CRM Design Note: Financial Securities

February 2025

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1 Introduction

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1.1 Scope and structure of the present design note

This document aims to provide explanation regarding the obligation for the CRM Candidate to provide Financial Securities.

This Design note is divided into three sections:

- Section 2 explains the purpose of the Financial Security, why the obligation exists and when it is applied; and
- Section 3 explores the characteristics of the Financial Security in detail, namely, the different types, the Validity Period, and the Secured Amount to cover; and
- Section 4 covers the operational processes regarding the Financial Security, from its submission to its release including, if applicable, the invocation of (a part of) the Financial Security or its modification.

2 Purpose of the Financial Security

The Financial Security serves as a warranty to cover penalties during the Pre-Delivery period, if these penalties remain unpaid by the CRM Actor. Penalties during the Pre-Delivery period can be applied when:

- The Capacity Contract has not been signed by the Capacity Provider after the selection of its CMU in the Auction; and/or
- The CMU is not compliant with its Pre-Delivery Monitoring related obligations and requirements (cf. Pre-delivery Monitoring design note[1]).

During the Pre-delivery Period, the Financial Security covers the risk and is released after the start of the Delivery Period, in accordance with the process described in section 4.4.

The release is subject to the condition that the CMU is effectively available – i.e., that the CMU has evolved into Existing – by the beginning of the Delivery Period. The reader is invited to refer to the Availability & Payback Obligation design notes[2] for further information regarding the applicable regimes during the Delivery Period.

The Figure 1 illustrated the period covered by the Financial Security that is submitted by a Capacity Provider.

Figure 1: Financial Security coverage

2.1 Financial Security Obligation for Transactions in the Primary Market

The submission of a Financial Security is required for all CMUs to access the Auction. For Foreign CMUs the submission of a Financial Security is required to access the Pre-Auction as well as the Auction. A Financial Security needs to be submitted for every CMU during the Prequalification phase when the CMU is following a Standard Prequalification Process and is willing to participate in the Auction. For Foreign CMUs, the Financial Security needs to be submitted as of the Admission Process and for any Foreign CRM Candidate willing to participate to the Pre-Auction.

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[1] Capacity Remuneration Mechanism
[2] Capacity Remuneration Mechanism

2.2 Financial Security Obligation for Transactions in the Secondary Market

For all types of CMUs, following a Transaction on the Secondary Market, the Buyer of an Obligation needs to submit a Financial Security if:

- The Transaction Date is before the start of the Delivery Period of the obligation; and
- The Transaction increases the Volume to be Guaranteed *(*cf. section 3.4.2*)* during the Validity Period.

In other words, a Financial Security is required if the Secondary Market Transaction happens during the Pre-Delivery Period, before the beginning of the Delivery Period. Further explanations regarding the submission of a Financial Security in view of participating to the Secondary Market can be found in section 4.1.

3 Financial Security characteristics

3.1 Provisions regarding the Financial Security obligation

The CRM Candidate is to provide its Financial Security through the CRM IT Interface for Transactions for which the obligation applies (cf. sections 2.1 & 2.2).

It falls upon the CRM Candidate to ensure that the amounts of the CMU's Financial Security is at least equal to the Secured Amount (calculated as per section 3.4) during the Validity Period (cf. section 3.3).

Furthermore, the CRM Candidate has the possibility to provide a single Financial Security for multiple CMUs. The Financial Security obligation is calculated as a package for all applicable Transactions related to these CMUs under the following cases:

- the CMUs concern different configurations of an installation located on the same geographical site – resulting in mutually exclusive Bids in case these configurations would be offered in the Auction; or
- the CMUs are Linked Capacities; or
- the CMUs involve Aggregated CMUs with common Delivery Points or common Low Voltage Delivery Point Groups; or
- the CMUs concern a Virtual CMU and its linked Existing CMU(s).

After its submission by the CRM Candidate, ELIA verifies the Financial Security in order to approve, provisionally reject or reject the Financial Security.

3.2 Types of Financial Securities

The CRM Candidate can choose the type of its Financial Security. There are three different types of Financial Security. The conditions under which these are accepted are explained in the following sections. The types of Financial Securities are as follows:

1. Bank guarantee (as per section 3.2.1); or

2. An Affiliate guarantee (as per section 3.2.1); or
3. A cash payment (as per section 3.2.2).

3.2.1 Bank and Affiliate guarantees

The forms to use for the Bank and the Affiliate guarantees are available on ELIA's Website alongside the annexes of the CRM Functioning Rules.

The guarantor (bank or corporate) should be permanently established in a member state of the European Economic Area and the bank or Affiliate Guarantee should satisfy the following requirements:

- Unconditionally available on first request of ELIA; and
- Irrevocable, which means that it cannot be changed or recovered, except during the specific release moment explained in section 4.4; and
- Guarantor should have a minimum rating of BBB (S&P or Fitch) or Baa2 (Moody's).

In addition, for an Affiliate Guarantee, a legal opinion confirming that the Affiliate guarantee is legal, valid, binding, and enforceable under the relevant legislation should be provided by the CRM Candidate and approved by ELIA during the Prequalification Process.

