Capacity Remuneration Mechanism (CRM)

FUNCTIONING RULES V5

Cover Note for the Public Consultation by ELIA

November 2024

Contents

COVER NOTE INTRODUCTION

From 22 November 2024 until 20 December 2024, a public consultation regarding the fifth iteration of the Functioning Rules of the Capacity Remuneration Mechanism (CRM) will be held.

This cover note serves to guide stakeholders through the most notable changes in the Functioning Rules. It is intended to be used alongside the Functioning Rules, as a supportive compendium. Each chapter corresponds with the eponymous chapter of the Functioning Rules and lists the major alterations between version 5 and version 4, the latter of which was published in September 2024 (being the amended version of the CRM FR published in May 2024).

Elia wants to draw attention to the publication of several design notes of the course of 2024, these are available online[1] and serve as a reference material. These design notes reflect the status of the CRM design at the time of publication fo the CRM FR v4. These design notes will be updated after the submisstion of the CRM FR v5 to the CREG.

In case no significant changes were made to a chapter, "*null*" is used.

The table below summarizes the key milestones related to the Functioning Rules:

Date	Topic
22/11/2024 – 20/12/2024	Public consultation on the CRM Functioning Rules.
01/02/2025	ELIA submission of CRM Functioning Rules to the CREG.
15/05/2025	Approval of the CRM Functioning Rules by the CREG and publication.

The changes listed in this document are selected based on perceived impact and are in no way an exhaustive overview. This document is by no means legally binding.

[1] [Capacity Remuneration Mechanism (elia.be)]

1 INTRODUCTION

null

2 GENERAL PROVISIONS

null

3 DEFINITIONS

null

4 SERVICE TIME SCHEDULE

null

5 PREQUALIFICATION PROCESS

The design note of the Prequalification Process is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

The changes introduced in the Prequalification chapter are mainly improved at further streamlining and simplifying the existing process. The main changes include:

(Section 5.2.3.1.2) For Low Voltage Delivery Points Group, the minimum threshold (100kW) has been removed to allow the creation of smaller Low Voltage Delivery Points Group. Neverthless, all Delivery points part of the same Low Voltage Delivery Points Group must be connected to the same DSO.

(*Section 5.2.3.1.2*) On top of that, ELIA proposes a clarification regarding the FSP-DSO Agreement requirement applicable for low voltage Delivery Points and LVDPGs. On the one hand, for Standard Prequalification process, the FSP-DSO Agreement is required for the Nominal Reference Power (NRP) calculation. On the other hand, for Fast Track Prequalification process, the FSP-DSO Agreement is not required as the NRP shall be declared.

(*Section 5.2.4*) In view of simplification, ELIA proposes the automatic renewal of the Prequalification File of a CRM Actor in case the latter does not wish to participate to the forthcoming Auction. Previously provided data by the CRM Actor will be used to proceed to the automatic renewal of the Prequalification File.

(*Section 5.4.2.2.1*) The Opt-out classification as "OUT" after the introduction of a Motivational Letter in the Auction Y-1 is introduced as a possiblitiy to notify for an Opt-out 'OUT' for Auctions Y-2 and Y-4 for the same CMU if justified. The notification of an Opt-out is still valid exclusivly for the Y-1 Auction and it is up to the competent institutions to decide if it can be extended for the following Auctions.

(Section 5.2.3.2.1) In line with the sections on Grid Constraints, constraints that apply to a single CMU and not a combination of CMUs are dealth with in the Prequalification chapter. As such, ELIA proposes to include a timing constraint for New build CMUs participating to the CRM, as presented in the Working Group Adequacy of 27/09/2024. The connection of Delivery Points included in New build CMUs must be expected to be commissioned before the start of the Delivery Period for which the CMU wants to prequalify. This requirement is evaluated based on either a signed Technical Agreement or Connection Contract. The buffer of three months included in the proposal of the Working Group Adequacy is no longer present. In addition, the constraint is only introduced towards a Y-2 or Y-1 Auction.

(*Section 5.6.1.3.2.1*) Furthermore, for CMUs with an Investment File, ELIA will allow the removal of a Delivery Point from an Aggregated CMU until August 10.

