

Belgian Capacity Remuneration Mechanism Y-4 2025-2026 Auction re- run: Independent Auditor Report

Commission de Régulation de l'Électricité et du Gaz
(CREG)

11 April 2022



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1. EXECUTIVE SUMMARY

This report sets out our conclusions in relation to the auditing of the processes and procedures followed by ELIA in conducting the Capacity Auction Process for the re-run of the 2025/2026 Y-4 Capacity Auction, with respect to Capacity Auction Submissions submitted between 09:00 on 16th September 2021 and 17:00 on 30th September 2021. This audit is intended to ensure that the processes and procedures followed by ELIA have been correctly carried out in accordance with ELIA's obligations under the Capacity Remuneration Mechanism (CRM) Functioning Rules, as well as the instructions contained in the Royal Decree published on 25 March 2022, instructing ELIA to proceed with a re-run of the 2025/2026 Y-4 Capacity Auction.

This audit involves a reduced number of compliance checks compared to the regular auction process undertaken in October 2021, and concerns only components that have changed since the initial auction run.

Our auditing duties, defined in the Royal Decree on the Control of the CRM published on 30th May 2021 (applicable from 7th June 2021) in the Official Gazette¹ have been carried out using the CEPA Protocols in line with the CRM Functioning Rules (EN version dated 8th June 2021 v0.2). The CEPA Re-run Protocol has also been supplemented with the additional information contained in the Royal Decree of 25 March 2022.

1.1. CONTEXT

ELIA ran the Capacity Auction Process for the Y-4 auction for Delivery Year 2025/2026 with Bids submitted between 09:00 on 16th September 2021 and 17:00 on 30th September 2021. The auction results were made available to CRM Candidates on 31st October 2021.

Since the conclusion of the Y-4 2025/26 auction, a CMU that cleared the auction has had its capacity contract cancelled due to its inability to obtain necessary permits by the required milestone (i.e. by 15 March 2022) imposed by the modified Electricity Act (27 December 2021). In accordance, ELIA was instructed to re-run the Y-4 2025/26 auction with Auction results made available to the CREG and CEPA on 5 April 2022.

For the Y-4 2025/26 Auction re-run, the following process was followed:

Table 1.1: Process for the auction re-run

Process	Timeframes	Dates
Ministerial Decrees on re-run and capacity cancellation	Day D	Friday 25 March 2022
Notification to ELIA	Day D	Friday 25 March 2022
Publication in Moniteur belge	D + 1 WD = M	Monday 28 March 2022
Letter to cancel capacity contract	ASAP → ≤ D + 1 WD	Monday 28 March 2022
Letters to invite re-run candidates for the re-run	≤ M + 1 WD	Tuesday 29 March 2022
Re-run candidates to submit permits and Financial Securities to ELIA	≤ M + 4 WD	Friday 1 April 2022
ELIA to re-run auction and send results to the CREG	≤ M + 6 WD = X	Tuesday 5 April 2022
CREG decision on validation of re-run results (including CREG Auditor)	≤ X + 6 WD = Y	Wednesday 13 April 2022
ELIA published re-run results to participants, Minister and general public	≤ Y + 2 WD	Friday 15 April 2022

¹ 30 MAI 2021. - Arrêté royal déterminant des modalités du contrôle du bon fonctionnement du mécanisme de rémunération de capacité par la commission de régulation de l'électricité et du gaz : <http://www.ejustice.just.fgov.be/eli/arrete/2021/05/30/2021042010/justel>

The Y-4 2025/26 Capacity Auction re-run was performed based on the following parameters:

- only unsuccessful bidders in the October 2021 auction (Y-4 auction for delivery in 2025/26) were allowed to participate in the re-run process;
- the re-run used Bid Prices of the October 2021 auction (no new Bid Prices were received);
- the re-run process followed the existing 2021 CRM Functioning Rules; and
- the re-run applied the same grid constraints as in the October 2021 auction.

1.2. SCOPE OF THE INDEPENDENT AUDITOR REPORT

This report is produced in accordance with the terms of our engagement contract dated 10 March 2022, specifically regarding the re-run of 2025/2026 Y-4 Capacity Auction, for the purposes of reporting to the Commission de Régulation de l'Électricité et du Gaz (CREG) – in connection with CEPA's arrangement as the Auditor in the context of supervising the correct functioning of the CRM for Belgium.

