

Capacity Remuneration Mechanism

Info session COGEN



Evolutions in the CRM's modalities are discussed in Elia's Working Group Adequacy and are publicly consulted before formalisation and submission to CREG for approval



Working Group Adequacy

Platform* where Elia, Government, CREG and Market Parties meet and discuss Adequacy Topics

elia.be/en/users-group/adequacy-working-group



Formal Public Consultations

Consultation of Elia's proposed changes for the CRM, open to market parties and the general public.

elia.be/en/public-consultation

* The platform was formerly known as 'Taskforce CRM', which can be consulted on Elia's website as well.

elia.be/en/users-group/crm-implementation



Today's General Session

1. Context

2. What is the CRM?

- Overview of basic principles
- Recap on the dimensioning of the CRM

3. Getting to a contract:

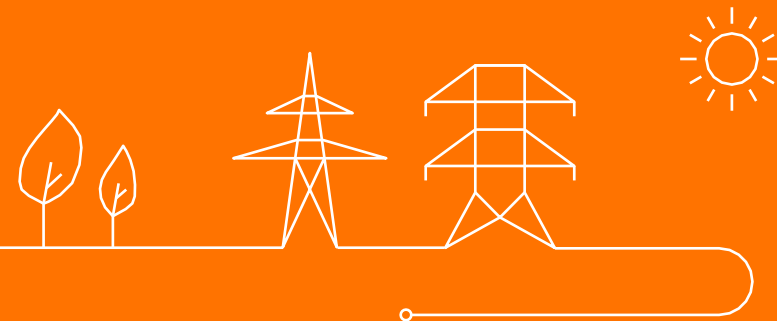
- Types of Contracts
- Eligibility & Participation Assessment
- Prequalification
- Financial Security Obligation
- Auction
- Contract

4. Preparing for Delivery: Pre-Delivery Monitoring

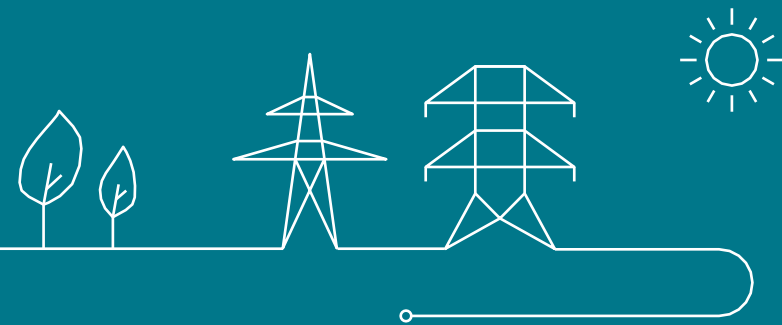
5. Delivery Period:

- Availability Obligation
- Payback Obligation
- Secondary Market
- Settlement

6. Final notes



1. Context



CONTEXT

‘Adequacy’ refers to the system’s ability to meet the demand for electricity at all times.

CRM Auctions
(Y-4/Y-2/Y-1)

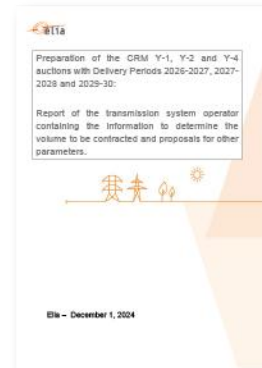
DA

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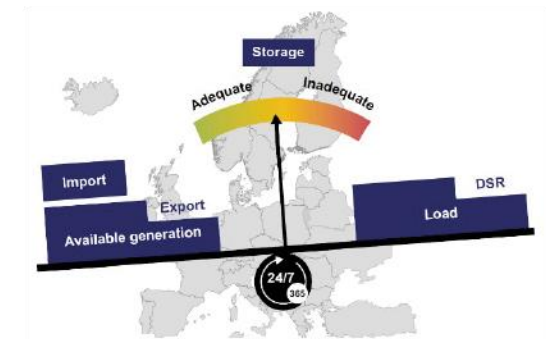
Long term
NRAA & ERAA



Mid term
CRM Calibration



Seasonal
Winter & Summer
outlook



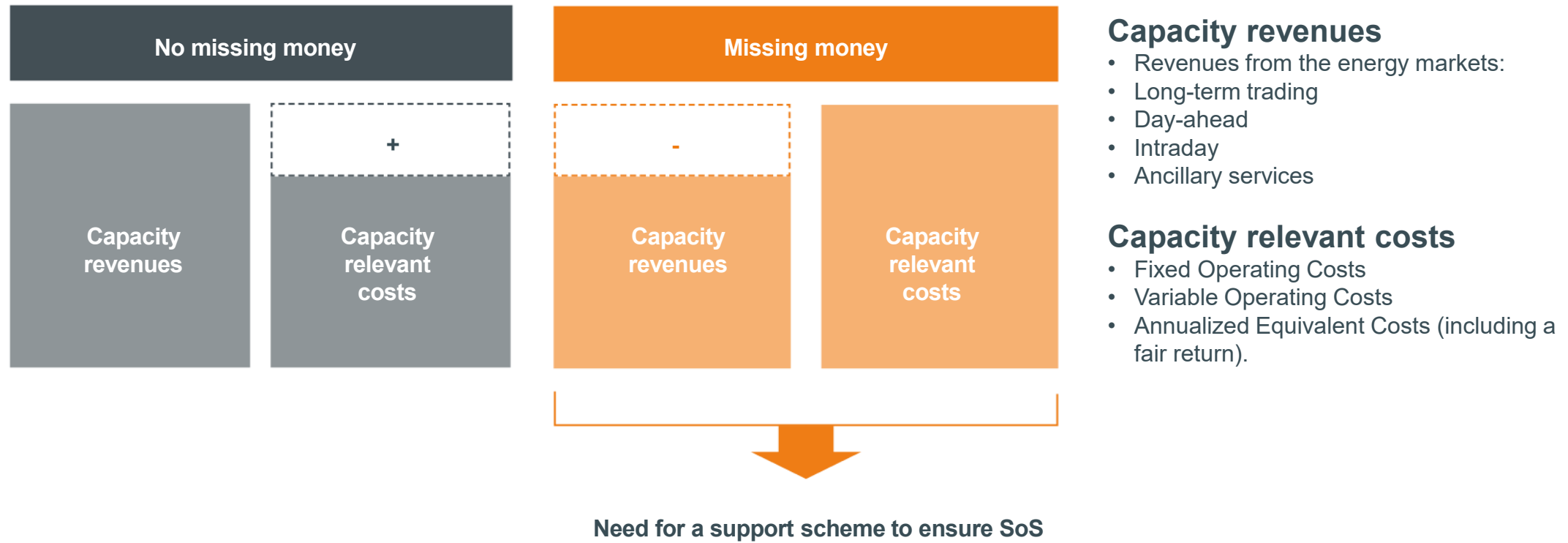
Real time
Balancing

Elia supports the Belgian Government in identifying adequacy need to ensure the reliability standard of 3 hours LOLE is met



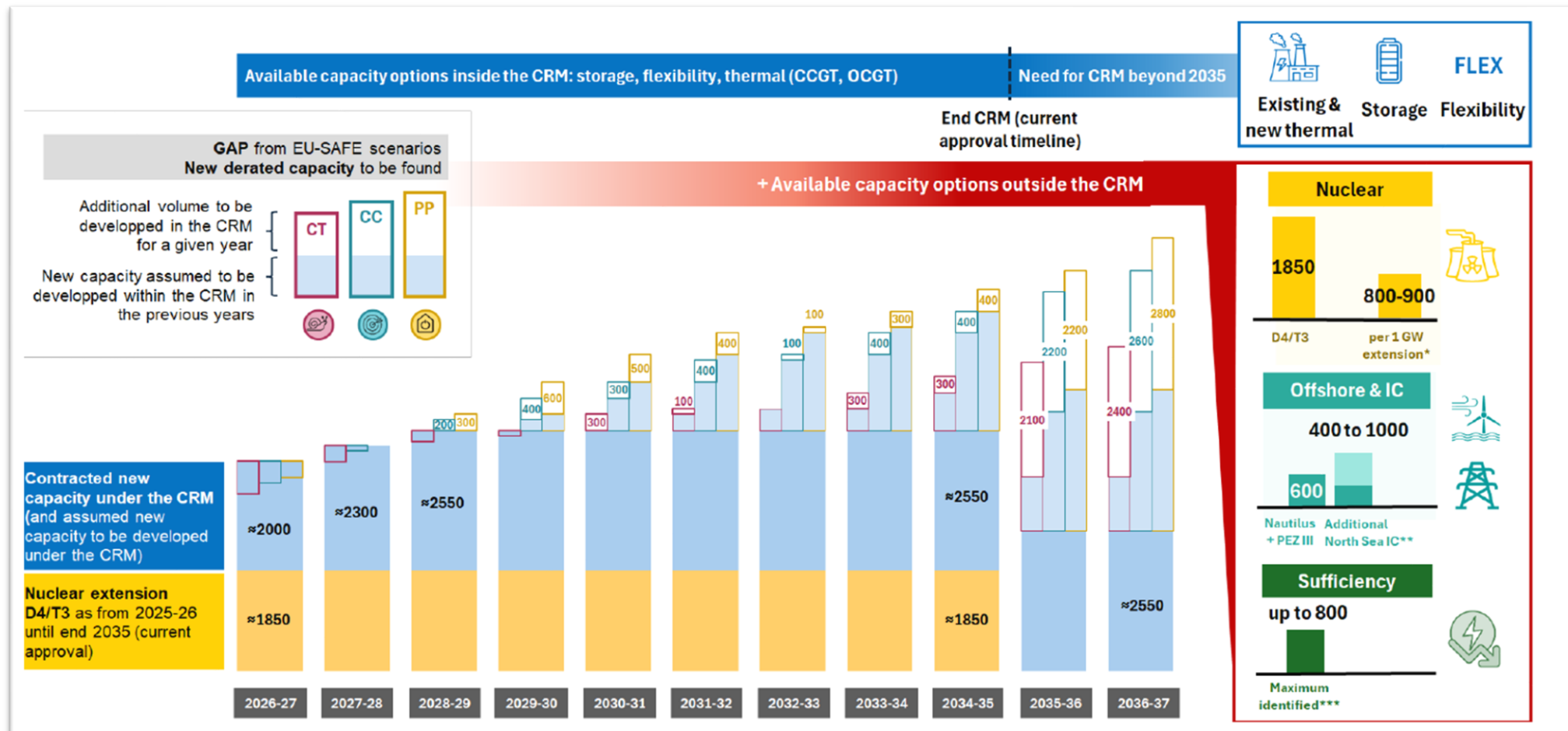
CONTEXT

Many capacity holders lack a positive business case to enable current and new capacities to be available on the market and to contribute to the Belgian security of supply.



CONTEXT

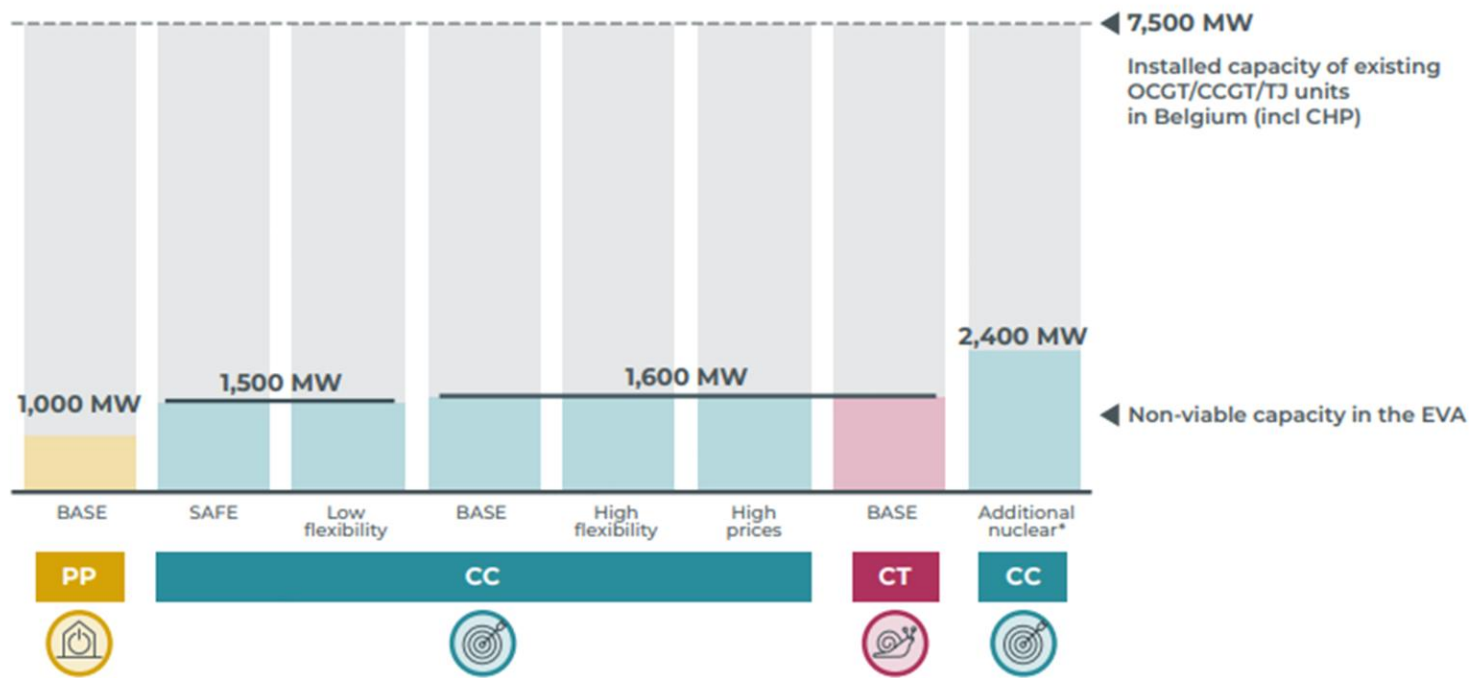
Due to predicted higher energy offtake, renewables objectives and lower amounts of steerable capacity, Belgian authorities introduced the CRM with a view to maintaining the required level of security of supply for Belgium.