6 AUCTION PROCESS

The design note of the Auction Process is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

(*Section 6.2.1)* An additional constraint for both linked Bids as well as mutually exclusive Bids are introduced. Firstly, ELIA proposes that **linked Bids can only be used to link Bids between the CMUs of Linked Capacities**. This ensures that the Bids of these CMUs reflect their technical constraints: one cannot run without the other. This technical constraint is not present between two CMUs that are not linked. Secondly, **two (or more) Bids that are related to different CMUs can only be mutually exclusive if their CMUs are located in the same geographical location**, in line with the Royal Decree on "Investment Thresholds". Again, this change aims to ensure that mutually exclusive Bids between different CMUs are used to reflect technical constraints. Please note that it remains possible to introduce different mutually exclusive Bids for the same CMU to allow that Market Parties can offer, next to their entire Eligible Volume, also a smaller fraction of their unit in the Auction.

(*Section 6.3.1.2)* Next, two clarifications have been added in the corrections of the demand curve. **ELIA has reinstated the correct downward correction for the participation of foreign capacities in the CRM**. All volume of Foreign Capacities that was either not selected in the Pre-Auction (meaning that less than the MEC of a certain border was selected in a Pre-Auction), or that was selected but did not submit a Bid in the Auction, is now accounted for implicitly. The previous version of the Functioning Rules contained an error where the total volume of the MEC was corrected downwards. In addition, and because of the introduction of the dynamic correction, only half of the 200h-volume will initially be reserved in the Y-4 auction while setting the demand curve following the Royal Decree on "Methodology". As a result, **the dynamic correction as described in the Functioning Rules is now a downward correction**. This is a process change rather than design change, the only difference is that the starting point of the application of the dynamic correction has now changed, which requires a different description in the rules.

(*Section 6.3.2)* Finally**,** as presented in the Working Group Adequacy of 27/09/2024, **ELIA proposes to make the calculation of Grid Constraints subject to an evolution of the Code of Conduct and / or the Federal Grid Code**. In practice this means that ELIA will not calculate Grid Constraints for the ELIA grid if no evolutions of the connection capacity allocation and reservation processes are introduced that allow some form of competition between market parties in the CRM for the same connection capacity. The rules regarding the calculation and application of Grid Constraints are not removed but are instead only applied if this evolution has taken place. Today, Market Parties can only participate to the CRM if they have signed a Technical Agreement with ELIA. The Technical Agreement signature implies that ELIA has allocated the required connection capacity to the Market Party. As the current framework does not foresee the possibility to undo or lose the capacity once allocated, the Grid Constraint calculation in the CRM will never result in any constraints to be applied, and ELIA therefore proposes not to calculate them.

It is important to note that, as a consequence of this change, **the commitments and waivers that were required to be signed by Capacity Providers in the Prequalification Process are also subject to the evolutions mentioned above, and therefore not required by ELIA until they have taken place**. Market Parties have repeatedly questioned this waiver. This change removes some unnecessary administration from the Prequalification process.

Please note that other System Operators (DSOs, FTSOs, etc.) can still send grid constraints that are applied in the CRM.

7 CAPACITY CONTRACT SIGNATURE

The contents of this chapter have not been changed. However, ELIA introduced several wording improvements aimed at further clarifying the Capacity Contract signature following the selection in the Auction.

8 PRE-DELIVERY CONTROL

The design note of the Pre-Delivery Process is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

(*Section 8.3.1*) ELIA brought clarifications regarding the moments of control that apply to a CMU with a multi-year Capacity Contract. Namely that the concerned CMU is only subject to the moments of control for the first year of delivery – i.e. Delivery Period Y. The Annex 18.2.1 gives an example of this clarification.

(*Section 8.3.4*) Furthermore, in view of simplification, ELIA has proposed to decouple the Permitting Milestone from the Quarterly Report. Previously, Capacity Providers were required to claim reaching the Permitting Milestone through the Quarterly Report, limiting submissions to four instances per year. With this change, Capacity Providers are able to claim this throughout the Pre-delivery Period.

(*Section 8.6.1* & *8.6.2*) Additionally, ELIA also proposes clarifications regarding the procedures of evolving from Additional or Virtual to Existing. On the one hand, the process of evolving from Additional to Existing after moment of control $t_{control\,2}$ has been set. On the other hand, the process of evolving from Virtual to Existing has been simplified by removing the layer related to Secondary Market from the procedure.

