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Subject : Consultation on Belgium's electricity market reform plan – contribution of the Belgian Renewable Energy federations EDORA and ODE

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Preliminary remarks

EDORA is the federation of renewable energy companies and actors in Southern Belgium (Brussels and Wallonia). EDORA is active in promoting a sustainable energy transition in the different energy sectors (electricity, heating and cooling and transport). EDORA promotes a.o. the accelerated development of renewable energy sources, sustainable energy management and smart grids.¹

ODE (Organisatie Duurzame Energie Vlaanderen) is the federation of renewable energy companies, research institutions and actors in Flanders, Belgium. ODE is dedicated to achieving a fully renewable energy system by 2050.²

The present paper constitutes the contribution of EDORA and ODE to the consultation organised by the European Commission about Belgium's electricity market reform plan (hereinafter referred to as "Implementation Plan"), submitted by Belgium on 21 November 2019 in the framework of article 20(3) of Regulation (EC) No 2019/943 of 5 June 2019 on the internal market for electricity, by which a Member State that is facing likely supply shortages is requested to reform its electricity market.

¹ www.edora.org

² www.ode.be

General evaluation of the implementation plan

The implementation plan contains a good overview of the main actions and initiatives taken at federal level to improve Belgium's electricity market to comply with European's Regulation, such as increasing price limits on day-ahead markets, the flow-based market coupling improvement, the rules in the balancing markets to open these to all technologies, the finer temporal granularity for frequency-related ancillary services, the efforts made to improve interconnections and internal high-voltage grid capacity.

ODE and EDORA wonder whether these measures would be sufficient to bring the long term visibility necessary to invest in appropriate capacity needed in the context of the energy transition. Even if the impact of these evolutions and improvements are difficult to quantify at this stage, the implementation plan could be improved by an (at least qualitative) adequate impact assessment of each measure as well as the combined effect of all measures, on the functioning of electricity markets as well as their contribution to the issue of security of supply, in order to better assess the opportunity to implement a structural capacity remuneration mechanism in Belgium.

A better consolidation with regional initiatives would be valuable

In addition, the implementation plan fails short at sufficiently integrating initiatives and actions taken at regional level (Flanders, Wallonia, Brussels) to improve Belgium's electricity markets functioning in line with the Clean Energy Package legislation. We point in particular to chapters 4.3 and 4.7 of the implementation plan, which relate to "*Demand-side response*" and "*Self-generation, energy storage and energy efficiency*". Both chapters are only referring to partially existing situations in the 3 Regions without anticipating actions or efforts directly or indirectly anticipating supply shortages in Belgium by 2025.

Regarding self-generation, chapter 4.7.1 gives non-consolidated figures of renewable energy development in the 3 regions. Information is lacking about how the regulatory framework and/or support schemes of these regions would be improved to match the new EU legislation, and thereby also contributes to our Security of Supply by means e.g. of a diversified energy mix. With regards to onshore wind energy it should be noted that the implementation plan (and Elia's adequacy assessment) is referring to outdated projections in the draft National Energy and Climate plan for 2030³. Cogeneration figures and initiatives are not mentioned, while cogeneration represents an essential part of (flexible) generation capacity by 2025 and 2030.

As for energy storage (4.7.2) and energy efficiency (4.7.3), the implementation plan focuses on federal initiatives (federal energy transition fund, efficiency efforts of grid operators), but sets aside the main efforts taken or to be done by the Regions. For example, measures for phasing out historical electric heating devices are not mentioned, while these have an impact on energy efficiency and on the need for peak capacity (about 120 MW capacity needed for every °C lowering). In addition, nothing is said neither about the systematic replacement of lighting with LEDs (in Wallonia, a major conversion is foreseen for motorway's lighting and in Flanders communes are developing LED-plans for street lighting). The document also states that a clear regulatory framework is needed for distribution-level storage, without assessing or mentioning the initiatives at regional level, or the efforts needed to achieve a significant rise in energy storage (support scheme? Exemptions?).

A large part of "Demand-side response" initiatives happen on the regional level, especially on low and medium voltage grid connections (injection and offtake). The roll out plans for smart meters of Wallonia, Flanders and Brussels are mentioned but not assessed in their capability of improving energy efficiency and shifting energy consumption at low voltage levels. By the way not having smart meters at

³ Meanwhile the new Flemish government decided on a higher target of 2,500MW installed capacity in Flanders by 2030 which was included in the final NECP as submitted to the European Commission.

distribution level is a key barrier for the “transfer of energy” initiative at low voltage levels, as mentioned in the implementation plan.