CONTEXT

Impact of further nuclear extension on existing capacities

FIGURE 8-28 — OVERVIEW OF THE EVA RESULTS FOR THE DIFFERENT SCENARIOS IN 2036



*Extension of Tihange 1 is taken as additional nuclear

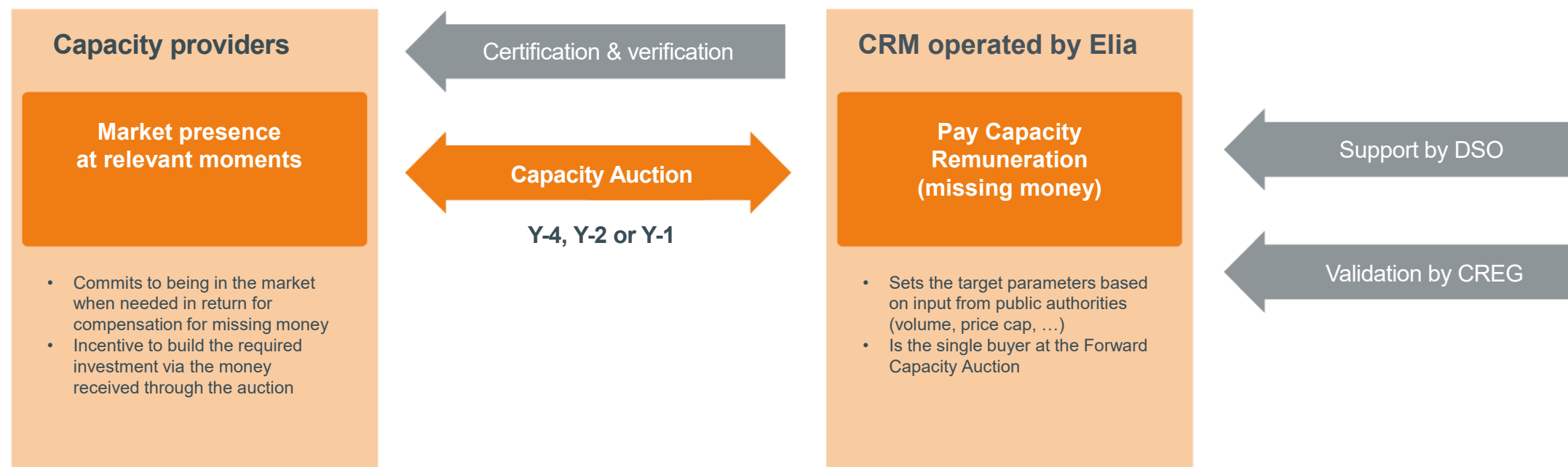
The extension of T1 would reduce the system adequacy gap by up to approximately 900 MW (derated) in the early 2030s.

- Such an extension would increase the non-viable capacity gap by approximately 800 MW (derated), placing additional economic pressure on existing thermal assets and increasing the risk of early retirements.
- Without CRM, the impact for SoS would thus be very limited.



CONTEXT

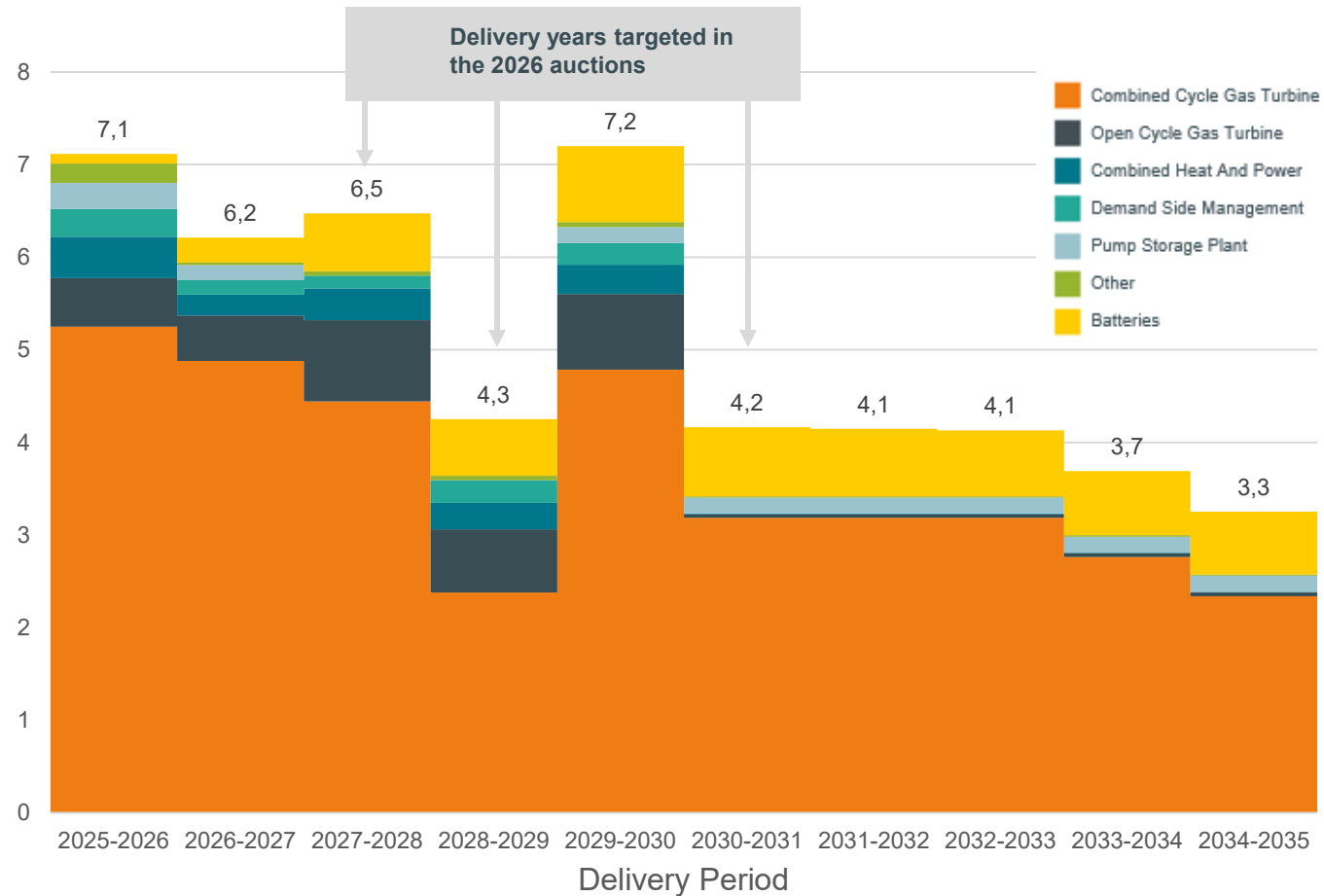
The CRM aims to support existing capacity to remain in the market and attract new capacity by supporting investments, in order to reach the reliability standard.



CONTEXT

The CRM has delivered new capacity to the system and ensures SoS

Contracted Capacity in the CRM over the years per technology [GW]



- 2,5 GW of new derated capacity delivered to the system. Including 2 new CCGT and 2 GW of BESS (nominal)
- Long term contracts extend beyond the 10 year approval window
- Total cost for the CRM for the second delivery year is ~125 M€ and the first ~180 M€



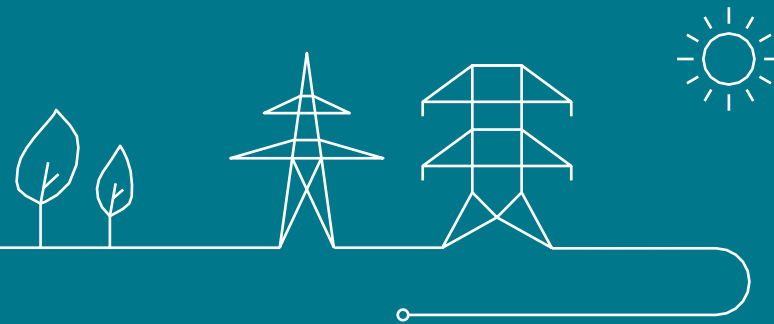
Overview of clearing prices in previous CRM auctions

		26/27 Y-1	27/28 Y-2	29/30 Y-4
Weighted average bid price [€/MW/year]	Existing (subject to IPC)	14.013	-*	25.388
	New capacities (Not subject to IPC)	-	-*	32.334
Clearing Price (Highest Bid Price) [€/MW/year]		20.490	-*	74.300

* Prices have not been displayed for purposes of confidentiality



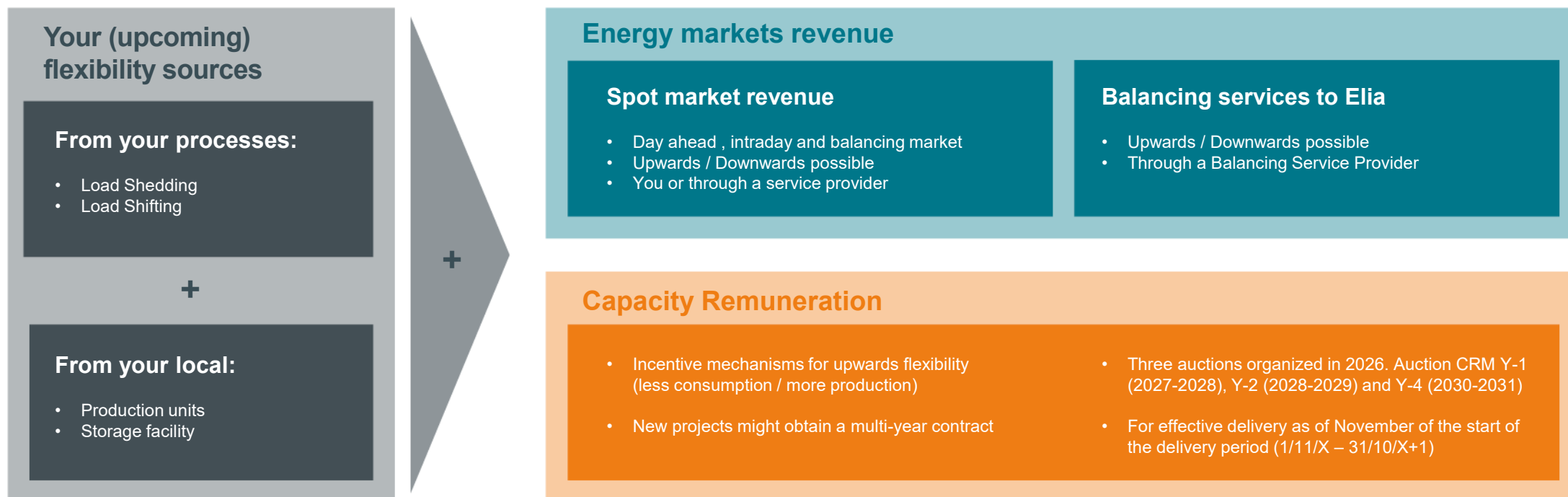
2. What is the CRM?



WHAT IS CRM?

How does the CRM fit in the energy market?

As the CRM is a support mechanism for missing money assets, it works on top of regular market operations, without impacting them.



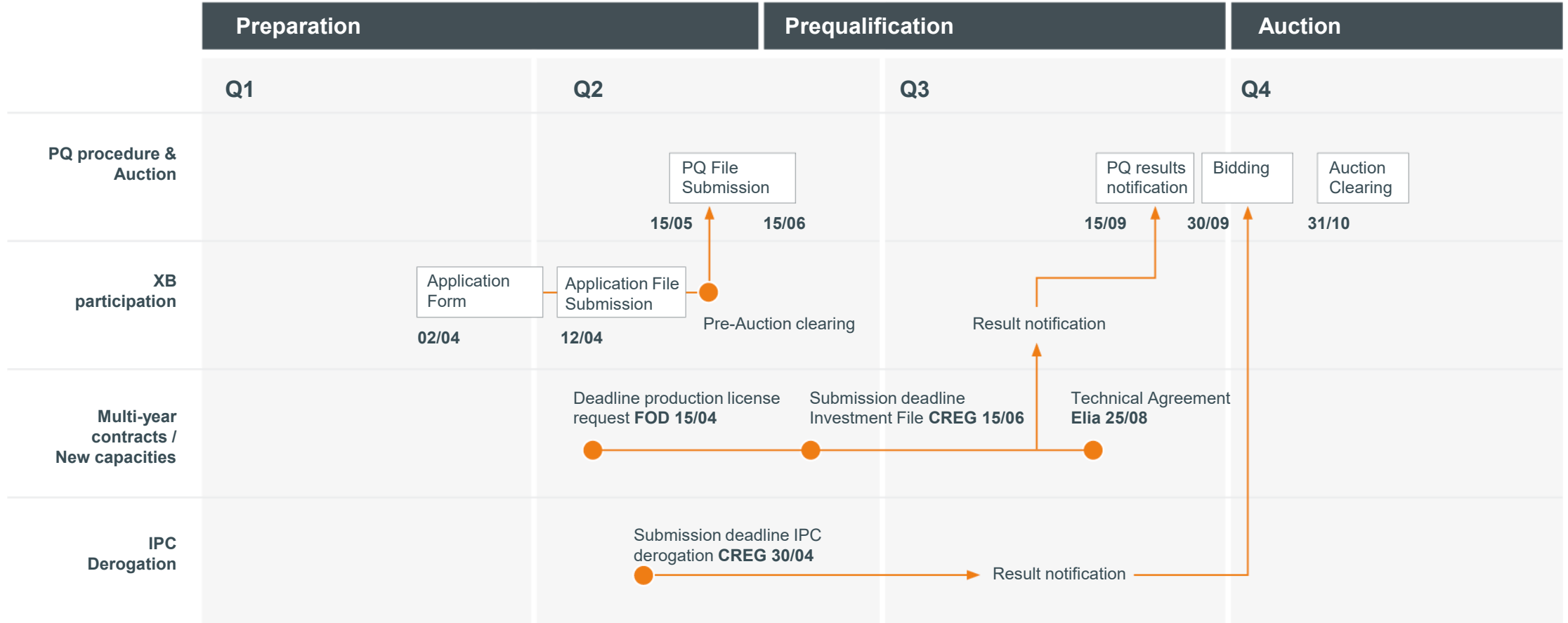
WHAT IS CRM?

The Capacity Contract establishes the framework for the rights (Capacity Remuneration) and Obligations (such as Availability, Payback, etc.).



WHAT IS CRM?