Under the Functioning Rules, ELIA has various obligations with respect to qualification for and conducting of the Capacity Auctions. These obligations apply to Capacity Auctions which ELIA is obliged to conduct under the Functioning Rules. The Functioning Rules, and its associated procedures, are available here:

<https://www.elia.be/en/electricity-market-and-system/adequacy/capacity-remuneration-mechanism>

In addition to the Functioning Rules, the Royal Decree published on 25 March 2022 instructing ELIA to proceed with a re-run of the 2025/2026 Y-4 Capacity Auction contains additional obligations for ELIA.

CEPA's role as the appointed Auditor for the CRM is to provide independent assurance to the market and the CREG that ELIA has correctly carried out its obligations under the Functioning Rules in respect of qualification for, and running of, Auctions, as set out in the Royal Decree on the Control of the CRM published on 30th May 2021 (applicable from 7th June 2021) in the Official Gazette.² CEPA's role also extends to the auditing of the 2025/2026 Y-4 Capacity Auction re-run.

We provide a summary of our findings and conclusions in Section 1.4 below. This report is provided in accordance with Chapter 3, Section 3, Article 7 of the Royal Decree, which sets out the requirement for the Auditor to provide a report describing:

- whether the computer software used by ELIA correctly applies the applicable provisions of the Functioning Rules;
- our analysis of whether ELIA has conducted the Capacity Auction Process in accordance with the law, its implementing decrees and the Functioning Rules; and, if necessary
- whether CEPA identified any irregularities; and
- whether the list of capacities awarded capacity in the auction is in compliance.

This report is also provided in accordance with the Royal Decree of 25 March 2022 which sets out the obligations of ELIA with regards to the Y-4 2025/26 Auction Re-run. Consequently, the tasks we performed to validate the Auction re-run were focused on the following points:

- check that offers whose contract was concluded at the end of the initial auction and has not been terminated are still selected;

² 30 MAI 2021. - Arrêté royal déterminant des modalités du contrôle du bon fonctionnement du mécanisme de rémunération de capacité par la commission de régulation de l'électricité et du gaz.

- check that the offer(s) whose capacity contract has been terminated is (are) no longer included in the new selection of offers;
- verify that the same bids and network technical constraints applicable to the initial auction have been applied to the auction re-run;
- check that the capacity(ies) having participated in the Auction re-run meet(s) the conditions related to (i) obtaining the required regional permits and (ii) providing a sufficient financial guarantee, and provided proof thereof within the required time;
- check that the selected offer(s) maximize(s) economic surplus at the least cost whilst ensuring that the reliability criterion is met.

The full description of the validation tasks we performed are included in Appendix A.

1.3. INHERENT LIMITATIONS

Our conclusions are based on historical information. The projection of any information or conclusions in the attached report to any future periods would be inappropriate.

We note that the procedures we performed were not designed to and are not likely to reveal fraud.

1.4. FINDINGS & CONCLUSIONS

We believe that the procedures performed, and evidence obtained, provide us with a reasonable basis that, except for the matter described in Section 4 of this report, the Capacity Auction Process for the re-run of the Y-4 2025/2026 Auction was conducted by ELIA in accordance with the requirements of the CRM Functioning Rules and Royal Decree published on 25 March 2022.

1.5. COOPERATION OF ELIA THROUGHOUT THE PROCESS

Throughout our monitoring of the Capacity Auction Process, we have had ongoing communication with ELIA. The following have contributed to our checks and development of this report:

Regular communication

We have had twice weekly meetings between ELIA and CEPA, to discuss any outstanding issues or additional requests for information. ELIA has been well-prepared and forthcoming with information in these sessions, including setting clear timelines for any required follow-up actions.

IT access

ELIA has provided multiple members of the CEPA team with secure ELIA laptops, including direct access to the CRM IT Interface, the CRM operations mailbox, and various file submissions. These have allowed CEPA to carry out many checks without the need for discussion with ELIA. We consider this represents a high level of transparency – particularly access to the operations mailbox, which allows us to see emails to and from CRM Actors.

We note that there is a separate interface used for ELIA to share information with the CREG. We do not have access to this interface, nor are we copied in on emails from ELIA to the CREG.

Ad hoc information requests

We set up a live 'information request' file in which we communicate with ELIA on our requests and/or clarification questions. ELIA has given prompt responses to our information requests.

When required, ELIA provided additional files by making them accessible to us through the secure ELIA laptops.

Summary of our view

Overall, we consider that ELIA has been responsive and helpful in its communication with CEPA. We have had no cause to escalate any issues to the CREG.

