published by the 15th of May before the start of the delivery year. Similarly to the principle of dynamic strike price indexation, we consider that updating the AMT price during the delivery year is necessary when the market conditions have changed in such a way that the computed value no longer represents a correct trigger for the



controls. Else, it will become extremely challenging for power plant operators to plan their maintenance interventions without risking to be heavily penalized. Proper maintenance is crucial to guarantee the availability when needed and should not be compromised by a penalty scheme that is not targeted to its purpose. Similarly to what is now being proposed for the availability testing (§ 583), which Zandvliet Power supports, there should also be a more explicit link in the AMT monitoring between controls and scarcity periods.

Finally, Zandvliet Power would like to raise a general concern about the **opt-out volumes**. We have noticed, in the last two auctions, that significant opt-out volumes were added into the dummy bid, while there is no guarantee that these volumes will effectively be contributing to the security of supply. Therefore, Zandvliet Power encourages Elia and the authorities to only consider volumes for which there is enough confidence they will be able to deliver the counted MW. This is also necessary to ensure a level playing field for technologies that are more inclined to participate to the T-4 auction, given the important volume reserved for the T-1 auction.

We are available for further clarifications on the points raised in this letter.

Yours sincerely,

A handwritten signature in black ink that reads "Eric Verrydt".

Eric Verrydt
General Manager

A handwritten signature in black ink that reads "Willem Vandamme".

Willem Vandamme
General Manager

Zandvliet Power N.V.

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