3.2.2 Cash guarantee

The cash guarantee can be seen as a fallback solution if the Bank or Affiliate guarantees are not suitable for the Capacity Provider. However, it is important to note that the Cash guarantee shall be replaced by either a Bank guarantee or an Affiliate guarantee within 6 months.

3.3 Validity Period

The Validity Period is a period related to a Transaction during which a CRM Actor must provide a valid Financial Security.

The start of the Validity Period of a Financial Security depends if the Transaction has been made on the Primary or the Secondary Market:

- For a Transaction on the Primary Market with a Belgian CMU, the Validity Period starts on September 30 of the year of the Auction; or
- For a Transaction on the Primary Market with a Foreign CMU, the Validity Period starts on May 25 of the year of the Pre-Auction; or
- For a Transaction on the Secondary Market, the Validity Period starts on the Transaction Date.

The Financial Security can only be called upon after the Transaction Validation date. In other words, ELIA can only ask the Financial Security to cover an unpaid penalty after the dates mentioned in the Table 1.

	Belgian CMU	Foreign CMU
Primary Market Transaction	September 30 of the year	May 25 of the year of the

	of the Auction	Pre-Auction
Secondary Market Transaction	Transaction Date	

Table 1: Validity Period

The Validity Period of a Financial Security, related to a Transaction, ends on a specific date called the Expiry Date. The Expiry Date corresponds to an official release moment of the Financial Security as explained in the section 4.4. When the status of a CMU changes, the Expiry Date of the CMU also changes. As an example, one can think about the evolution from a Virtual CMU to an Existing CMU. The reader is invited to refer to the Pre-delivery Monitoring design note where the processes to evolve from Additional or Virtual to Existing is explained in depth[3].

The Table 2**Error! Reference source not found.** below illustrates the Expiry Dates of the Financial Securities applicable for the Y-1, Y-2 and Y-4 Auctions in case of a one-year contract.

Expiry Date				
Auction		Existing CMU	Additional CMU	Virtual CMU
2025	Y-1 *(DP 2026-2027)*	21/10/2027	15/11/2027	15/11/2027
	Y-2 *(DP 2027-2028)*	24/10/2028	15/11/2028	15/11/2028
	Y-4 *(DP 2029-2030)*	21/10/2030	15/11/2030	15/11/2030
2026	Y-1 *(DP 2027-2028)*	24/10/2028	15/11/2028	15/11/2028
	Y-2 *(DP 2028-2029)*	22/10/2029	15/11/2029	15/11/2029
	Y-4 *(DP 2030-2031)*	22/10/2031	14/11/2031	14/11/2031
2027	Y-1 *(DP 2028-2029)*	22/10/2029	15/11/2029	15/11/2029
	Y-2 *(DP 2029-2030)*	21/10/2030	15/11/2030	15/11/2030
	Y-4 *(DP 2031-2032)*	21/10/2032	15/11/2032	15/11/2032
2028	Y-1 *(DP 2029-2030)*	21/10/2030	15/11/2030	15/11/2030
	Y-2 *(DP 2030-2031)*	22/10/2031	14/11/2031	14/11/2031
	Y-4 *(DP 2032-2033)*	24/10/2033	15/11/2033	15/11/2033

Table 2: Expiry date for the upcoming Auctions

[3] Capacity Remuneration Mechanism

3.4 Secured Amount

The Secured Amount corresponds to the amount in euros to be secured by a Financial Security during the Validity Period. In other words, it is an amount that is estimated as sufficient to cover the risk related to a CMU. For a given CMU, during its Validity Period, the Secured Amount is calculated by multiplying the Required Level (see section 3.4.1) and the Volume to be Guaranteed (see section 3.4.2) as follows:

$$Secured\ Amount(€) = Required\ level\ \left(\frac{€}{MW}\right) * Volume\ to\ be\ Guaranteed\ (MW)$$

3.4.1 Required Level

The Required level is determined at CMU level depending on the status of the CMU.

Required Level				
	Existing CMU	**Additional CMU**	**New Build CMU**	**Virtual CMU**
General Required level depending on the status	10,000 €/MW	15,000 €/MW	20,000 €/MW	20,000 €/MW
Permitting Milestone is reached during the Pre-Delivery Period **or** Permitting Milestone is not applicable	N/A	11,000 €/MW	15 000 €/MW	N/A

Table 3: Required Level for different types of CMU

The Permitting Milestone is a key milestone that is applicable to Additional CMUs, that is reached when all necessary licenses and permits for the construction of the project have been delivered in the last administrative instance, are definitive, enforceable and cannot be disputed anymore. The Capacity Provider can indicate that this milestone has been reached while submitting a Prequalification file or at any time during the Pre-delivery Period. For more information regarding the Permitting Milestone, the reader is invited to refer to the Pre-delivery Monitoring design note[4].