1.6. USE OF THIS REPORT

This report has been prepared for the exclusive use of CREG in accordance with the scope of our engagement contract as the CRM Auditor. A copy of this report has also been shared with ELIA as per Art. 7 of the Royal Decree.³

Our work was undertaken solely for the purpose of assessing that ELIA has correctly carried out the obligations placed on them under the CRM Functioning Rules and Royal Decree (dated 25 March 2022) in carrying out the Capacity Auction Process re-run. Our work was not planned or conducted with any other objective in mind, and so cannot be relied on for any other purpose. With the exception of providing our report to CREG and ELIA, our report is not to be recited or referred to in any document, copied or made available (in whole or part) to any person without our prior written express consent. To the fullest extent permitted by law, CEPA does not accept or assume responsibility to anyone, other than CREG, for this report or for the conclusions we have formed.

³ 30 MAI 2021. - Arrêté royal déterminant des modalités du contrôle du bon fonctionnement du mécanisme de rémunération de capacité par la commission de régulation de l'électricité et du gaz

2. OUR ROLE AS CAPACITY REMUNERATION MECHANISM AUDITOR

In the Belgian Capacity Remuneration Mechanism, capacity providers sell qualified capacity to the market for delivery in a future Delivery Year. Capacity providers that are successful in the CRM Auction receive a regular capacity payment that assists with funding generation capacity, and, in return, they have an obligation to generate when the system is stressed.

2.1. OUR ROLE

The Royal Decree states that:

“In the context of its supervisory role as regards the correct functioning of the capacity remuneration mechanism, the commission shall ensure in particular that every pre-auction, every pre-qualification procedure initiated prior to an auction, every auction and every transaction on the secondary market takes place in accordance with the Act of 29 April 1999, the implementing decrees for this Act and the operating rules. The commission shall also verify that there is no market manipulation, anti-competitive behaviour or unfair trading practices in the capacity remuneration mechanism. In the context of the execution of the capacity contracts referred to in Article 7undecies, §11 of the Act of 29 April 1999, the commission shall also ensure that the Act of 29 April 1999, the implementing decrees for this Act, the operating rules and the standard capacity contract are respected.”

It also states that:

“In order to effectively perform the supervisory role referred to in Article 2, the commission may be assisted by an Auditor of the capacity market, who is independent from all capacity holders and appointed for a maximum period of three years. To this end, the commission shall apply the relevant legislation on public contracts. In performing their duties, the Auditor of the capacity market shall act in the name and on behalf of the commission and shall act under its supervision.”

In the context of the Capacity Auction Process re-run, we, as the CRM Auditor, are required to produce a report, within four Working Days after 5 April 2022, that sets out:

- whether the computer software used by ELIA correctly applies the applicable provisions of the Functioning Rules;
- our analysis of whether ELIA has conducted the Capacity Auction Process in accordance with the law, its implementing decrees and the Functioning Rules; and, if necessary
- whether CEPA identified any irregularities; and
- whether the list of capacities awarded capacity in the auction is in compliance.

This report summarises our findings in relation to the Capacity Auction Process re-run run by ELIA, and the provisionally awarded capacity on 5 April 2022. Auction Results notifications will be issued to CRM Candidates on 15th April 2022 after the CREG validates the Auction Results.

2.2. OBJECTIVES AND SCOPE

The main tasks set out for the CRM Auditor in this report are:

- auditing the Prequalification Process to ensure that ELIA has complied with the Functioning Rules;

- being present at the auctions, with full read access to all key software, including access to all bids and all communications between ELIA and all CRM Candidates;
- checking the application of algorithms and calculations for the Auction;
- reporting on whether we consider that ELIA has conducted the Auction in accordance with the Functioning Rules; and
- identifying any actual or potential breach of the rules and regulations or other actual or potential irregularities in the conduct of the Auction by ELIA and an assessment of the consequences.

As CRM Auditor, our duty is to report on all issues that we identify, irrespective of materiality.

This report includes our findings and comments on the Y-4 2025/26 Capacity Auction re-run. Our findings and comments on the Prequalification Process up to and including 15th September 2021 and CRM Auction process from October 2021 are included in our reports delivered on 22 September 2021 and 26 October 2021 respectively.

2.3. OUR APPROACH

We developed a set of protocols and analytical tools to audit the processes and procedures followed by ELIA for the Capacity Auction Process.

Specifically for the re-run of this Auction, we have developed an additional protocol to audit the processes and procedures followed by ELIA for this specific instance of re-run.

We checked the processes and procedures followed by ELIA for the Capacity Auction Process, as far as possible, in accordance with our auditing duties as defined in the Royal Decree and in line with our Protocols. For the re-run of the Auction, CEPA, as the Auditor, carried out a reduced number of compliance checks compared to the original run of the Auction. This is because most auction parameters have remained unchanged from the original Y-4 2025/26 Auction carried out in October 2021.