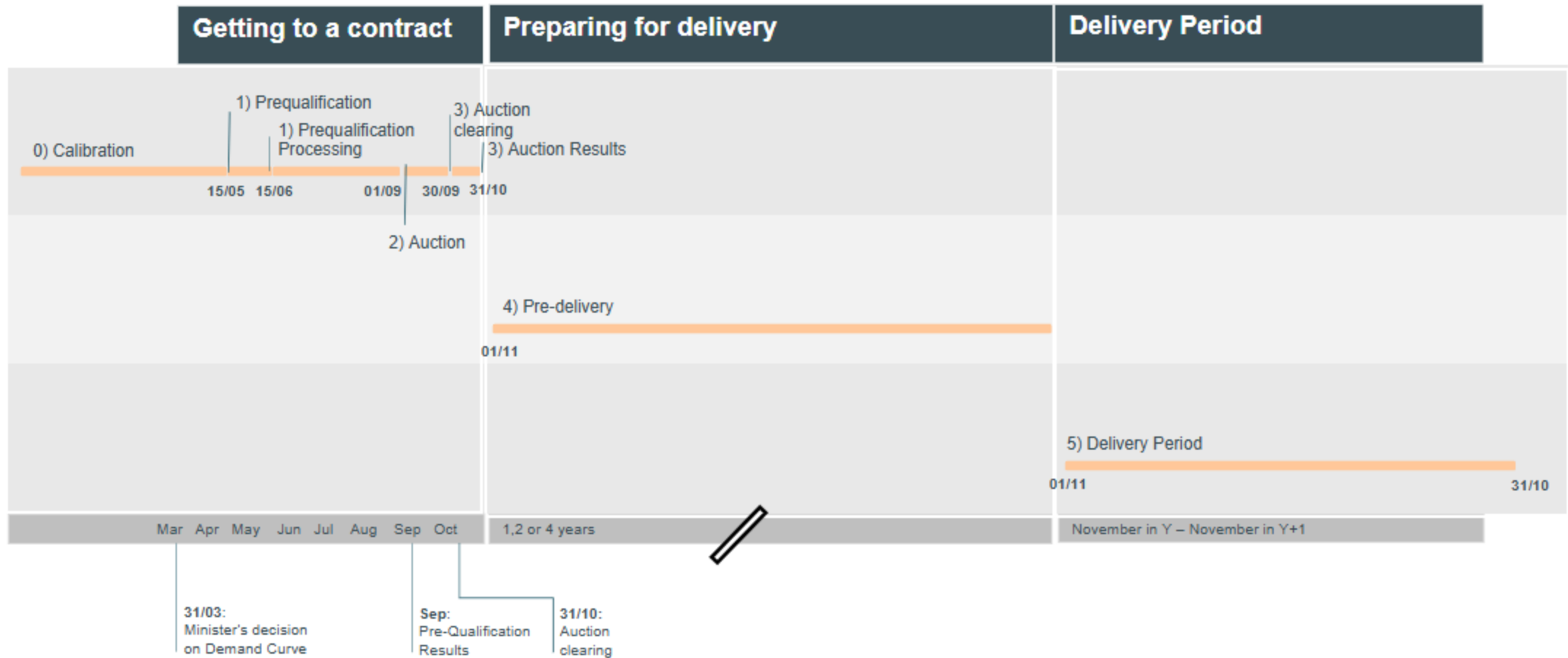
High level view on the CRM process



WHAT IS CRM?

When does it all happen?

 1y - This process is repeated each year



When does it all happen?

What does it entail?

1

Getting to a contract:

Types of Contracts

In what ways can I engage with the CRM?

Eligibility and Participation Assessment:

Can and should I participate?

Prequalification:

Administration for possible participation to the CRM.

Financial Security Obligation:

Financial Securities are needed to hedge for the risk of deficiency.

Auction:

Bidding to get selected.

Contract:

Formalisation of participation.

2

Preparing for delivery:

Pre-Delivery Control

If a Capacity Market Unit (CMU) does not exist yet, the development progress needs to be monitored to estimate the risk of deficiency.

3

Delivery period:

Availability Obligation

In return for a capacity remuneration, CMU's are required to be present in the market at adequacy relevant moments. Elia will monitor (or test) CMU's to see if they live up to their part of the bargain.

Payback Obligation:

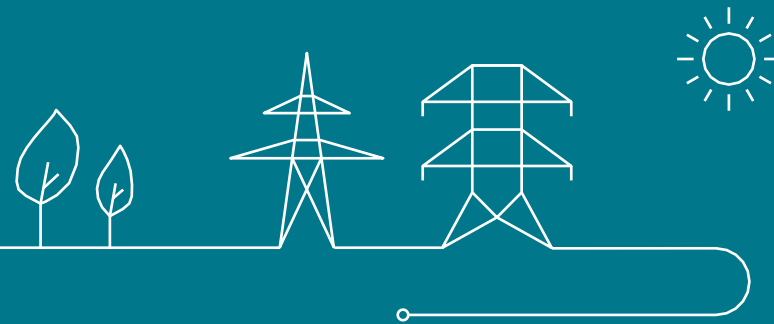
The purpose of the remuneration is to cover missing money. If a CMU makes windfall profits, excessive captured remunerations need to be paid back.

Secondary Market:

The Secondary Market is a risk management tool in which CMUs can trade their capacity excesses or shortages, in order to conform to their availability obligations.

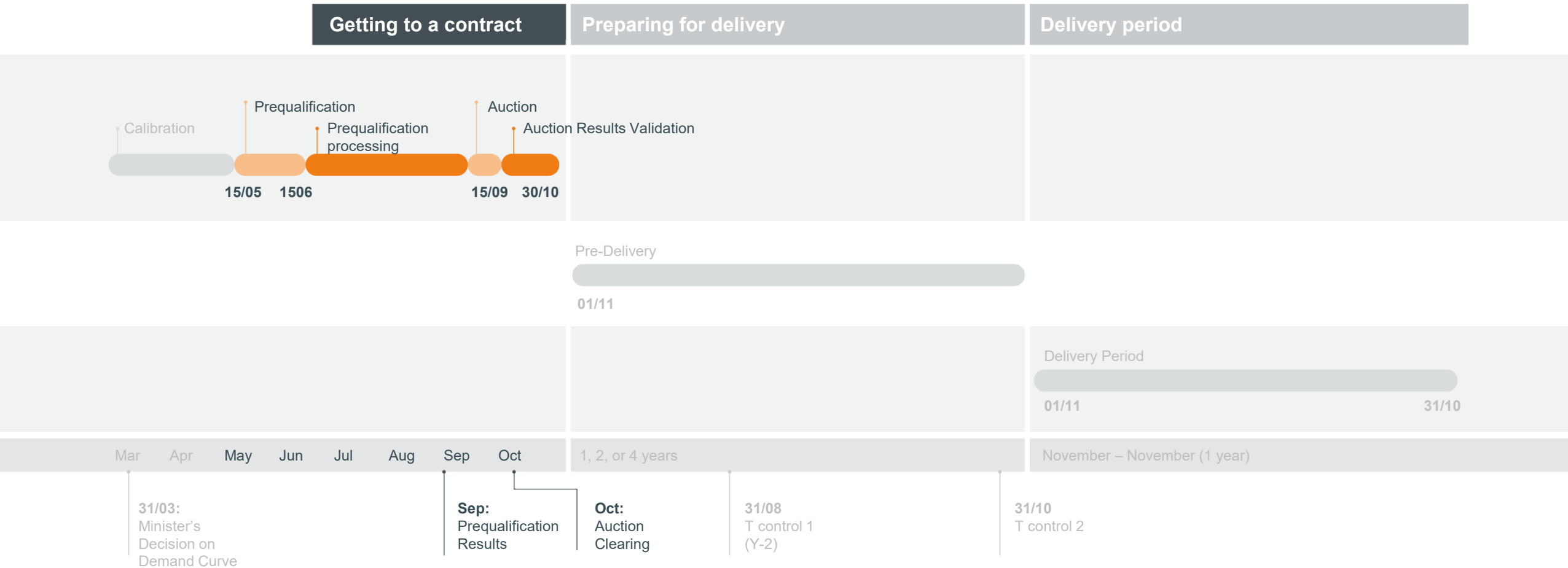


3. Getting to a contract



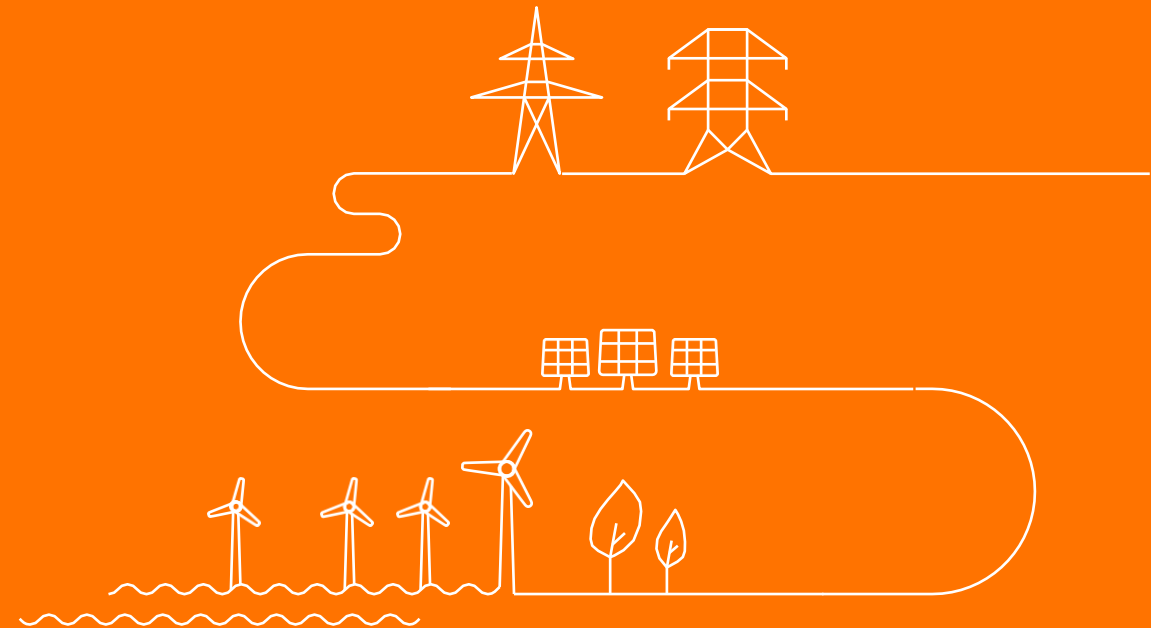
GETTING TO A CONTRACT

When does it all happen?



Types of contracts

In what ways can I engage with the CRM?



In what ways can I engage with the CRM?

There are multiple ways to engage with the CRM: single-year & multi-year contracts with Elia, or Secondary Market Trades.

Primary Market: Auctions

Single-year Capacity Contract:

Contract with Elia

- Lasts for a single Delivery Period November Y to October Y+1 included
- Possibility to bid up to the Intermediate Price Cap
- No investment file required
- But possibility to request Intermediate Price Cap derogation to CREG

Multi-year Capacity Contract*:

Contract with Elia

- Lasts for a maximum of 3, 8 or 15 Delivery Periods depending on the investment.
- Required to submit an investment file to CREG
- Possibility to bid up to the Global Auction Price Cap for new capacities
- Multi-year contracts possible for existing capacities

Secondary Market

Secondary Market Contract

Transfer of Obligations and Rights

- Contract durations with higher granularity (15-minutes up to 1 year)
- Extra terms & conditions can be discussed bilaterally by CMUs
- Obligations and rights transferred for future and past contracts

*Multi-year contracts are not possible for cross-border capacities



Requirements for obtaining a multi-year contract

The Investment Files process allows Capacity Providers to obtain a multi-year contract from the CREG:

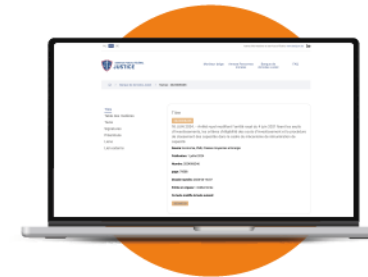
1. For new capacities multi-year contract can be obtained for **up to max. 15 years**
 - Different CAPEX thresholds for different contract durations (max. 3/8/15 years)
 - List of eligible costs available on the CREG website
 - Bidding up to the global auction price cap

2. Existing capacities can obtain a multi-year contract of **up to 8 years**
 - Single CAPEX threshold linked to recurrent and non-recurrent investment
 - Bidding up to the intermediate price cap (IPC)
 - Derogation needed to bid above the IPC

Key sources:



1. CREG website ([link](#))



2. RD Investment Thresholds ([link](#))

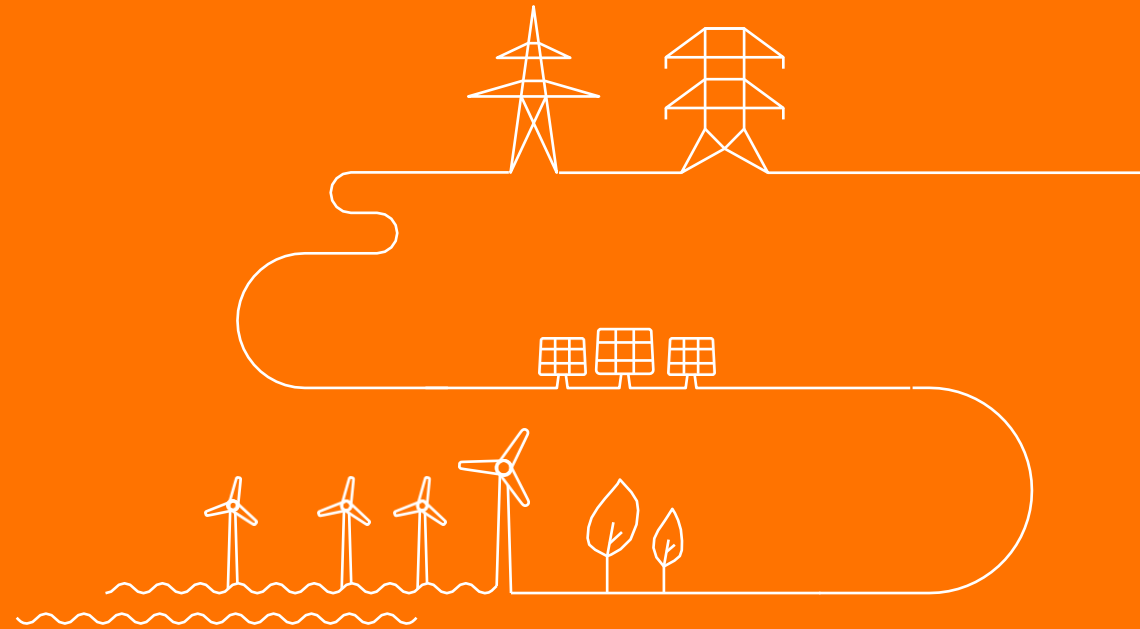
Deadline for the Investment File is 15/06.



Eligibility

Can I participate?

Do I need to participate?



Can I participate?

Participation to the auctions is market wide: open to all TSO and DSO connected capacities over 1MWd and below the CO₂ emission limit set for the auction.

	CRM
Minimum Capacity	Minimum volume requirement of 1 MW after derating <ul style="list-style-type: none"> • Individually or aggregated with other capacities (without daily schedule obligation) • Derating depends on adequacy contribution of technology: e.g. you would need 100 MW of installed solar PV ↔ 1,5 MW of 4-hour batteries to reach the threshold*
Connection Type	For TSO- and/or DSO-connected capacities, including low-voltage flexibility
Emission limit	emission limit of 550 g CO₂/kWh Or 306kg CO ₂ /kW/y (only if <600 g CO ₂ /kWh)*
CMU status constraints	No constraint (market-wide mechanism)
Operational Aid	No combination possible with any operating aid (e.g. green certificates)

Reminder: Existing production and storage units without ongoing variable subsidies during the Delivery Period with a capacity above 1 MW measured at the delivery period during the Prequalification process, are obligated to prequalify for the CRM, not to offer in the auction (possible to opt-out).



Do I need to participate?

Certain capacities have the obligation to prequalify in the CRM

The obligation to submit a prequalification file stems from the electricity law (7undecies § 8 al. 2).