9 AVAILABILITY OBLIGATION

The design note of the Availability Obligation is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

2For Daily Schedule CMUs as well as Non-daily Schedule CMUs that follow the Outage Planning Process, notifications of Unavailable Capacity are automatically created based on the information provided in this process. ELIA made a slight adaptation in section 9.3.1.1 to this automatic notification, namely that they will **in first instance be considered as Unannounced Unavailable Capacity** so that Capacity Providers do not accidentally spend their entire 'budget' of unavailable days. ELIA wishes to highlight that such an automatic notification (i.e. that is registered as Unannounced) can still be changed to Announced at the desire of the Capacity Provider.

The previous Functioning Rules contained a lengthy description of the declaration modalities for the **Declared Prices** for Non-daily Schedule CMUs. In order to increase the readability of the Functioning Rules, ELIA proposes to move any practical modalities to Annex C.6. The remaining text in section 9.4.2 only deals with the actual rules of the Declared Prices. ELIA wishes to stress that in terms of content, this modification has no impact.

Section 9.4.2.2 now only includes the determination of the **Required Volume**. In the previous Functioning Rules this also included the determination of the **Declared Market Price**. However, the latter has been removed following the decision of the European Commission. The removal of the Declared Market Price has some consequences for the Required Volume as well. Indeed, the Declared Market Price was only useful for technologies that have marginal costs exceeding the Strike Price and thus don't necessarily fully activate during Payback Events. Such technologies are now either included in the exemption to the Payback Obligation or fall under the general Strike Price. (see also chapter 12), meaning that all technologies that are still subject to the Payback Obligation are expected to fully react during Payback events. As a result, it is now included that the Required Volume is equal to the NRP during Payback Events. This modification is tied to the removal of the Activation Ratio, as explained in section 12 of this cover note.

As presented during the Working Group Adequacy of [31 May 2024] and [22 November 2024], ELIA has adapted the methodologies for the corrections for frequency-related **Ancillary Services and Redispatching Services**. The bulk of these changes are included in Annex C.5. In particular, the applied corrections are differentiated depending on whether the CMU is Daily Schedule or Non-daily Schedule. Moreover, ELIA proposes to use a methodology for the allocation of capacity auction volumes from Ancillary Services. Lastly, more details are included for corrections that have to be carried out for Foreign CMUs.

The previous Functioning Rules included a very complex methodology in section 9.4.3.2.3 where the **Available Capacity for Non-daily Schedule CMUs** was calculated differently depending on the level of the Required Volume. This complexity was mostly needed to enable a correct application of the Declared Market Price, but as some market parties pointed out, a rather unfortunate side-effect of the old formulas was that CMUs could receive Unavailability Penalties even though they were available, as shown during the Working Group Adequacy of [22 November 2024]. Seeing as the Declared Market Price has been removed as per the European Commission's decision, the complexity and contradictory results of the old formulas are no longer needed. ELIA proposes a much more streamlined approach to calculate the Available Capacity for Non-daily Schedule CMUs that is not only easier to grasp, but also does not unjustly penalize CMUs.

However, it should be noted that ELIA is not able to support a parallel implementation of the new proposed rules in combination with the existing rules (those set out in the CRM FR v4). Therefor, a strict requirement for the implementation of this proposal is the retro-active application on all existing CRM contracts.

One noteworthy side-effect of this simplification is that only the Active Volume is needed for the determination of the Available Capacity. In the past, the so-called Passive Volume had to be used as well. The new formulas allow for the **removal of the Passive Volume**, and only the Active Volume is determined in section 9.4.3.2.3.1.

For Delivery Points that contribute to security of supply via a reduction of their offtake, a **Baseline** is needed. Up until this point, the Functioning Rules only included a "high X of Y" Baseline. For that Baseline, some simplifications and improvements have been made in Annex C.2.

Additionally, ELIA introduces a declarative Baseline which is included in Annex C.3. These proposals were presented in the Working Group Adequacy of 31 May 2024 and 27 September 2024. Moreover, ELIA has also published a design note concerning Baselines in the CRM. Currently Elia is planning to have this delcared baseline methodology available from the Delievery Year 2026-2027 onwards.