The checks performed by CEPA are limited to the following sections of the CRM Functioning Rules:

- Section 6.3 (auction clearing);
- Section 6.4 (auction results); and
- Section 15.4 (auction process fallback procedures, where applicable).

In summary, we performed the following checks:

- check that offers whose contract was concluded at the end of the initial auction and has not been terminated are still selected;
- check that the offer(s) whose capacity contract has been terminated is (are) no longer included in the new selection of offers;
- verify that the same bids and network technical constraints applicable to the initial auction have been applied to the auction re-run;
- check that the capacity(ies) having participated in the Auction re-run meet(s) the conditions related to (i) obtaining the required regional permits and (ii) providing a sufficient financial guarantee, and provided proof thereof within the required time;
- check that the selected offer(s) maximize(s) economic surplus at the least cost whilst ensuring that the reliability criterion is met.

Appendix A contains a full description of the compliance checks we performed for the re-run.

In carrying out our duties, we have followed a system of quality control, professional conduct and ethical behaviour of a rigorous standard. This includes documented policies and procedures related to our auditing activities, leadership responsibilities for quality control in the firm, independence and ethical requirements and management of human resources.

We have performed our work as the appointed CRM Auditor based on our fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

2.4. SCOPE EXCLUSIONS

In line with our duties, as set out in the Royal Decree, the scope of our review excludes the following:

- Investigation of the auction algorithm (Artelys and N-Side software) itself (other than its outputs);
- Verifying compliance with obligations that take place after the submission of the auction report, e.g., pre-delivery control, availability obligation, payback obligation, etc.
- Detailed investigations of the metering requirements in Annex A of the CRM Functioning Rules.
- Any aspects that occur after the submission of our report, i.e. after 11 April 2022.

3. RESULTS OF Y-4 2025/26 AUCTION RE-RUN

For the re-run, the same Capacity Auction Bid Submissions were used as the 2025/26 Y-4 Capacity Auction which began at 09:00 on 16th September 2021 and ended at 17:00 on 30th September 2021. However, the two CMUs linked to the cancelled contract (⌘ and ⌘) and the two CMUs that did not participate in the re-run (⌘ and ⌘) were excluded from the list of CRM Candidates.

ELIA used the same two software to perform the re-run of the Auction: 1) Artelys and 2) N-Side. As the Auditor, we did not have read access to these two applications and auction algorithms. Instead, we had access to the auction result outputs saved in AdeMar.

The parameters of the Demand Curve used in the re-run are the same as the 2025/2026 Y-4 Auction are set out in Table 3.1.

Table 3.1: Original Demand Curve for the 2025/26 Y-4 Capacity Auction

Points	Quantity (MW)	Price (EUR/MW)
y-intercept	0.00	75,000.00
Point A	6,367.00	75,000.00
Point B	7,339.00	50,000.00
Point C	7,339.00	0.00

The following inputs were used to adjust the Original Demand Curve:

Table 3.2: Volume corrections for the 2025/26 Y-4 Capacity Auction

Volume corrections	Quantity (MW)
Partial Opt-out related to new build capacity	1,108.14
Dummy bid volume	4,893.64
Reverse dummy bid	1,026.37
Conditionally selected opt-out volume	20.40
Non-selected Volume of Reversed dummy bid	0.00

The adjustment to the demand curve for the dummy bid volume decreases the capacity required by shifting the demand curve to the left. The reverse dummy bid and partial opt-out related to new build capacity increase the capacity required by shifting the demand curve to the right.

The pre-auction Demand Curve was therefore:

Table 3.3: Pre-auction Demand Curve for the 2025/26 Y-4 Capacity Auction

Points	Quantity (MW)	Price (EUR/MW)
y-intercept	0.00	75,000.0
Point A	3,607.87	75,000.0
Point B	4,579.87	50,000.0
Point C	4,579.87	0.00

The pre-auction Demand Curve is re-adjusted to also account for the Conditionally selected opt-out volume, i.e. this decreases once again the capacity required, so it shifts the demand curve to the left again. This results in the Final Demand Curve (referred to by ELIA as Post-auction Demand Curve):

Table 3.4: Post-auction Demand Curve for the 2025/26 Y-4 Capacity Auction

Points	Quantity (MW)	Price (EUR/MW)
y-intercept	0.00	75,000.0
Point A	3,587.47	75,000.0
Point B	4,559.47	50,000.0
Point C	4,559.47	0.00

For the 2025/26 Y-4 Capacity Auction, ELIA informed us that there were no external grid constraints. However, ELIA made us aware of three physical limitation conflict sets. The same applied for the re-run.