No obligation to prequalify:

- Non-eligible capacity, i.e., capacity that already benefits from other operating aid (green certificates, etc.), small units, ...
- Demand side management
- Unproven capacity
- Emergency generators that can work in island mode

These capacities are **still allowed to participate** to the Standard Prequalification process if they meet the eligibility criteria

Obligation to prequalify:

For existing units:

- Derated capacity > 1MW
- Production or storage capacity

For additional units:

- Signed Technical Agreement
- Production or energy storage permit

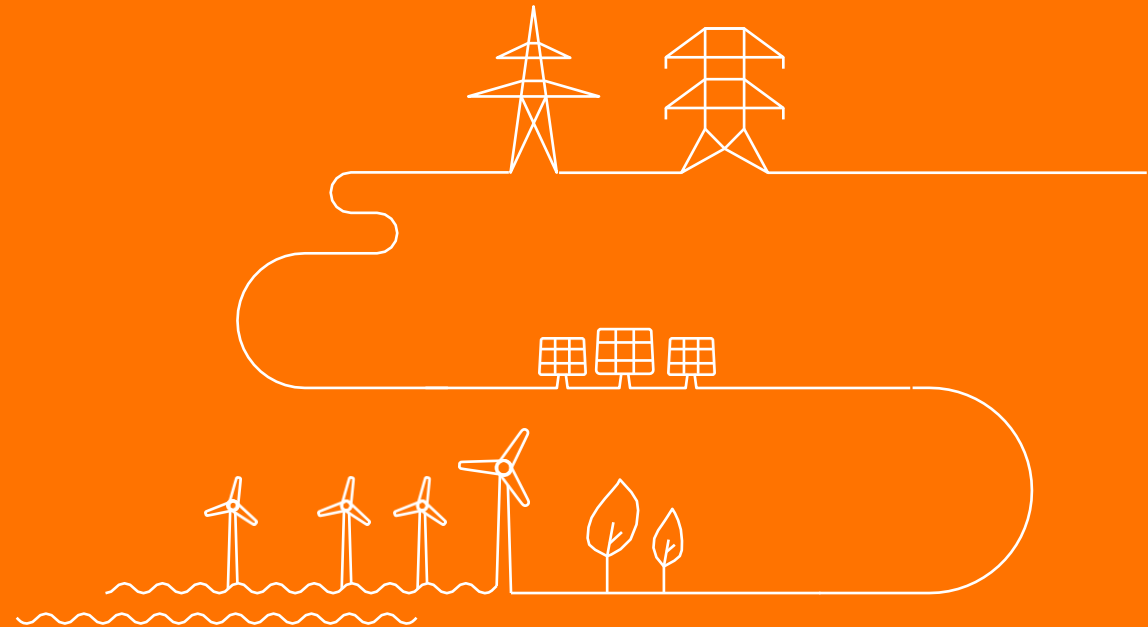
OR

- Signed Connection Contract



Prequalification

- What purpose does Prequalification serve?
- How can I participate?
- What's the amount of capacity I can participate with?
- What are the first administrative steps?



During prequalification, CMU's data is collected and processed to determine the Eligible Volume the CMU can offer in the Auctions.

Three objectives

1. Collecting adequate and correct data related to each CMU
2. Determining the maximum capacity of a CMU for an Auction (Eligible Volume)
3. Ensure that all capacities are correctly accounted for Security of Supply

In order to fulfill these objectives a prequalification obligation is in force

Standard Process

For CRM Actors that are considering to **offer volumes** in the auction and already have delivery points (Existing or Additional CMUs)

Specific Process

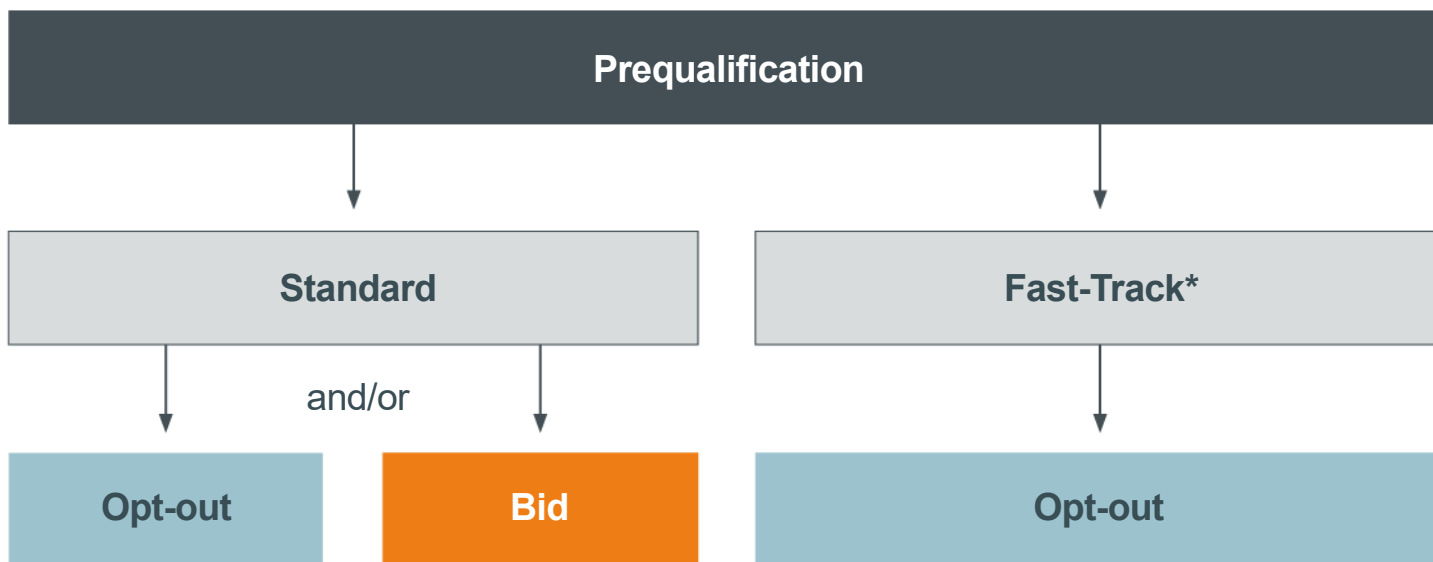
For CRM Actors that are considering to **offer volume** in the auction but have **no delivery points (yet)**. ('Virtual CMU')

Fast Track Process

For market parties who are **obligated to prequalify** but have **no intention of participating in the Auctions**



Depending on the information which is submitted, Elia will classify the volumes



Elia classifies the Opt-out volume as either 'IN' or 'OUT'

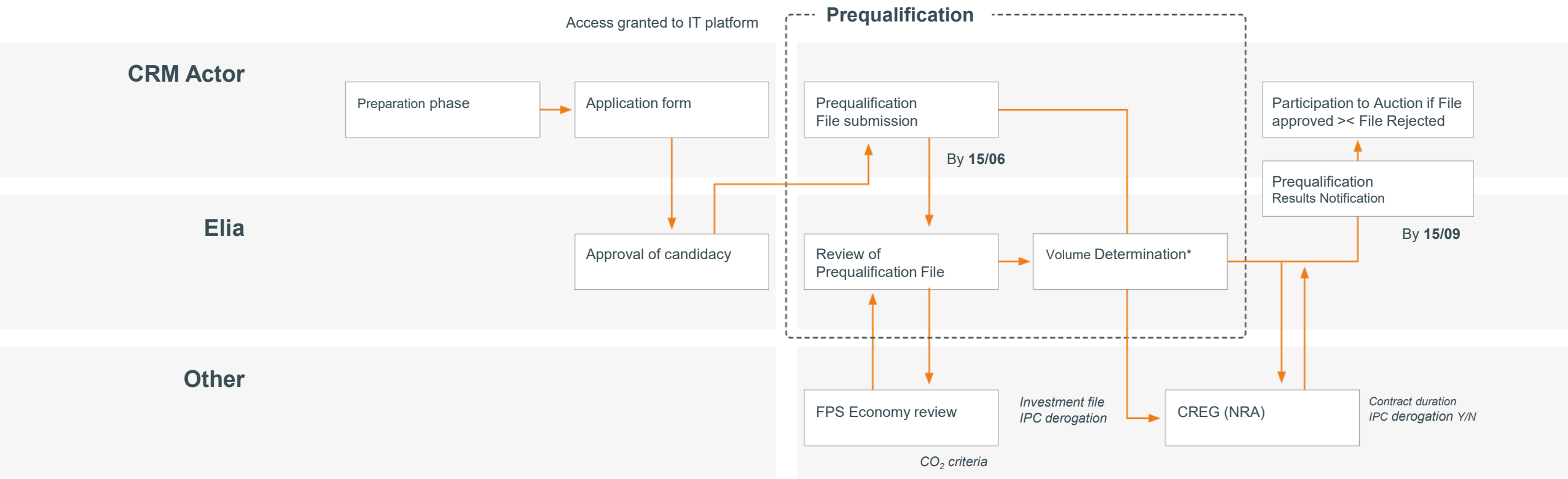
- Opt-out 'IN': the volume of the capacity is contributing to security of supply
- Opt-out 'OUT': the volume of the capacity is not contributing to security of supply

* Only possible for units that have a PQ obligation



How can I participate

Every CMU is subject to a sequential Prequalification Process, interacting with Elia, FPS Economy and CREG.



*for DSO-connected Delivery Points, Volume Determination is done by the DSO & for Foreign TSO-connected Delivery Points, Volume Determination done by the FTSO



Are there limitations to participation?

The maximum volume a CMU can offer in auction (Eligible Volume) is limited by a derating factor, which represents the degree to which it contributes to Security of Supply.

All technologies are subject to the application of a **derating factor** representing the degree to which the technology contributes to security of supply.

Derating factors are classified in 5 Categories:

- whether the CMU is Energy Constrained or not,
- has a Daily Schedule (> 25 MW) or not

Split by technology are possible within a category.



Are there limitations to participation?

CRM – Derating Factors* of the Capacities (1/2)

The Demand Side Response can choose their SLA (hours / day)

(the same for local thermal productions and batteries, ...)
< 25MW

Category I: SLA

Sub-Category	Derating Factor (%)
SLA 1h	15
SLA 2h	28
SLA 3h	40
SLA 4h	50
SLA 5h	59
SLA 6h	65
SLA 7h	71
SLA 8h	76
SLA 9h	80
SLA 10h	83
SLA 11h	87
SLA 12h	89
SLA Unlimited	100

Applies to the 'Pmax' of the local Capacity ('NRP'). This is to be considered as a max potential in the Auction. Could be lowered by an Opt-Out.

* Derating Factors proposed by Elia for the 2026 Y-4 Auction with Delivery Period 2030-2031



Are there limitations to participation?

CRM – Derating Factors* of the Capacities (2/2)

Derating Factors of other Capacities

Category II: Thermal technologies with daily schedule

Sub-Category	Derating Factor (%)
CCGT	93
OCGT	92
Turbojets	90
IC gas engines	92
IC diesel engines	90
CHP/biomass/waste	94
Nuclear	90
Coal	90

Category III: Energy-limited technologies with daily schedule

Sub-Category	Derating Factor (%)
Storage 1h	16
Storage 2h	29
Storage 3h	29
Storage 4h	47
Storage 5h	52
Storage 6h	57
PSP	38

Category IV: Weather-dependent technologies

Sub-Category	Derating Factor (%)
Offshore wind	8
Onshore wind	9
Solar	1
Hydro run-of-river	51

Category V: Thermal technologies without daily schedule

Sub-Category	Derating Factor (%)
Aggregated thermal technologies	65

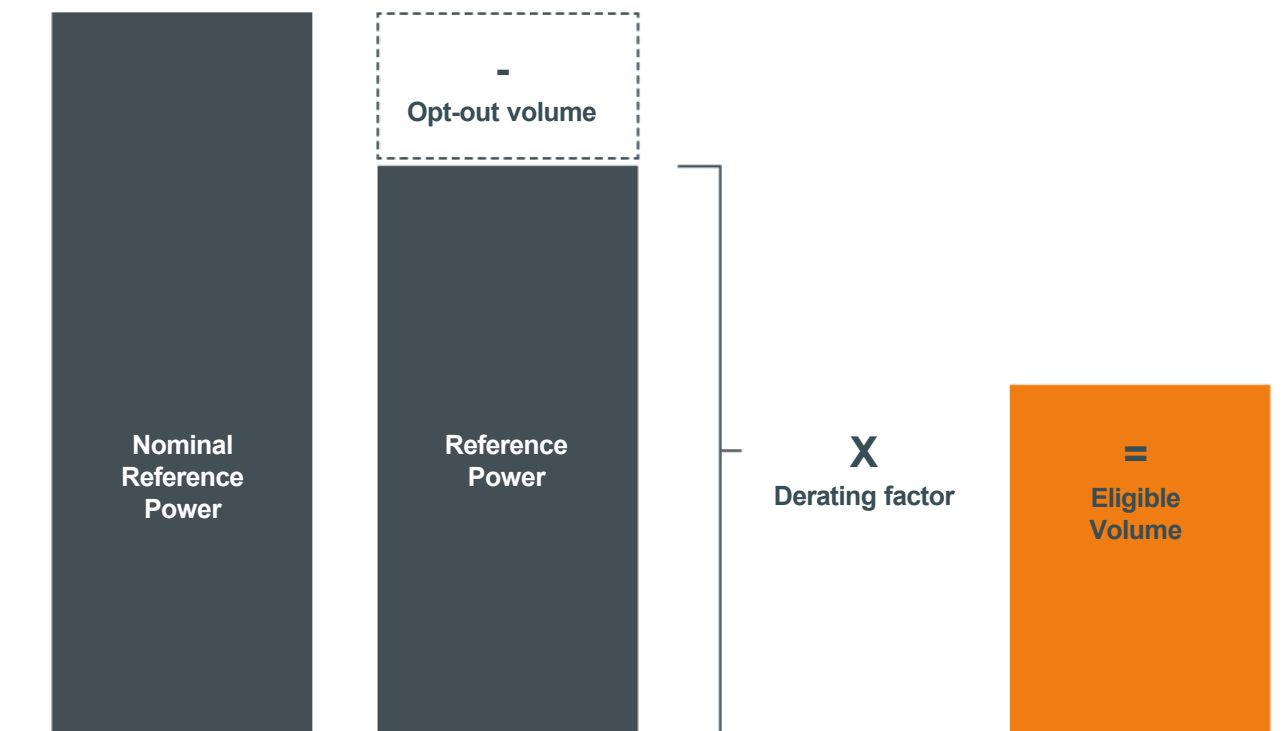
Applies to the 'Pmax' of the local Capacity ('NRP'). This is to be considered as a max potential in the Auction. Could be lowered by an Opt-Out.

* Derating Factors proposed by Elia for the 2026 Y-4 Auction with Delivery Period 2030-2031



What's the amount of capacity I can participate with?

The maximum volume that can be entered into auction (**Eligible Volume**) gets determined during the Prequalification, by derating the **Reference Power**



The **Nominal Reference Power (NRP)** gets determined using 1 year of historical data, if available.

Subtracting the **Opt-out Volume** (volume the CMU does not want to enter in auction) from the **NRP** results in the **Reference Power**.

Multiplying the **Reference Power** with the **Derating Factor** results in the **Eligible Volume**, which is the maximum that can be bid into auction*.