ELIA would like to have explicit feedback from market parties on need for the development of the declarative baseline methodology. Including their assessment of the different additional options which were presented in the aformentioned design note.

ELIA furthermore proposes to adapt the **testing regime of the Availability Tests**. In the previous Functioning Rules, a Test was notified after closure of the Day-ahead Market, after which the Capacity Provider had the liberty to choose when exactly he would demonstrate his availability. As presented during the Working Group Adequacy of 22 November 2024, it is now proposed in section 9.5.1.2 that a Test is notified before closure of the Day-ahead Market, giving Capacity Providers the opportunity to settle on this more liquid market. On the other hand, ELIA will include a fixed start and end time in the Test notification that the Capacity Provider will need to follow.
A provision is added that an Availability Test that was already notified can be cancelled for system security reasons.

The last sections of the Availability Obligation chapter have been slightly re-structured to improve readability. In particular, a separate section 9.7 concerning **notification and contestation** has been added. Unless stated otherwise in the following alineas, the content has not changed.

As presented during the Working Group Adequacy of 27 September 2024 the modalities of the **downwards revision** have been adapted in section 9.6.3. The reduction of montly remuneration is now to be paid ex-post as part of the Unavailability Penalties in order to avoid problems at the end of a Delivery Period.

ELIA has streamlined the modalities of the **monthly delivery activity report** in section 9.7.1.

Lastly, ELIA has summarized all data transfers between ELIA and both the DSOs and FTSOs, in the context of the Availability Obligation chapter, in a new Annex 18.3.7.

10 SECONDARY MARKET

ELIA proposes several limited changes to the Secondary Market Chapter.

(*Section 10.4.12*) First, ELIA introduced several clarifications regarding which **version of the Functioning Rules applies to Transactions concluded on the Secondary Market**. For any obligation acquired on the Secondary Market, the latest version of the Functioning Rules will apply, except for any provisions that are not applicable retro-actively, included in Annex 18.8. For the provisions included in Annex 18.8, the Transaction Date of the original Primary Market Transaction determines the version of the Functioning Rules that are applicable to these paragraphs.

(Section *10.4.8*) Next, ELIA introduced a new formula to determine the Secondary Market Remaining Eligible Volume for ex-post Secondary Market Transactions of Energy Constrained CMUs outside of their SLA hours. This change **enables ex-post Transactions outside of SLA hours**, which were not possible using the formulas presented in the previous version of the Functioning Rules (v4), but which were possible in the versions before that.

(*Section 10.5*) Lastly, regarding the Secondary Market Approval Process, ELIA introduced two very minor changes to the process:

- The notification of the Secondary Market Transaction by the first party will now determine the Transaction Date (as opposed to the confirmation of the second party).
- ELIA now has three (instead of two) working days to either approve or reject the Transaction, starting from the Transaction Date.

These changes help to further streamline the transaction approval process.

11 FINANCIAL SECURITIES

The design note of the Financial Securities is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

(Section11.2) The main change in this chapter is that it is now possible for a Financial Security (FS) to be provisionally rejected if it contains an error (date, amount, template, etc.). If the FS is provisionally rejected, the CRM Actor needs to correct it whithin five Working Days after the notification was sent by ELIA. This change aims to ease the Financial Security submission process and let the opportunity to the CRM Actor to correct its FS once.

(Section11.2) Regarding to the FS of a Foreign CRM candidate, the candidate may modify its FS after he/she gets the results of the Admission Process if the result received impact one of the relevant parameters for his/her FS (Status of the CMU or Volume).

(Section11.2) Finally, a minor modification has been made to complete the process "from Virtual to Existing". CRM Actor can submit one single Financial Security for a Virtual CMU and its related Existing CMU. The Financial Securities of these CMU are thus linked, and it is not required to submit an additional Financial Security when a Virtual CMU becomes Existing.

12 PAYBACK OBLIGATION

The design note of the Payback Obligation is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

The majority of the changes that were made to the Payback Obligation chapter are driven by the decision of the European Commission[3]. The impact of this decision on the Functioning Rules was mostly presented during the Working Group Adequacy of 22 November 2024.

(Section 12.2) First and foremost, the **Payback Obligation exemption** for DSM and energy storage is now included in section 12.2.