Table 3.5: Physical limitation conflict sets for the 2025/26 Y-4 Capacity Auction

Conflict set	Conflicts with	Reason for non-acceptable combination
✂	✂	<ul style="list-style-type: none"> • ✂ • ✂ • ✂
✂	✂	<ul style="list-style-type: none"> • ✂
✂	✂	<ul style="list-style-type: none"> • ✂
✂	✂	<ul style="list-style-type: none"> • ✂
✂	✂	<ul style="list-style-type: none"> • ✂ • ✂ • ✂

Of these constrained CMUs, only ✂, ✂, and ✂ submitted bids while the other CMUs did not as they opted out/were archived. As such, these mutual exclusivity constraints were not binding. ✂ did not participate in the re-run of the auction.

As per the 2025/25 Y-4 Auction in October 2021, there was total of 52 offers from 44 CMUs (out of a total of 77 pre-qualified CMUs) across 16 CRM Candidates with the total capacity offered equal to 6,906.19 MW.

A total of 4,456.75 MW cleared in the auction, with 40 CMUs (from 44 offers) across 14 CRM Candidates being provisionally awarded capacity. The Auction Clearing Price was ✂ EUR per MW per year.

Out of the 40 CMUs that were selected in the Auction, 23 are Existing CMUs, eight are Additional CMUs and nine are new-built CMUs. Out of the 44 offers, eight have a Capacity Contract Duration of 15 years, one has Capacity Contract Duration of eight years and 35 are subject to a one-year Capacity Contract Duration.

Table 3.6 lists the CRM Candidates and corresponding CMUs that have been provisionally awarded capacity in the Y-4 Auction for Delivery Year 2025/2026. Table 3.8 list the CRM Candidates and corresponding CMUs that were rejected in this capacity auction re-run.

In the Y-4 Capacity Auction for the Delivery Year 2025/26 carried out in October 2021, eight CMUs were not awarded capacity of which four of these were part of a mutually exclusive set. As such, only four CMUs could participate in the re-run, two of which are linked bids. The two unique CMUs did not take part in the re-run. As such, the two CMUs with linked bids (✂ and ✂) were the only CRM Candidates to participate in the re-run.

3.1. CMUs PROVISIONALLY AWARDED CAPACITY IN THIS CAPACITY AUCTION RE-RUN

Table 3.6: List of Prequalified CRM Candidates and CMUs provisionally awarded capacity in the Y-4 Capacity Auction for the Delivery Year 2025/2026

CRM Candidate	CMU ID	CMU status ⁴	CMU Technology	Opt-out Volume (MW)	Capacity Contract Duration (years)	Volume of selected bid (MW)	Linked bid
Electrabel	CMU-2wq8W	New-built	Combined Cycle Gas Turbine	✂	15	528.71	CMU-2wq8W, CMU-2wsfO
Electrabel	CMU-2wsfO	New-built	Combined Cycle Gas Turbine	✂	15	276.64	CMU-2wq8W, CMU-2wsfO
Flexcity Belgium	CMU-2wUZ1	Additional	Emergency generator	✂	1	4.16	
Electrabel	CMU-2wws0	Existing	Open Cycle Gas Turbine	✂	1	38.70	
Electrabel	CMU-2xcO5	Existing	Turbojets	✂	1	64.00	
Ruien Energy Storage	CMU-2xDYX	New-built	Large-scale batteries	✂	15	5.28	
Flexcity Belgium	CMU-2xgpb	Existing	Aggregated technologies	✂	1	6.20	
Flexcity Belgium	CMU-2xJUf	Existing	Aggregated technologies	✂	1	5.46	
Electrabel	CMU-2xKYy	Existing	Combined Cycle Gas Turbine	✂	1	263.74	CMU-2xKYy, CMU-2xL66
Electrabel	CMU-2xL66	Existing	Combined Cycle Gas Turbine	✂	1	143.29	CMU-2xKYy, CMU-2xL66
Electrabel	CMU-2xLC6	Existing	Combined Cycle Gas Turbine	✂	1	133.95	CMU-2xLC6, CMU-2xLEV, CMU-2xLQV
Electrabel	CMU-2xLEV	Existing	Combined Cycle Gas Turbine	✂	1	133.95	CMU-2xLC6, CMU-2xLEV, CMU-2xLQV