As a reminder:

Derating factors differ **per technology** and whether the CMU is **Energy Constrained** and/or has a **Daily Schedule (> 25 MW)**

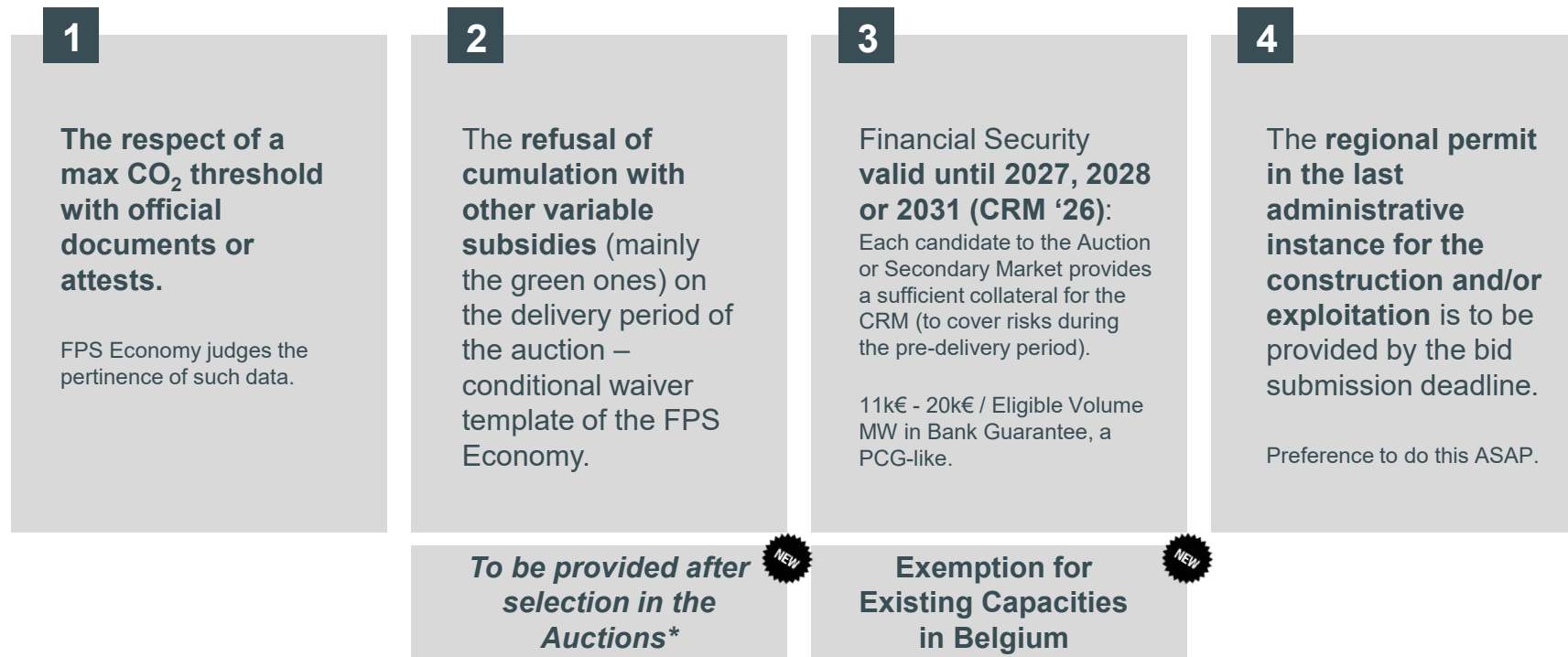
* CMUs are obligated to enter their full Eligible Volume (lowering the Eligible Volume is possible via opt-out)



What are the next administrative steps?

A number of administrative documents need to be presented to successfully prequalify

The prequalification process and data requirements are highly dependent on the capacity features but in all cases it requires those 4 elements:

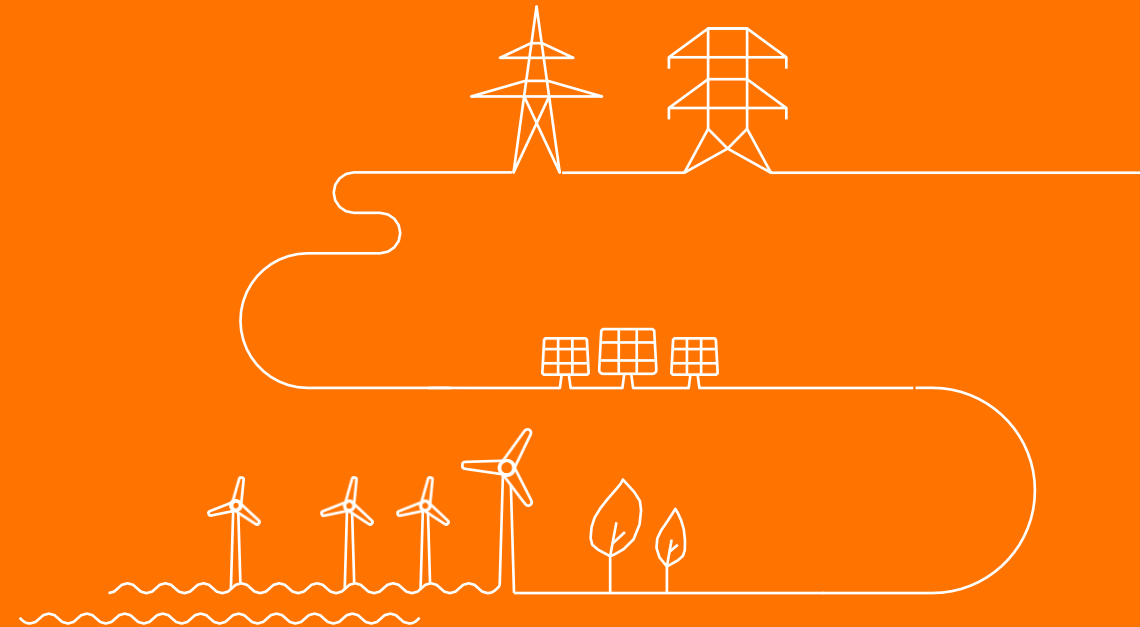


* The change of sequence regarding the renouncing of operating aid requirement is a work in progress and requires amendment of the regulatory framework.



Financial Security Obligation

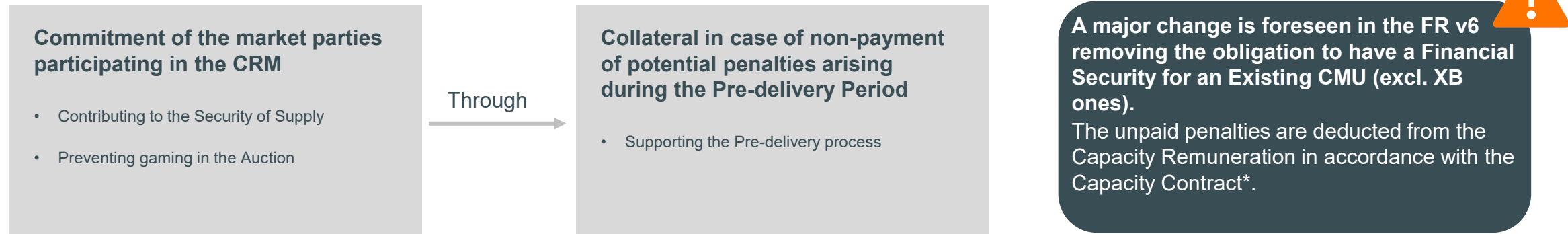
- What is the Financial Security Obligation?
- Does the same Financial Security apply to everybody?
- When does the Financial Security get returned?



What is the Financial Security Obligation?

When does the Financial Security get released?

The Financial Security is a collateral deposited by participating market parties to cover for non-payment of potential pre-delivery penalties.



1. The Financial Security **covers the pre-delivery period** and is released after the start of the delivery period, if CMU has received the “Existing” status (representative NRP can be measured).

2. The Financial Security is linked to a CMU and **should cover the maximum expected contracted capacity** for the forthcoming Delivery Periods.

3. The Financial Security **covers penalties during the pre-delivery period (if these remain unpaid)**.

4. The Financial Security is **released after non selection** in the auction or **at the end of the (first) Delivery Period** if contracted.

* The new version of the Capacity Contract is in the process of being amended accordingly.



Does the same Financial Security apply to everybody?

When does the Financial Security get released?

The amount of Financial Security to be deposited is dependent on the CMU's status.

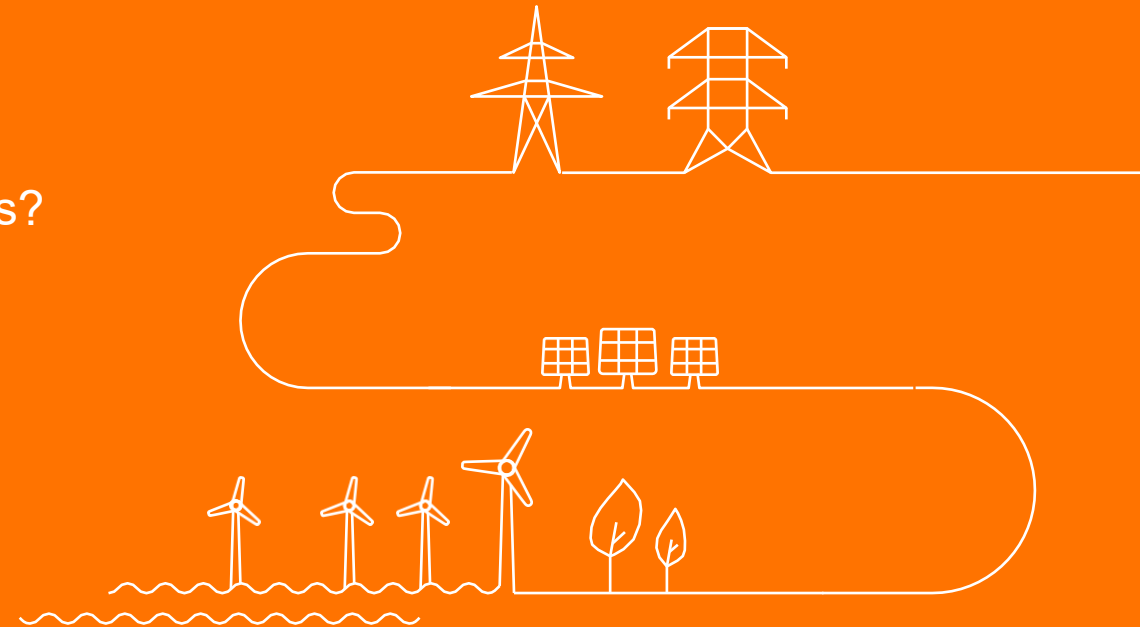
CMU Status	FS in €/MW
Additional CMU (other)	11k
Additional CMU (new build with Permitting Milestone achieved or not applicable)	15k
Additional CMU (new build without Permitting Milestone achieved)	20k
Virtual CMU	20k

- Changing statuses or getting past certain milestones/permits will result in partial releases of deposited securities.
- The purpose is to release the Financial Security in full after all pre-delivery checks are passed and, no pre-delivery penalties are due anymore.
- It only applies to the Eligible Volume (after derating and potential opt-outs).
- Financial Securities are bank guarantees, affiliate guarantees (e.g. PCG) or cash deposits (or a combination of them).
- **Existing CMUs no longer need to submit a FS**



Auction

- What are the Auctions?
- When do the Auctions occur?
- How do the Auctions work?
- How is the need in the Auctions calculated?
- What is expected of me in the Auctions?
- What capacity is already contracted in the past Auctions?



What are the Auctions?

In the Auction, CMU's can offer Eligible Volume to the CRM at a chosen price and a contract duration (multi-year contract to be approved by CREG).

The **access to the Auction** is granted to the **prequalified CMUs**

- The CRM Actor enters one or more offers related to each prequalified CMU to **bid in the Eligible Volume** as determined during the Prequalification Process.
- Each offer consists of a **volume, a chosen price and a contract duration**.
- The Price is limited to an Intermediate Price Cap for a 1-year capacity contract duration (Y-1 2025/26: 27,3 €/kW/y).
- A multi-year capacity contract duration is approved by CREG during the prequalification process (investment file of the CMU).

Prior the Auction:

- The CRM Candidate can still **reduce** (partially or entirely) its **Eligible Volume through an Opt-Out** (up to end-Sept of the auction year).
- The CRM Candidate can still remove (archive) its Prequalification File and bids without consequence (if no mandatory participation, up to gate closure time 6am).

The **results are validated by the CREG** and published by end of October.



When do the Auctions occur?

Three Auctions are organized for each Delivery Period, respectively 4 years, 2 years and 1 year ahead

2021	2022	2023	2024	2025	2026	2027	2028	2029
Y-4 2025			Y-1 2025	Delivery 2025				
	Y-4 2026			Y-1 2026	Delivery 2026			
		Y-4 2027		Y-2 2027	Y-1 2027	Delivery 2027		
			Y-4 2028		Y-2 2028	Y-1 2028	Delivery 2028	
				Y-4 2029		Y-2 2029	Y-1 2029	Delivery 2029

- Last **Y-4** auction in **2030**
- Last **Y-2** auction in **2032**
- Last **Y-1** auction in **2033** - delivery in 2034

Note: a delivery year always start on 1 November 20XX and ends 31 October 20XX+1

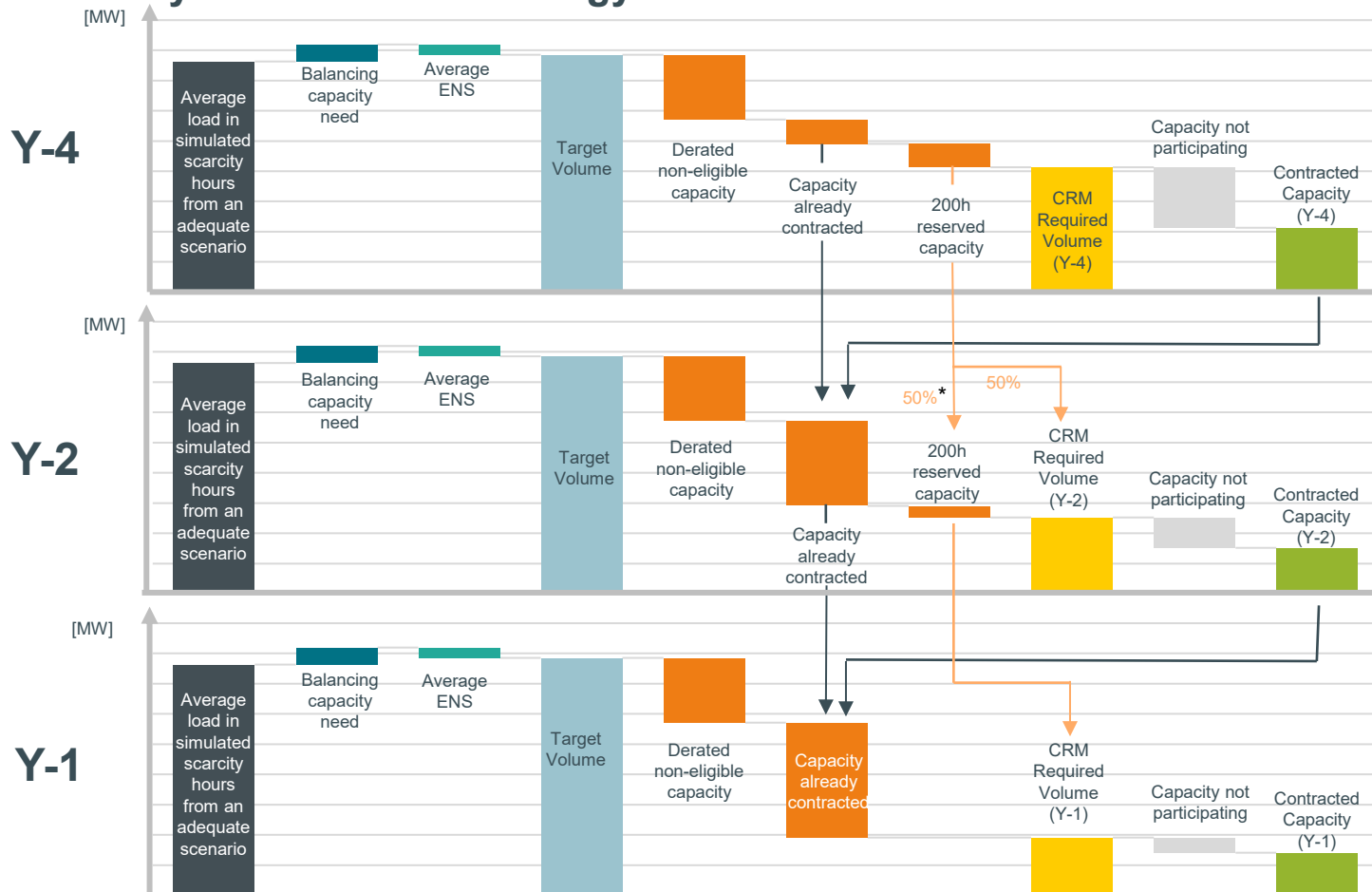
- Multi-year contracts can exceed the approval period of the CRM.
- However, auctions only deal with a single delivery year.
- Contract duration is not a criterion in selecting capacities (except in case of tie)



GETTING TO A CONTRACT

How is the need in the Auction Calculated?