Besides, nothing is said about the gradual exit of net metering schemes for prosumers and its replacement by a new system compatible with the Clean Energy Package. The number of prosumers in Belgium is impressive (around 500,000 prosumers), and their potential to contributing towards energy transition is largely untapped (more than 2.5 GW capacity).

The potential of Renewable Energy Communities (low and medium voltage levels) is not mentioned, although it’s a major feature of the CEP. Although difficult to currently estimate their impact and probably not a game changer in the short run, their contribution to the overall energy system in the long run should not be neglected (by synchronising consumption and RE production and (partially) avoiding peak capacity demand). The Internet of Energy initiative is a good step forward to explore new value proposals for consumers and prosumers, but the follow-up remains poorly detailed in the document.

Even though it is difficult to quantify the exact impact of these additional measures, it could have been valuable to include these measures in the implementation plan and, where possible, giving a best estimate or order of magnitude of their impact.

Finally, EDORA and ODE regret the lack of coordination between the federal state and the Regions on applying an energy tax shift from (renewable) electricity to fossil fuels. The actual burden on electricity bills, compared to other energy sectors, is a major barrier for new energy transition applications like heat pumps and electromobility. This negatively impacts the efforts on energy efficiency, battery storage and demand-side response.

Conclusion

EDORA and ODE estimate that the general conclusion of the Belgian implementation plan stating that *“it has been shown through multiple studies that electricity market functioning alone will not be sufficient to address the challenges at hand and state intervention is deemed necessary”* should be further elaborated and improved, taking into account abovementioned remarks and propositions.

Specific questions about security of supply in Belgium and former positions of EDORA and ODE

The major aim of the implementation plan for Belgium is to give sufficient arguments and evidence to the European Commission that Belgium makes the needed efforts to comply with the clean energy package and that these efforts are not enough to avoid state (support) intervention to ensure security of supply.

In this respect, EDORA and ODE consider it relevant to have a proper assessment of Belgium’s initiatives on the key parameters impacting new capacity needs by 2025 and beyond, namely:

- Climate assumptions of the Monte-Carlo simulations, in particular the probability and length of cold waves (simultaneous in the CWE zone?) for the sizing of the maximum peak load in Belgium;
- The simulations output of about maximum 2.5 GW for Belgium's import capacity in shortage situations (while the maximum capacity will be 7.5 GW);
- The methodology to calculate the profitability of new capacities (particularly forward price – P_{average} vs P50);
- The acceleration of RES development, in particular those having a larger impact on offshore wind capacity (by winter 2025/2026) and cogeneration.

In this regard, EDORA and ODE find it very uncomfortable that organisations that are kept in high regard with respect to the topic discussed, mainly Elia, the CREG, the Federal Planning Bureau have diverging opinions⁴ about (i) the parameters determining the volume of new capacity, (ii) the structural character of this need, and (iii) the type of solution to answer this need (CRM vs strategic reserve). Clarity is needed on these subjects in parallel of the implementation plan's approval.

EDORA also refers to two own positions on these matters:

- A general position paper on Security of Supply in Belgium and the potential role and design of a CRM mechanism (Annex 1)
- A position paper of EDORA on CREG's consultation relative to parameters for determining the volume of capacity of a CRM (Annex 2).

ODE laid out its general position on the use of capacity mechanisms in Belgium in the paper added here as Annex 3.

⁴ Hereafter references to their most recent studies and analysis:

- Elia adequacy report: See <https://www.elia.be/fr/publications/etudes-et-rapports>
- CREG: "Analysis by the CREG of the Elia study 'Adequacy and flexibility study for Belgium 2020 -2030'" <https://www.creg.be/sites/default/files/assets/Publications/Studies/F1957EN.pdf> and "Avis relatif au projet de proposition d'arrêté royal fixant la méthodologie de calcul de capacité et des paramètres pour les enchères dans le cadre du mécanisme de rémunération de capacité, transmis par Elia le 22 novembre 2019" <https://www.creg.be/fr/publications/avis-a2030>
- Federal Planning Bureau: See "Analysis of the CREG comments on the Elia A&F study" in Annex FPB from p.17 of <https://economie.fgov.be/sites/default/files/Files/Energy/Mecanisme-remuneration-capacite-Note-E2-02-10-2019.pdf>