⁴ Existing Capacity, Additional Capacity or New-built Capacity

CRM Candidate	CMU ID	CMU status ⁴	CMU Technology	Opt-out Volume (MW)	Capacity Contract Duration (years)	Volume of selected bid (MW)	Linked bid
Electrabel	CMU-2xLQV	Existing	Combined Cycle Gas Turbine	✂	1	150.70	CMU-2xLC6, CMU-2xLEV, CMU-2xLQV
Electrabel	CMU-2xM11	Additional	Combined Cycle Gas Turbine	✂	1	139.50	CMU-2xM11, CMU-2xM6M, CMU-2xM89
Electrabel	CMU-2xM6M	Additional	Combined Cycle Gas Turbine	✂	1	139.50	CMU-2xM11, CMU-2xM6M, CMU-2xM89
Electrabel	CMU-2xM89	Additional	Combined Cycle Gas Turbine	✂	1	139.59	CMU-2xM11, CMU-2xM6M, CMU-2xM89
Flexcity Belgium	CMU-2z2PN	Existing	Demand side management	✂	1	90.00	
ExxonMobil Petroleum & Chemical	CMU-2z8Y5	Existing	Combined Heat and Power	✂	1	21.20	
ExxonMobil Petroleum & Chemical	CMU-2z8Y5	Existing	Combined Heat and Power	✂	1	21.20	
ExxonMobil Petroleum & Chemical	CMU-2z8Y5	Existing	Combined Heat and Power	✂	1	21.20	
ExxonMobil Petroleum & Chemical	CMU-2z8Y5	Existing	Combined Heat and Power	✂	1	21.20	
ExxonMobil Petroleum & Chemical	CMU-2z8Y5	Existing	Combined Heat and Power	✂	1	21.20	
Zandvliet Power	CMU-2zjll	Existing	Combined Cycle Gas Turbine	✂	1	354.61	

CRM Candidate	CMU ID	CMU status ⁴	CMU Technology	Opt-out Volume (MW)	Capacity Contract Duration (years)	Volume of selected bid (MW)	Linked bid
Flexcity Belgium	CMU-2znKC	Existing	Demand side management	✂	1	132.60	
Flexcity Belgium	CMU-2znKH	Existing	Combined Heat and Power	✂	1	22.00	
Flexcity Belgium	CMU-2zPoD	Existing	Aggregated technologies	✂	1	4.00	
Electrabel	CMU-2zTy0	Existing	Combined Heat and Power	✂	1	37.06	
RWE Generation Nederland B.V.	CMU-307ED	Additional	Combined Cycle Gas Turbine	✂	1	382.20	
Tessenderlo Group	CMU-308di	Additional	Combined Cycle Gas Turbine	✂	1	12.00	
Luminus	CMU-31D4O	New-built	Combined Cycle Gas Turbine	✂	15	533.74	CMU-31D4O, CMU-31Dt2
Luminus	CMU-31Dt2	New-built	Combined Cycle Gas Turbine	✂	15	271.56	CMU-31D4O, CMU-31Dt2
Flexcity Belgium	CMU-32JjK	Additional	Combined Heat and Power	✂	1	37.20	
Flexcity Belgium	CMU-32JMP	Additional	Combined Heat and Power	✂	1	37.20	
Centrica Business Solutions Belgium	CMU-33llu	Existing	Demand side management	✂	1	64.47	
Flexcity Belgium	CMU-33owX	Existing	Aggregated technologies	✂	1	8.00	
Centrica Business Solutions Belgium	CMU-349dt	New-built	Small scale storage	✂	8	2.64	
INEOS Oxide Utilities	CMU-34alb	Existing	Combined Heat and Power	✂	1	42.87	CMU-34alb, CMU-34aIW, CMU-34XPB
INEOS Oxide Utilities	CMU-34aIW	Existing	Combined Heat and Power	✂	1	42.87	CMU-34alb, CMU-34aIW, CMU-34XPB
Flexcity Belgium	CMU-34vtN	Existing	Demand side management	✂	1	4.16	

CRM Candidate	CMU ID	CMU status ⁴	CMU Technology	Opt-out Volume (MW)	Capacity Contract Duration (years)	Volume of selected bid (MW)	Linked bid
INEOS Oxide Utilities	CMU-34XPB	Existing	Combined Heat and Power	✂	1	46.50	CMU-34alb, CMU-34aIW, CMU-34XPB
Alco Bio Fuel	CMU-34ZUx	Existing	Combined Heat and Power	✂	1	12.50	
Storm 67	CMU-36KCI	New-built	Large-scale batteries	✂	15	25.20	
ArcelorMittal Belgium	CMU-36kwQ	New-built	Combined Cycle Gas Turbine	✂	15	6.00	
Nala Renewables Belgium BV	CMU-36LFD	New-built	Small scale storage	✂	15	8.00	