The required volume of Auctions is calculated in accordance with Article 11 of the Royal Decree Methodology.



Determination of the volume parameters – Article 11 of the Royal Decree

- Proposal & simulations by the TSO (Elia)
- Proposal made by the NRA (CREG)
- Minister determines the final demand curve



* Subject to the dynamic correction in Y-4

Contract

What are the specifics of the Contract?



What are the specifics of the Capacity Contract?

The Capacity Contract is the formal agreement between the Capacity Provider and Elia. It is concluded after selection in the auction.

Following a positive selection of the offers, a contract is concluded between the **Capacity Provider and Elia:**

- Within 40 WD after the Auction results.
- In case of Additional capacity, where applicable the Connection contract is signed within the time limits of the Grid codes (and in accordance with the technical agreement provided in the Prequalification Process).
- The Capacity Contract is signed within 20 WD right after the connection contract.

Capacity Provider undertakes to ELIA to provide the Service in exchange of a remuneration after selection of the offer, throughout each:

- Transaction Period;
- And its respective Pre-Delivery Period: between auction results and delivery period.

Secondary market transactions also require update of Annex A or a contract signature (cf. next slide).

- The Seller will sign an updated Annex A.
- The Buyer will sign a new Annex A, if no contract was signed in the past, the Buyer will sign the latest version of a Capacity Contract.



GETTING TO A CONTRACT

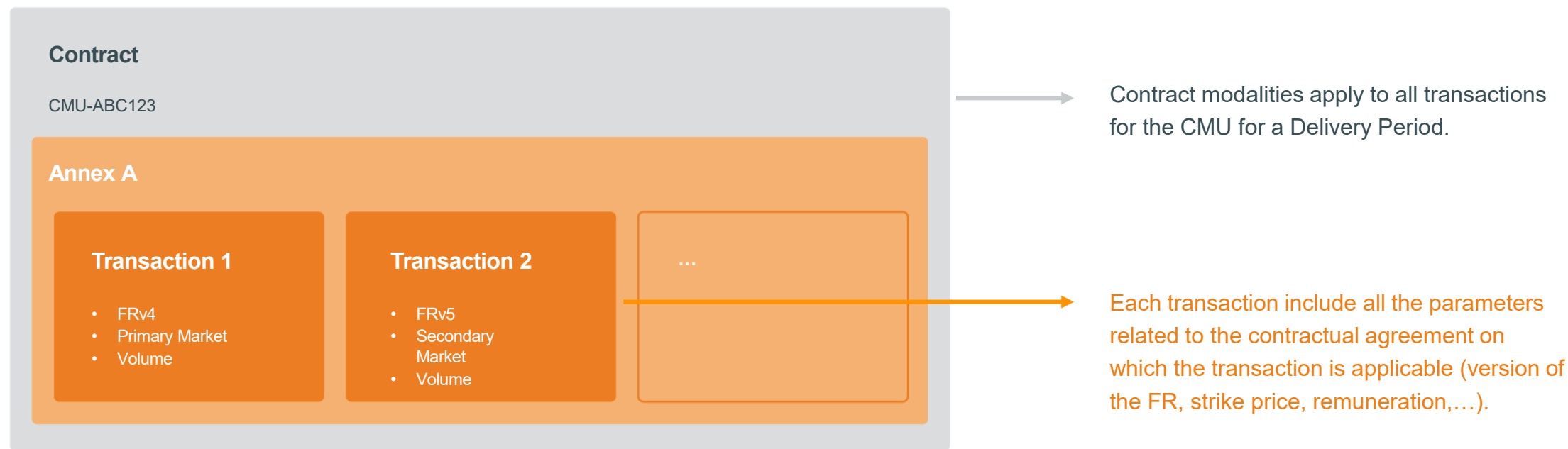
The contractual structure – overview

Contract: describes relation between ELIA and Capacity Provider: a framework agreement

- One contract is signed per CMU per delivery period

Annex A: section of the contract where the information for each transaction is stored

Annex A.x = Transaction*: describes the contract parameters relevant to each transaction (period, volume, strike price, etc.)



* Linked CMUs are aggregated in one Transaction



The Capacity Contract – Modalities

The Capacity Contract defines all the payment modalities of the Capacity Remuneration, the payback and the penalties. It includes all the obligations and rights resulting from capacity awarded during the auction.

Capacity Remuneration: Paid by Elia to the Capacity Provider over the Delivery Period on a monthly basis. Settlement is processed through self-billing at the beginning of each month.

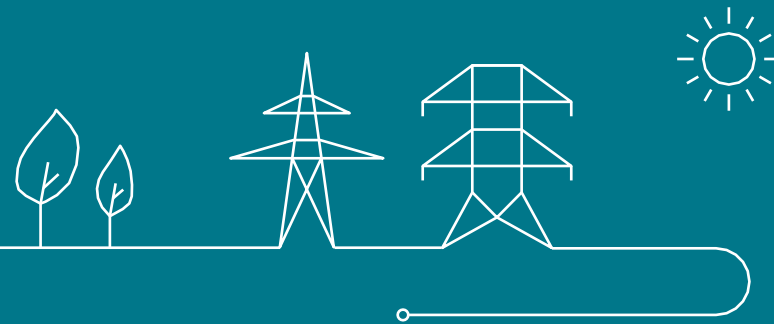
Payback: Payback is calculated at the end of the month and settled in a monthly statement published on the 15th of M+2.

Penalties: Penalties are calculated at the end of the month and are also settled in a monthly statement published on the 15th of M+2.

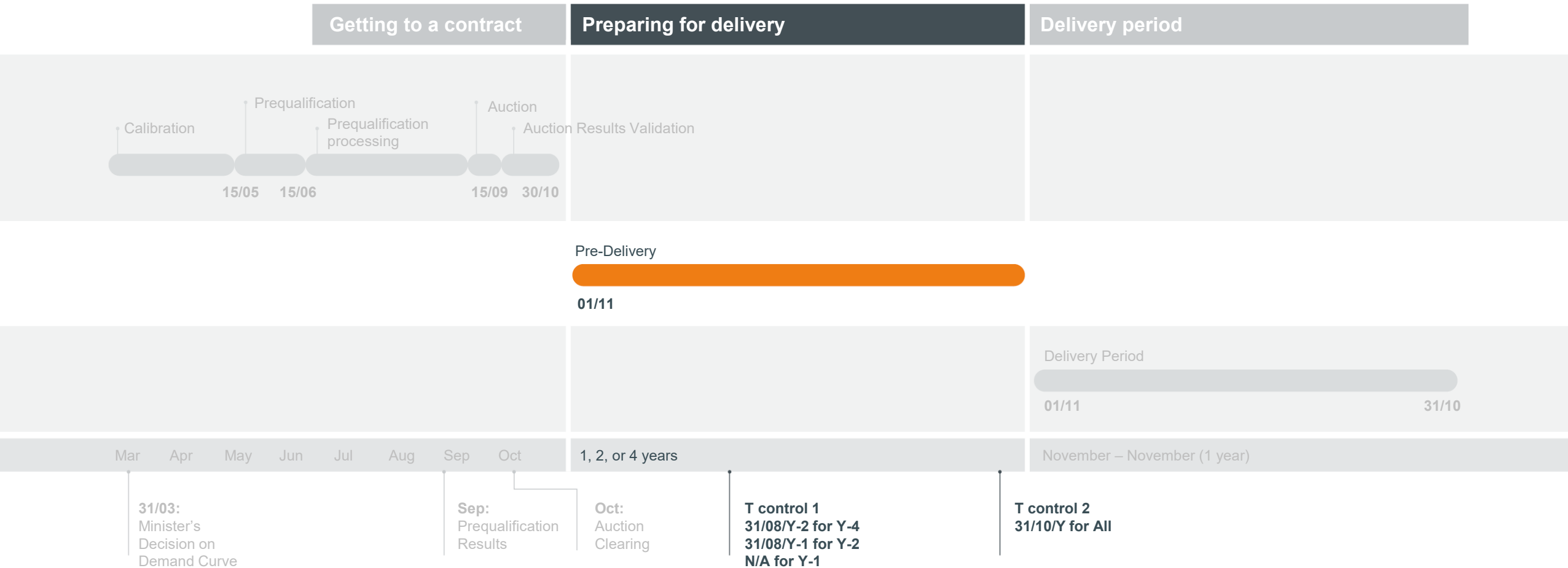
Payback and penalties are described in the monthly delivery activity report, which will be detailed at a later stage.



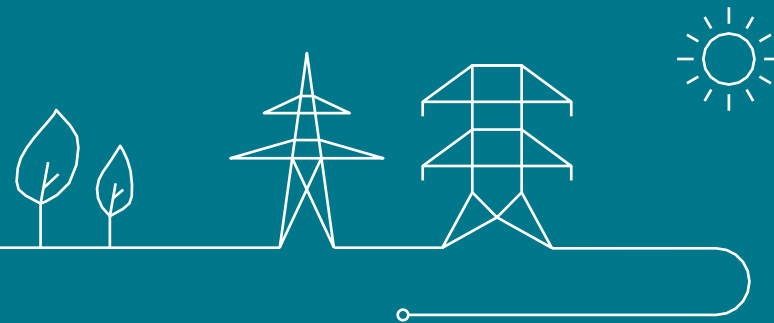
4. Preparing for Delivery: Pre-Delivery Monitoring



PREPARING FOR DELIVERY: PRE-DELIVERY MONITORING

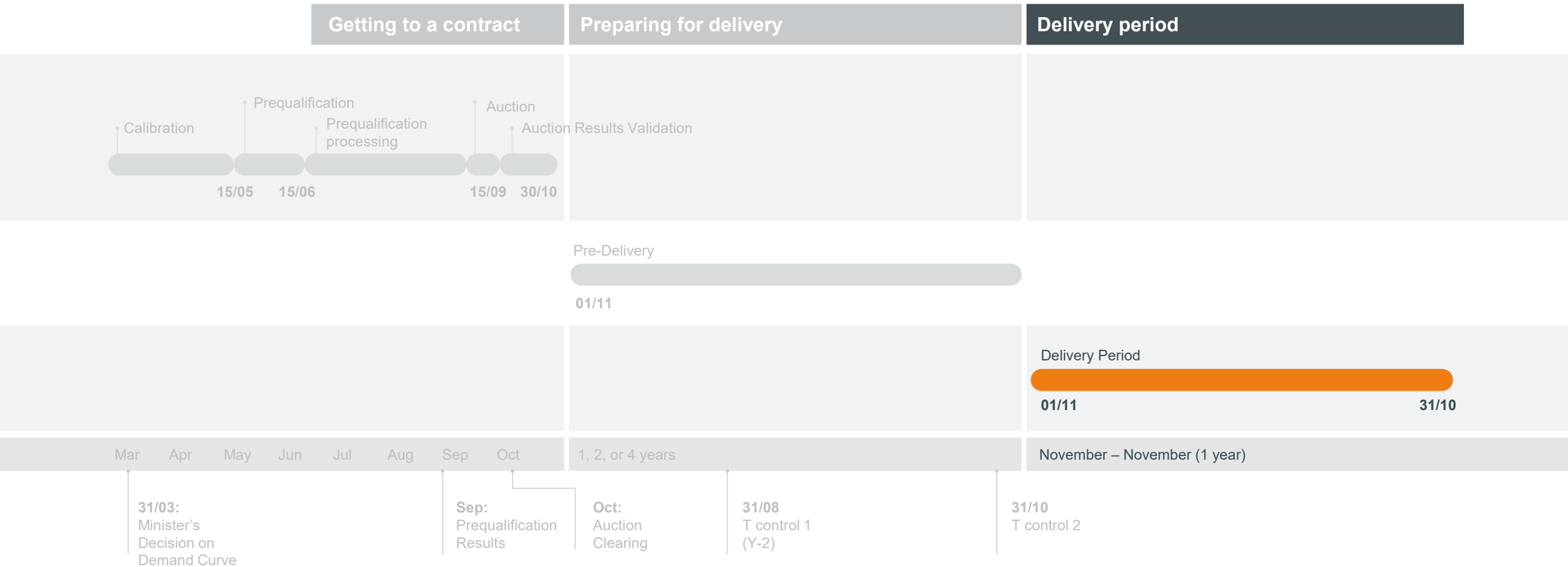


5. Delivery Period



DELIVERY PERIOD

When does it all happen?



