

Febeliec answer to the Elia consultation on the methodology and input data for the adequacy and flexibility study 2025

Febeliec would like to thank Elia for this consultation on the methodology, the basis data and scenarios used for the study regarding the adequacy and flexibility needs of the Belgian power system for the period 2026-2036.

Febeliec wants to state that a consultation period of only one month for the very large quantity of data and input is quite challenging and that as a result its input cannot be exhaustive. As a result, the omission of comments on certain points should in no case be interpreted as an implicit approval of Febeliec. Febeliec also wants to refer to its comments on the previous consultations for the Elia Adequacy and Flexibility studies as well as the related consultations for the determination of parameters and scenarios for the CRM.

1. Future electricity demand is structurally overestimated. Elia uses a low, mid and high scenario. This is based on the projections of the future demand of households, tertiary sector and in the industry. The latest developments are such that electrification is being postponed in many industries. This should be considered. Concretely, Febeliec asks that the current low scenario would be considered as the high scenario, with consequently lower mid and low scenarios. Additionally, Febeliec asks that the future electricity demand in the rest of Europe is also significantly revised downwards, since the slower electrification pace is a European phenomenon. For example, the future electricity demand for Germany and Poland has not changed compared to two years ago. This is vastly overestimating the electricity demand. Also, efficiency of existing demand should be shown explicit (the historical rate and the estimated future rate). Finally, Elia considers that a PHEV drives about half on its battery. This is optimistic and should be examined to what level this needs to be lowered.

Febeliec further also wants to refer to its previous comments on Elia's continuous estimates of increases in electricity demand in Belgium which never truly materialized. Febeliec remains surprised to see that Elia estimates that total electricity demand over the next decade increases to never seen absolute levels. Febeliec shares Elia's expectation of electrification of many industrial processes in the following decades, but expects that this evolution will slow down due to economic circumstances.

2. Forward markets are not considered as a risk management instrument. There are about 10.000 simulations of revenues. These revenues are outcomes of short-term markets. The distribution of these revenues determines the risk an investor is taking and thus the discount rate that is applied by Elia in its EVA. However, an investor does not face the distribution of revenues of short-term markets but the distribution of revenues on long-term markets; this distribution is much smaller (fewer negative outliers, less positive outliers), which lowers the risk for risk-averse investors. (The whole idea of forward markets is for investors (and consumers) to hedge themselves and to lower their risks.) Not taking into account the hedging opportunity that forward markets bring implies a too high discount rate and thus a higher capacity requirement, which leads to too high costs.
3. Cost evolution of batteries. Febeliec would like to have more information on the cost evolution assumptions that Elia uses for batteries (home batteries, grid scale batteries). This cost evolution seems too pessimistic.

4. Climate database remains untransparent. Elia says it cannot supply the climate years in the climate database used to perform the simulations, due to confidentiality of the commercial data. This means the use of it lacks transparency. This could be easily solved if Elia would choose to perform the analysis based on the latest 30 climate years, an option that is foreseen in Acer's ERAA methodology. If Elia does not want to choose this option, it could perform additional simulations based on the latest 30 climate years, so it would be clear what impact the choice of the climate database has. It is to be expected that a simulation based on the latest 30 climate years would give more stringent capacity requirements than the use of the climate database, since the latter is forward looking and thus taking future climate change into account (lowering the need for capacity).