3.2. CMUs REJECTED IN THIS CAPACITY AUCTION RE-RUN

Table 3.7: List of Prequalified CRM Candidates and CMUs rejected in the Y-4 Capacity Auction for the Deliver Year 2025/2026

CRM Candidate	CMU ID	CMU status ⁵	CMU Technology	Opt-out Volume (MW)	Capacity Contract Duration (years)	Offered volume (MW)	Linked bid
✂	✂	✂	✂	✂	✂	✂	✂
✂	✂	✂	✂	✂	✂	✂	✂
✂	✂	✂	✂	✂	✂	✂	✂
✂	✂	✂	✂	✂	✂	✂	✂

⁵ Existing Capacity, Additional Capacity or New-built Capacity

4. SUMMARY OF ISSUES IDENTIFIED WITH THE CAPACITY AUCTION PROCESS

We performed our role as CRM Auditor in relation to the Capacity Auction Process for the re-run of the Y-4 Auction for Delivery Year 2025/2026, in line with our obligations to audit the conduct of the CRM Auctions by ELIA.

For the 2025/26 Y-4 Auction re-run, we did not identify any instances of non-compliance as part of our checks (see Appendix A for a description of the work we performed). Consequently, we do not report any Issue Logs. In Section 4.1, we highlight any further considerations, which represent issues that do not represent non-compliance, but we wish to bring to CREG's attention with respect to this Capacity Auction Process.

4.1. FURTHER CONSIDERATIONS

4.1.1. Link between permits and the Level of Financial Security for CRM Candidates to participate in the auction re-run

Summary

To participate in the auction re-run, CRM Candidates had to provide evidence of regional permits, as described in the Royal Decree published on 25 March 2022.

However, the Functioning Rules contain various clauses in relation to permitting and the Required Level of Financial Security (paragraphs 685 and 686) for Additional CMUs.

It is not entirely clear from the Functioning Rules what permits need to be in place to reach the milestone "Permitting" at which point the Required Level of Financial Security is reduced from its original level and how that may interact with the permits required to participate in an Auction re-run.

Functioning Rules (FR) paragraphs 685 and 686 refer to the calculation of the Secured Amount for Additional CMUs.

FR-685 states:

"For an Additional CMU, at the moment of Prequalification File submission date, the Required Level of Financial Security equals:

- 20,000 €/MW if the milestone "Permitting" applies
- 15,000 €/MW if the milestone "Permitting" does not apply"

FR 686 states:

"The Financial Security for an Additional CMU is partially released when the following consecutive key milestones, as provided by the CRM Actor as part of its Prequalification File (see annex 18.1.11), are reached:

- Milestone "Permitting": if the milestone "Permitting" applies and is reached, the Required Level is lowered to 15,000 €/MW for the CMU.
- Milestone "Existing Status": if the milestone "Existing Status" is reached (see section 8.6), the Required Level is lowered to 10,000 €/MW for the CMU and it then continues to apply for the remainder of the Validity Period."

As we are not able to comment on whether the regional permits provided are sufficient to reach the "Permitting" milestone as defined in the Functioning Rules (and by extension whether the appropriate Required Level of Financial Security should be 20,000 €/MW or 15,000 €/MW), we asked ELIA to provide further information.

ELIA explained that a broader definition is used for the "Permitting" Milestone in the Functioning Rules than what is described in the Royal Decree dated 25 March 2022 instructing ELIA to re-run the Y-4 2025/26 auction.

- In the Royal Decree, a lesser threshold is described, only requiring that a permit be delivered in the last administrative instance but does not require the permit to be free of potential further dispute in front of the State Council.
- In the Functioning Rules it is stated that the "Milestone Permitting" is a "key milestone that is reached when all necessary licenses/permits for the construction of the project have been obtained, delivered in the last administrative instance, be definitive, enforceable and **cannot be disputed anymore before the State Council or the Council for permitting contestations**".

ELIA informed us that in this case, the concerned CMUs that applied to participate in the auction re-run, have passed this initial threshold, that permits have been obtained and delivered, but have not met the second threshold, that the permits are free of potential further dispute in front of the State Council.

As a consequence, ELIA applied a Required Level of Financial Security of 20,000 €/MW.