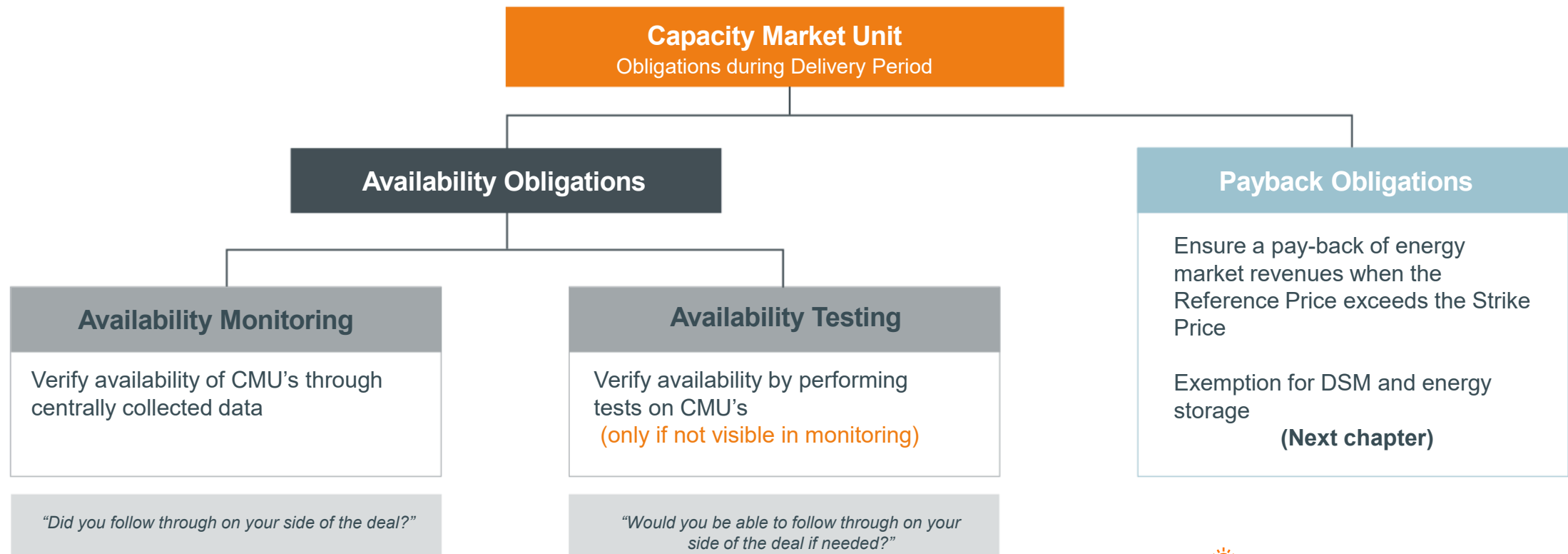
Availability Obligation

- What is the Availability Obligation?
- What are the consequences if I don't live up to the agreement?
- How and when will Elia check my market presence?
- How much capacity should be present?
- What if my required volumes are far Out of the Money?



What is the Availability Obligation?

During adequacy-relevant moments and tests, a CMU is expected to have their Obligated Capacity available.



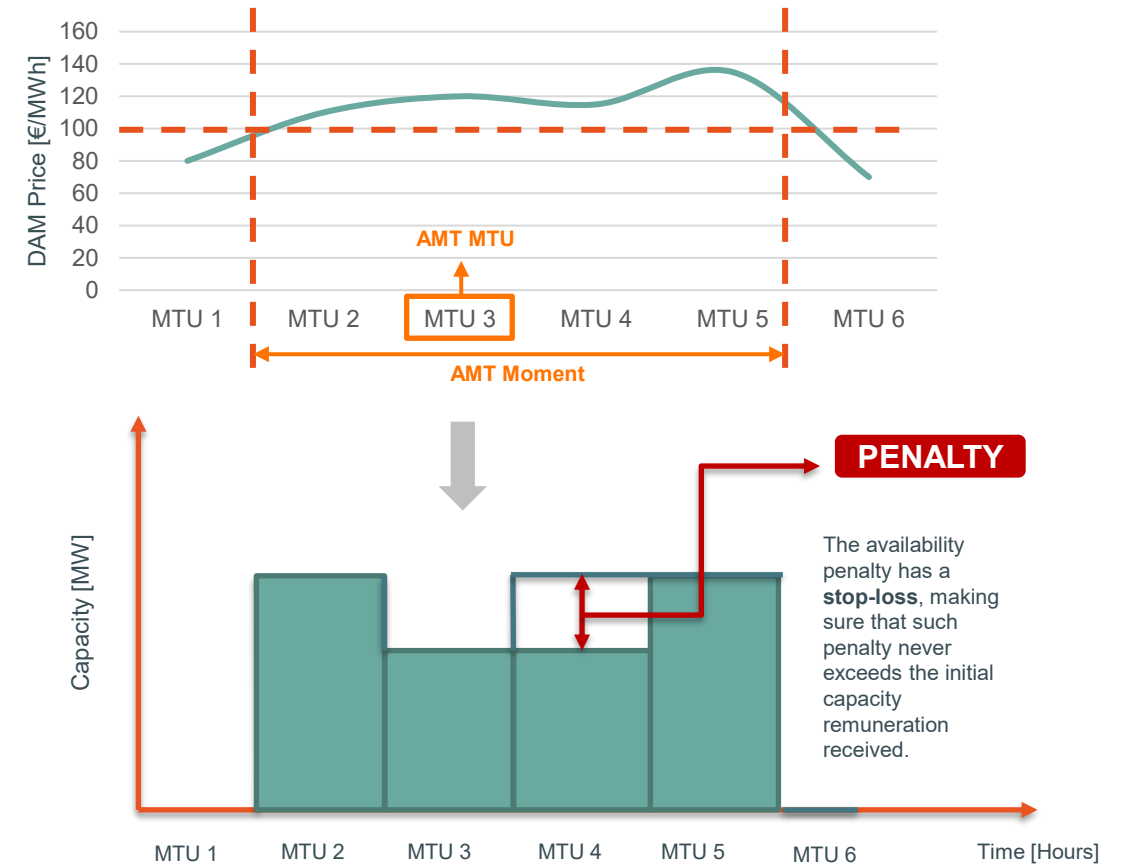
DELIVERY PERIOD

What are the consequences if I don't live up to the agreement?

In Availability Monitoring, Elia checks the market presence of CMUs. Unavailability at adequacy relevant moments will result in a Financial Penalty.

“Did you follow through on your side of the deal?”

- I. Identify adequacy relevant moments
- II. Establish Obligated Capacity
- III. Establish Available Capacity
- IV. Availability Penalty (if needed)



DELIVERY PERIOD

How and when will Elia check my market presence?

The Day-Ahead Market Price was selected as the indicator for scarcity relevant moment

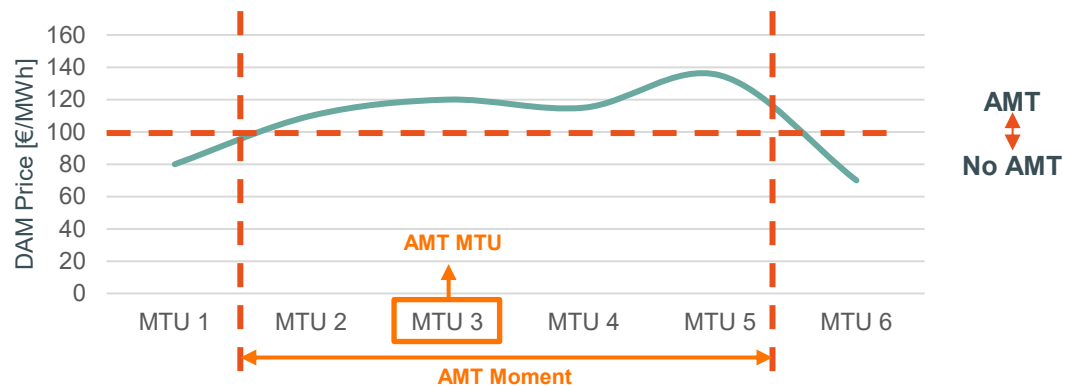


Availability Monitoring Trigger (AMT)

Before Real Time

- All holders of a contracted capacity are obliged to make that capacity available
- In case of underperformance the party is liable to penalties

Defined single “AMT-price” leading to an Availability Monitoring Trigger when surpassed in DA



- AMT is announced at 15h00 CET in Day-Ahead
- For each AMT MTU, Capacity Market Units will have an **Obligated Capacity**
- The Availability Monitoring Mechanism will assess **Available Capacity**
- Elia can issue **Availability Tests** to prove availability of capacity



The Availability Obligation has a different design for Energy Constrained vs Non-Energy Constrained CMU

Energy Constrained

- ✓ At the level of **non-derated** capacity
- ✓ For a **limited set of MTUs**, the so-called **SLA-MTUs**
- ✓ For **1 activation** of consecutive MTUs per day
- ✓ Derating based on the availability of the energy reservoir during scarcity moments

Non-Energy Constrained

- ✓ At the level of **derated** capacity
- ✓ For an **unlimited set of MTUs**
- ✓ For an unlimited amount of activations per day
- ✓ Derating based on outage rates or estimated production levels during scarcity



DELIVERY PERIOD

During AMT Moments, the Obligated Capacity is compared to the Available Capacity

MW schedule obligation

- ✓ Capacities > 25 MW
- ✓ Available Capacity equal to the information as submitted to Elia
 - ✓ In the Availability Plan
 - ✓ In the Daily Schedule

No MW schedule obligation

- ✓ Capacities < 25 MW
- ✓ **Declare a Price** (DA, ID, BAL) at which they will deliver
 - ✓ Can be revised at any time to follow marginal cost of the plants
- ✓ Only obligation to deliver when DAM > Declared Price

* Or national equivalent implementation of SOGL



Availability Testing is used when availability cannot be directly monitored, when capacity is unproven.



Objective of Availability Tests:

- ✓ Complementary to Availability Monitoring
- ✓ For “Unproven” capacity
- ✓ Capability to react to surprise signal in day-ahead

“Would you be able to follow through on your side of the deal if needed?”

Availability testing is not meant to be “on top of” monitoring, but rather as a last resort.



Principles for selection:

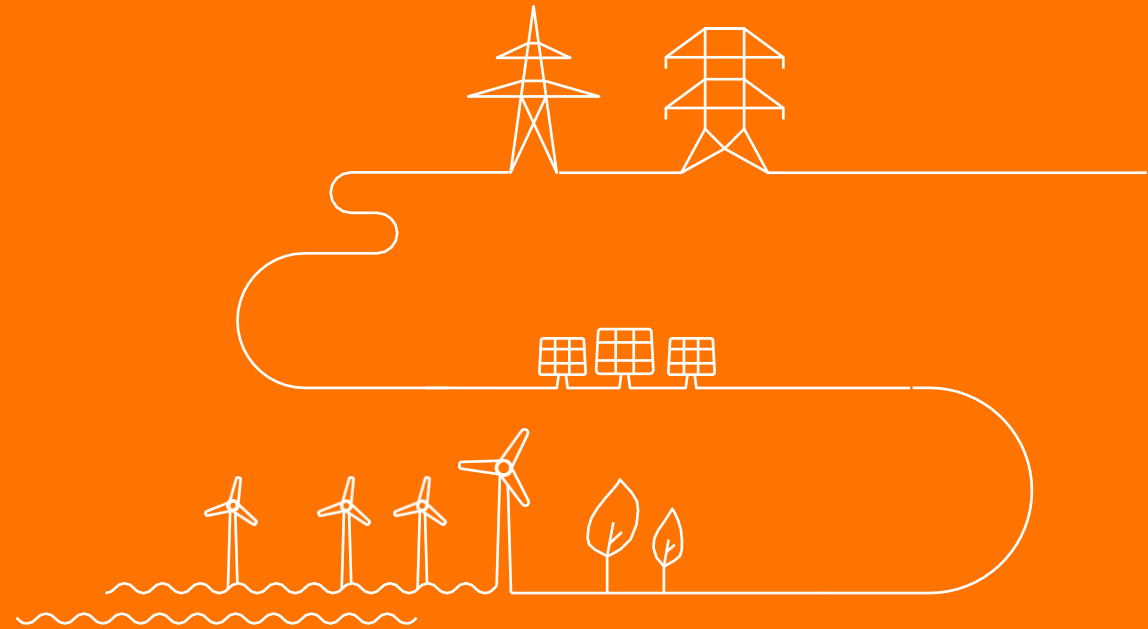
- ✓ Low Proven Availability in monitoring
- ✓ Previously failed Availability Tests
- ✓ Missing Capacity in monitoring
- ✓ Poor correlation between (Partial) Declared Prices and measured output in the delivery Point
- ✓ Avoid days with particularly low risk on adequacy

The final selection procedure for testing moments is designed to accurately measure availability, but is not disclosed publicly to ensure market parties cannot specifically prepare for them



Payback Obligation

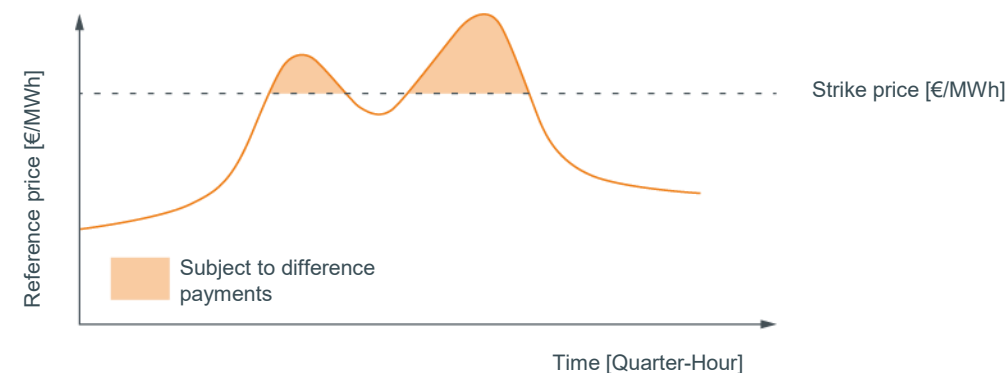
- What is the Payback Obligation & why does it exist?
- To whom does the Payback Obligation apply?



What is the Payback Obligation & why does it exist?

Remunerations have to be paid back if energy reference prices exceed the Strike Price, to avoid double remunerations.

In a reliability option, the capacity provider receives a capacity remuneration but is obliged to payback money to society whenever the reference energy spot price (e.g. day-ahead price) exceeds a pre-defined strike price.



Such approach has two advantages for society:

- **Avoiding windfall profits:** as the capacity provider already receives a capacity remuneration on top of its 'normal' energy market revenues which should cover all its costs, extreme energy prices would provide him with an extra, double remuneration. This would constitute a windfall profit. The Payback Obligation has a stop-loss, making sure the amount to be paid back never exceeds the initial capacity remuneration received.
- **Strengthening incentive to deliver on SoS-obligations:** as capacity providers are obliged to payback when the energy price exceeds the strike price and those moments are strongly correlated with moment of (near-)scarcity, there is an extra incentive for capacity providers to be available in the system at such moments.



DELIVERY PERIOD

The actualization mechanism for the strike price evolved in 2022-23 to become more dynamic

A **monthly** ex-post actualization of the strike price based on monthly DA prices (i.e. strike price of September is set by DA prices of September).

This actualization would apply from **the first delivery year** and to **single & pluriannual contracts**.