3.4.2 Volume to be Guaranteed

The Volume to be Guaranteed simply refers to the volume that is to be covered by a Financial Security. In other words, a Financial Security should cover the Maximum Expected Contracted Capacity during the Validity Period. The following formula is used to calculate the Volume to be Guaranteed:

$$Volume\ to\ be\ Guaranteed\ (CMU, t) = Max_{\tau}[Expected\ Contracted\ Capacity\ (CMU, \tau, t)]$$

[4] Capacity Remuneration Mechanism

Where:

- τ represents a moment of the Delivery Period(s) related to the ongoing Validity Period(s) at moment t;

- $Expected\ Contracted\ Capacity\ (CMU, \tau, t)$ is the expected Contracted Capacity at moment τ that would apply at a given moment t.

If two or more Validity Periods overlap, the Financial Security obligation does not apply cumulatively. Indeed, as the Volume to be Guaranteed equals the Maximum Expected Contracted Capacity for a CMU and not the sum, when several Validity Periods overlap, the CRM Candidate should look at the maximum of Expected Contracted Capacity during the moment of the overlapping to determine the Volume to be Guaranteed. To illustrate the application of the formula in case of validity Periods overlapping, a concrete example is provided in the annex of this design note (see section **Error! Reference source not found.**).

4 Financial Securities processes

4.1 Submission of a Financial Security

On the one hand, in order to participate to the Primary Market, the CRM Actor submits its Financial Security before:

- For a Belgian CMU, September 1 of the year during which the Auction is organized;
- For a Foreign CMU, May 10 of the year during which the Pre-Auction is organized.

On the other hand, in order to participate to the Secondary Market, a CRM Candidate submits its Financial Security upon the conditions mentioned in section 2.2.

If the Transaction on the Secondary Market is subject to a Financial Security obligation, the submission of the Financial Security on the CRM IT Interface should be realized prior to the Secondary Market Transaction Notification.

In practice, the CRM Actor submits its Financial Security on the CRM IT Interface and through a paper version that is sent to ELIA. The form of the Financial Security to be submitted, can be found in the annexes of the Functioning Rules, that will be published on ELIA's website as approved by the CREG on May 15[5].

As mentioned above, the original paper version of the guarantee is to be sent to the attention of:

Nicolas Koelman (Key Account Manager – Adequacy)
ELIA Transmission Belgium
Boulevard de l'Empereur 20

[5] Capacity Remuneration Mechanism

1000 Brussels
Belgium

It is important to remind that that it falls upon the CRM Actor to correctly estimate and cover its Secured Amount, based on its Volume to be Guaranteed and the Required Level.

4.2 Modification of Financial Security

As explained above, a Financial Security is irrevocable. However, upon request of ELIA for operational purposes, or, due to late changes in the Functioning Rules, the CRM Candidate can adapt its Financial Security related to a specific Auction after the Financial Security Submission date (see section 4.1).

When a CRM Actor increased its Volume to be Guaranteed for a specific Validity Period and for a specific CMU due to a new Transaction, the CRM Actor submits and fills the form in Annex 18.5 of the Functioning Rules published on the ELIA Website in accordance with the Financial Security submission date set in section 4.1. to modify its original Financial Security.

4.3 Call upon the Financial Security

A Financial Security can be called upon by ELIA as of the Transaction Validation Date when one of the following penalties remains unpaid:

- the financial penalties resulting from the pre-delivery control; or
- the penalty due in the event of the non-signature of the Capacity Contract by the Capacity Provider.

The amount of a CMU's Financial Security must not be adjusted to its initial level when ELIA has partly or fully invoked the Financial Security.

4.4 Release of the Financial Security

The Financial Security can be partly or fully released if the Secured Amount is lower than the actual amount of the Financial Security for a specific CMU.

The procedure to release (part of) a Financial Security is initiated by ELIA at the latest 10 Working Days after pre-determined moments. These moments are fixed in time and are in line with specific milestones for a CMU.

The moments of such Releases can be sorted by category, depending on the reasons of the release:

1. Directly after a Transaction:
   - at the moment of *the Pre-Auction result notification*;
   - at the moment of *a Primary Market Transaction Validation Date*;
   - at the moment of *a rejection of a Secondary Market Transaction*;
   - at the moment of *the transfer of the Capacity Contract*.
2. When the CMU changes its Status after the Capacity Contract signature, leading to a

modification of the Secured Amount:
    - whenever the Permitting Milestone has been reached; and/or
    - whenever the status of the CMU changes from Additional/Virtual to Existing.
3. When a Financial Security is not needed anymore, at the end *of the Validity Period*;
4. When *cash guarantee is replaced* by another type of Financial Security.

In practice, a full or partial Financial Security release is applicable starting from the milestones mentioned above. ELIA notifies the CRM Actor through the CRM IT Interface, within 10 Working Days starting from one of the abovementioned moments, that a possibility for a Financial Security release exists.

In turn, the CRM Actor, within 10 Working Days after ELIA's notification, can communicate its choice to proceed with the release. In case of partial release that concerns more than one Financial Security, the CRM Actor shall also communicate the manner in which the split is to be realized among its Financial Securities.

Once the release moment is approved by the CRM Candidate, or when the deadline has expired without a choice by the CRM Candidate, the release will be carried out by ELIA within a maximum of 10 Working Days. The CRM Actor shall be notified of such release through a notification via the CRM IT Interface.