(Section 12.3) Secondly, the European Commission decided to **remove the use of the Declared Market Price** for Non-daily Schedule CMUs. In the previous version of the Functioning Rules, the use of the Declared Market Price could result in a different Strike Price used for Daily Schedule CMUs and Non-daily Schedule CMUs. In order to make this distinction, an in-between step that was called the "Actualized Calibrated Strike Price" was needed. Seeing as the Declared Market Price is no longer used, this step can be omitted and ELIA proposes to directly use the Strike Price in section 12.3.1.2. It should be noted that this change does not apply retro-actively on already signed contracts.

(Section 12.3) In the previous version of the Functioning Rules the so-called Activation Ratio was included to take into account partial activations for Non-daily Schedule CMUs. Be that as it may, this Activation Ratio only served a purpose as long as these units could also have their Strike Price adapted via the Declared Market Price (which, as discussed above, has been removed as per the European Commission). As a result, ELIA proposes to **remove the Activation Ratio** in section 12.3.1.3. . It

[3] https://ec.europa.eu/competition/state_aid/cases1/202438/SA_114003_69.pdf

should be noted that this change does not apply retro-actively on already signed contracts.

(Section 12.5) Lastly, the section 12.5 concerning **notification and contestation** of the Payback Obligation has been streamlined. In particular, the notification has been aligned with the monthly activity delivery report from the Availability Obligation.

13 LIABILITY AND FORCE MAJEURE

null

14 DISPUTE RESOLUTION

null

15 FALLBACK PROCEDURES

null

16 TRANSPARENCY AND MOTIVATION

null

17 DIRECT AND INDIRECT FOREIGN CAPACITY PARTICIPATION

The design note on Cross Border Participation is available on Elia's website. The design note represents the current CRM design (based on the CRM FR v4). This chapter list the proposed changes to the CRM Functioning Rules and thus may impact the content of the design note.

(Section 17.3.5) Section Changes have been made to Chapter 17 to bring it into line with Royal Decree "Indirect foreign Capacities" such as the automatic transfer or the Admission File data to the Prequalification File, the automatic transfer of the Pre-Auction bid to the Auction and the deadline mentioned in the text.

After the first Auction allowing Foreign Indirect Capacities to participate to the Belgian CRM, some specificities per border and operational feedbacks should have been added in the Functioning Rules. Here is a summary of the specificities included:

- The Permit verification process for Indirect Foreign Capacities had to be adapted and an incentive has been added for Foreign CRM Candidates to submit their Permit verification preferably before August 31; and
- (Section 17.3.2.3) If an aggregation of data is needed for the Indirect Foreign Capacity to participate in the Belgian CRM, this aggregation is handled by the Foreign TSO; and
- (Section 17.3.2.3.1.3) For Capacities from The Netherlands, it's required from them to communicate EMS/SCADA data with their TSO to participate in the Belgian CRM as it is these data that will be used to monitor the availability and determine the NRP; and
- (Section 17.3.2.3.1.5) For Capacities from Germany willing to participate in the Belgian CRM, it is

mandatory to submit the German equivalent of the Daily Schedule (known as the "Generation Block Unit") to its TSO.

(Section 17.3.1.2) Lastly, with the arrival of new capacity mechanisms in Europe, the rules regarding the participation to multiple capacity mechanisms has been investigated and clarified in this new version of the Functioning Rules.

Given that the Admission Process starts before the approval and publication of the functioning Rules v.5, which is on the 15 of May, the Functioning Rules V.4 applies for the Admission Process until May 15. From May 15, the Functioning Rules v.5 apply for the rest of the process. A compliance check is required from every Foreign CRM candidate to continue the process and to be allowed participating to the Auction.

18 ANNEXES

As already explained in section 9 of this cover note, ELIA has made some improvements to the **"high X of Y" Baseline** in Annex C.2.

As already explained in section 9 of this cover note, ELIA has introduced a **declarative Baseline** in Annex C.3.

As already explained in section 9 of this cover note, ELIA has adapted the **corrections for frequency-related Ancillary Services and Redispatching Services** in Annex C.5

As already explained in section 9 of this cover note, the **declaration modalities of the Declared Prices** have been moved to a new annex C.6.