At the time of the auction

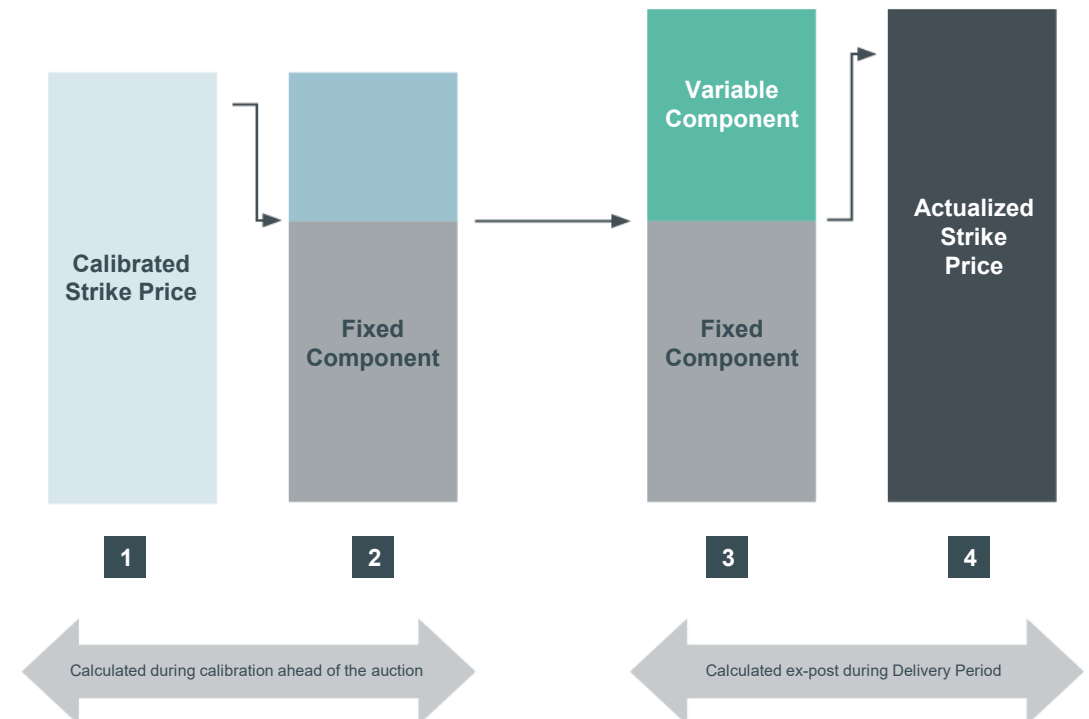
Fixed component

- = calibrated strike price
- Average DA prices for the calibrated period

During delivery

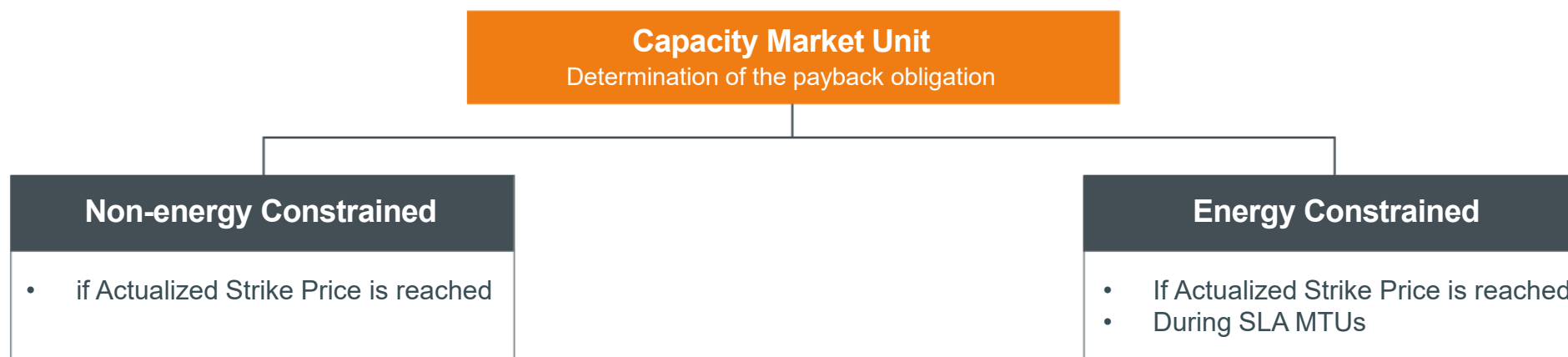
Variable component

- = Average DA prices for month m



To whom does the Payback Obligation apply?

The application of the payback obligation differs per type of CMU



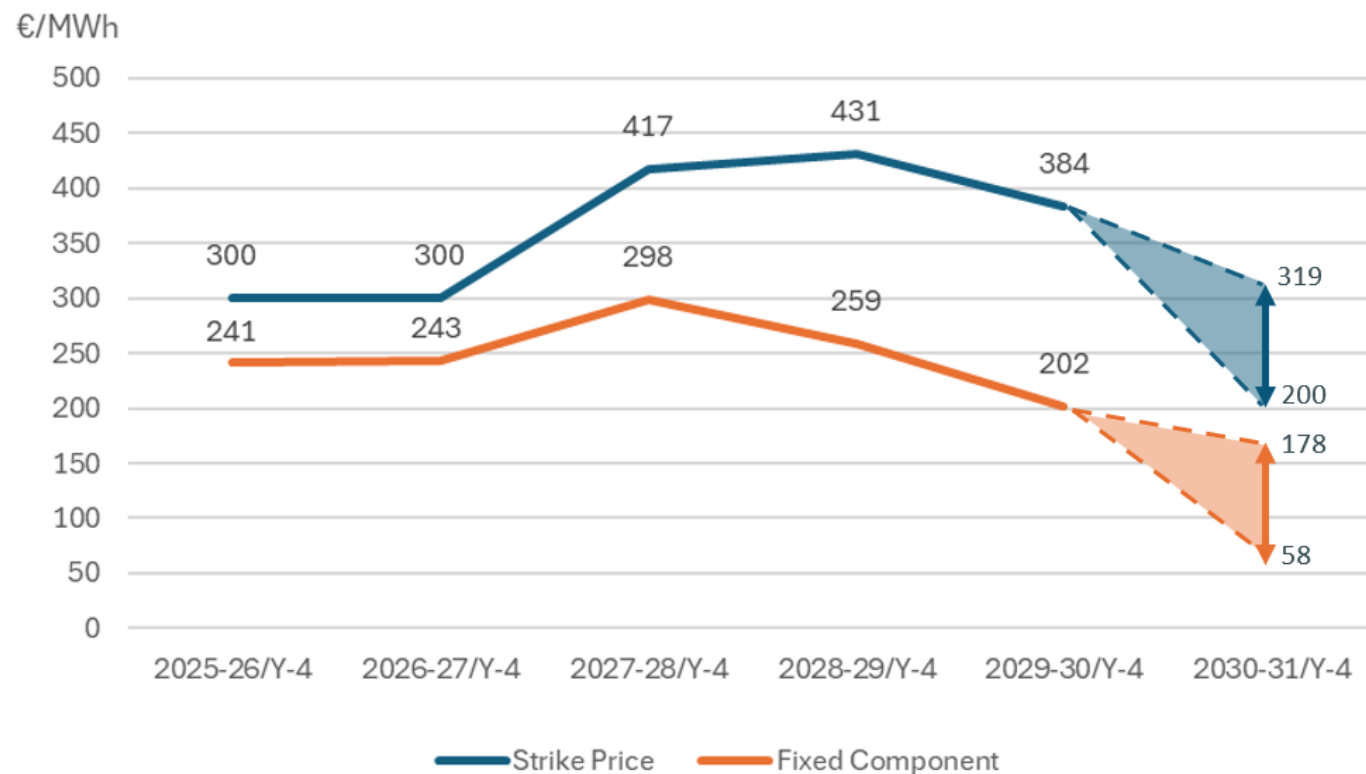
Important notes:

1. The Strike Price is determined during the calibration of the auctions but is actualized based on the average monthly price of the DA market. The result is the Actualized Strike Price
2. For DSM and energy storage, an exemption to the payback obligation is in place.



DELIVERY PERIOD

Overview of the fixed component of the previous auctions

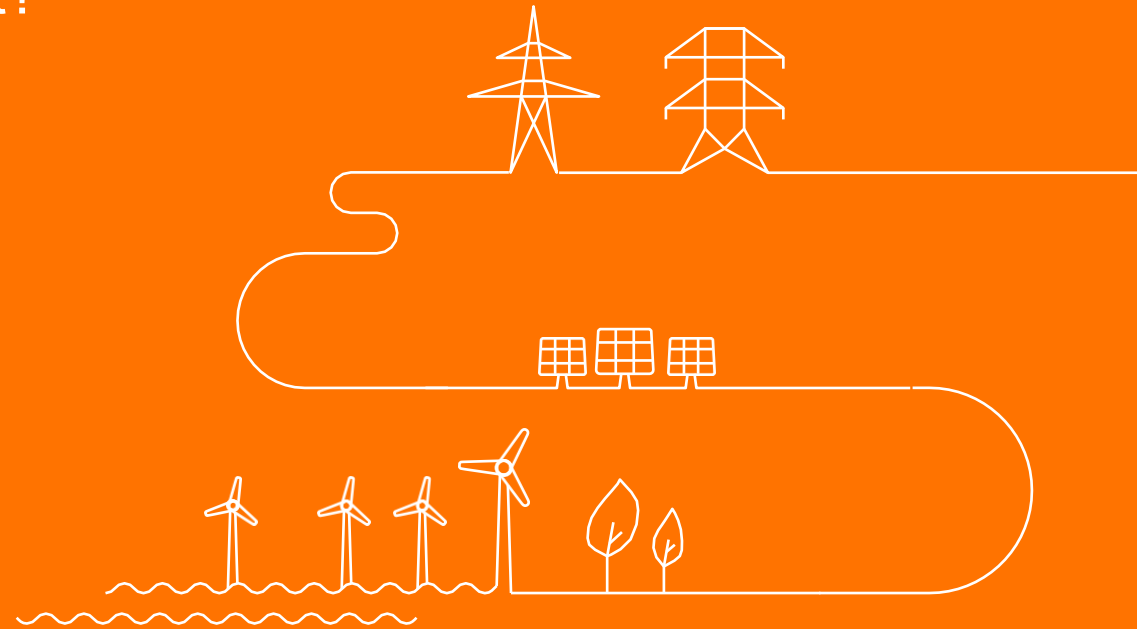


- The fixed component should remain relatively stable throughout time
- For the upcoming auctions it will be set by MD on 31/03 (within the range shown on slide)



Secondary Market

- What is the Secondary Market & why does it exist?
- Who can participate in the Secondary Market?



What is the Secondary Market & why does it exist?

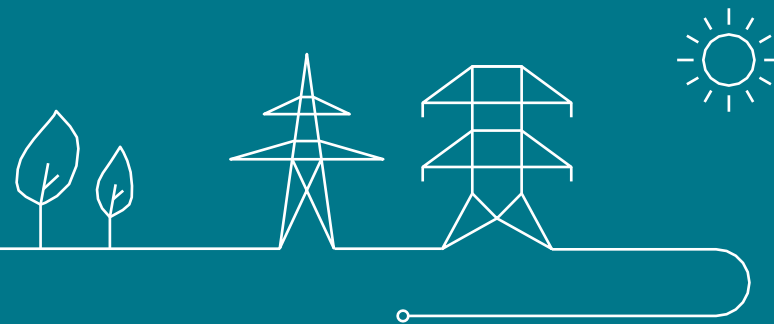
CMUs can trade capacity obligations on the Secondary Market. This allows CMUs to sell their excess capacity or to cover their capacity shortages.

The purpose of a Secondary Market is:

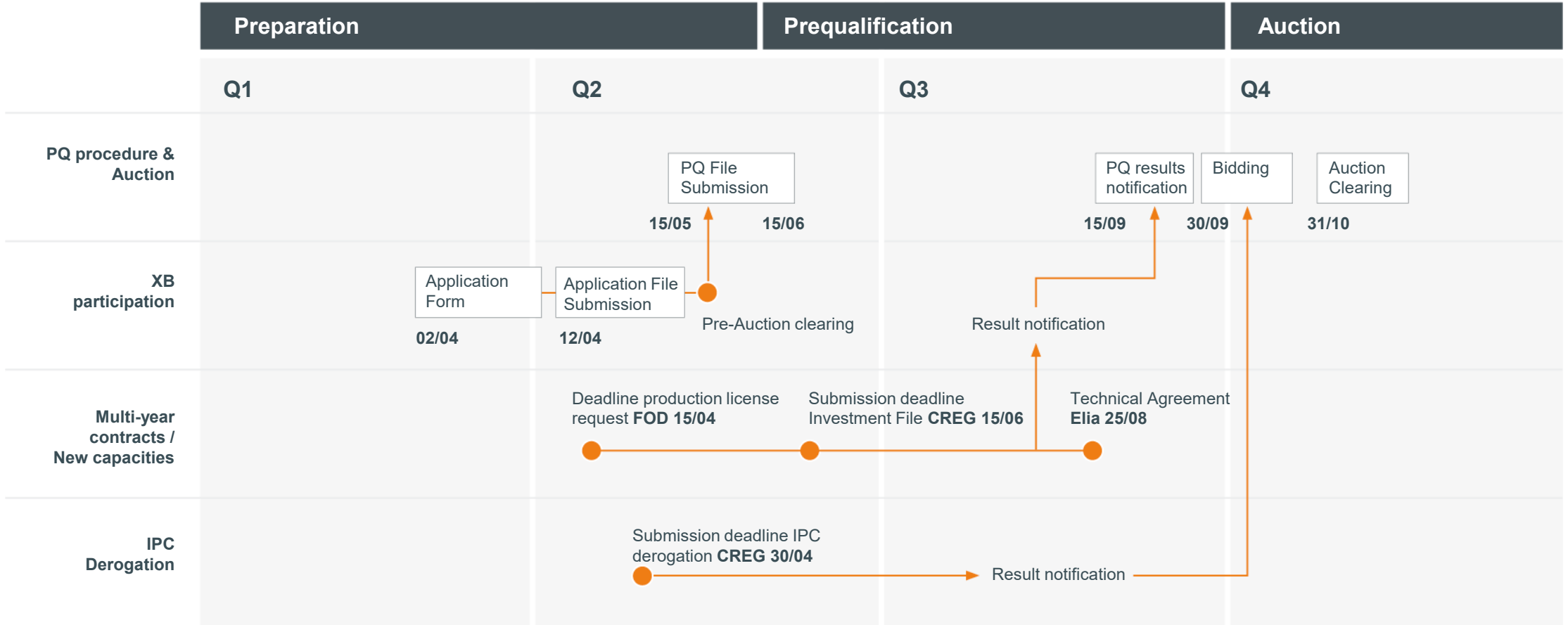
- To allow Capacity Providers to be able to **transfer** their CMU Contracted Capacities and related obligations to another CMU in order to allow them to **manage their risks** better.
- To contribute to **enhance competition** in the Primary Market (Auctions) of all participating technologies ensuring SoS within the CRM.
- To **decrease the risk** of the Auctions' bidders and therefore **decrease the overall CRM cost**.



6. Final notes



High level view on the CRM process



Your participation in the Y-1 / Y-2 / Y-4 Auction



Your Elia KAM guides you through your flexibility valorization supported by:

CRM dedicated support (customer.crm@elia.be)

Balancing products dedicated support (contracting_AS@elia.be)

You can also find [here](#) the list of "Balancing Services Providers"



Thank you