On the basis of the above explanation, and following discussion with the CREG, we are satisfied of the Level of Financial Security applied by ELIA.

Appendix A SUMMARY OF WORK PERFORMED

The checks undertaken at the time of issuing this report are outlined in the table below.

These checks below consider only sections of the Functioning Rules that are also applicable to the Re-run of the Auction (see Table A.1). In addition to the checks in the Functioning Rules, the CRM Auditor undertook checks as described in the Royal Decree C-2022/20613 published on 25 March 2022 - Arrêté ministériel portant instruction au gestionnaire du réseau de procéder à une adjudication complémentaire pour la mise aux enchères organisée en 2021 et déterminant le calendrier et autres éléments procéduraux conformément à l'article 7undecies, § 18, de la loi du 29 avril 1999 relative à l'organisation du marché de l'électricité. These checks are in line with the CRM Auditor's Protocol 4 Re-run of an auction final version 0.1 (04/04/22) (see Table A.2).

Table A.1: Summary of the CRM Functioning Rules sections checked by the Auditor in preparing this report

CRM Functioning Rules Chapter	CRM Functioning Rules Section	CRM Functioning Rules Subsection	CRM Functioning Rules Subsections		Paragraph
			Level 3	Level 4	
6 Auction Process	6.3 Auction Clearing	6.3.1 Dummy Bids			265
					266
					267
					268
					269
					270
		6.3.2 Grid constraints	6.3.2.1 Definitions and Process		271
			6.3.2.2 Calculation methodology for electrical transmission grid constraints		272
		6.3.2 Grid constraints	6.3.2.3 Drivers for Electrical Transmission Grid Constraints		273
			6.3.2.4 External grid constraints		274
					276
					277
			6.3.2.5 Grid constraints format		278
			6.3.3.1 Optimization phase		283

CRM Functioning Rules Chapter	CRM Functioning Rules Section	CRM Functioning Rules Subsection	CRM Functioning Rules Subsections		Paragraph
			Level 3	Level 4	
		6.3.3 Auction clearing methodology			284
					285
					286
					287
		6.3.3.2 Tie-breaking rules			288
				6.3.3.2.1 Rule 1: Carbon dioxide emissions	289
				6.3.3.2.2 Rule 2: Capacity Contract Duration	290
				6.3.3.2.3 Rule 3: First come, first served	291
		6.3.4 Bid remuneration methodology			292
					293
	6.4 Auction Results				294
					298
11 Financial securities	11.4 Secured amount	11.4.1 Required level			682
				11.4.1.1 Existing CMUs	684
				11.4.1.2 Additional CMUs	685
				11.4.1.3 Virtual CMUs	688
15 Fallback procedures	15.4 Auction process	15.4.3 Auction results issues			860

Table A.2: Summary of the additional checks defined in Protocol 4 Re-run of an auction final version V0.1 (04/04/2022) checked by the Auditor in preparing this report

Protocol Section	Paragraph	Description of check
2.1 Key milestones for the re-run of the Auction	-	Auction re-run aligns with dates specified in Royal Decree C-2022/20613
2.2 Permit information	2.2.1	Candidates willing to participate in re-run have provided permits.

Protocol Section	Paragraph	Description of check
2.2 Permit information	2.2.2	Check ELIA confirmed permitting status of all other CRM candidates has not changed.
2.4 Requirements for re-qualification ⁶ of CRM candidates ahead of Auction re-run	-	Check that the CMUs of the CRM Candidates have complied with the requirements set out in Section 2.2 (permit information) and 2.3 (financial securities as per Functioning Rules) of Protocol 4.
2.5 Amendments to the list of CRM Candidates ahead of Auction re-run	2.5.1	Check that cancelled CMU have been removed from the list of CRM Candidates (CMUs) that will participate in the re-run.
2.5 Amendments to the list of CRM Candidates ahead of Auction re-run	2.5.2	Check non-qualifying CMUs have been removed from the list of CRM Candidates (CMUs) that will participate in the re-run.
2.7 Requirements for Auction Results	2.7.1	Confirm CMUs awarded capacity in the original Y-4 2025/26 auction (October 2021) were also selected and awarded capacity in the re-run, except for CMUs with terminated capacity contracts. Check whether CRM Candidates that “re-qualified” cleared.

⁶ By “re-qualification” we mean those CRM Candidates that had Prequalified for the original Y-4 2025/26 Auction but did not get a Capacity Contract and hence were unsuccessful in clearing the Auction but now wish to participate in the re-run of the Y-4 2025/25 Auction and have both the relevant permit information and Financial Security in place before the re-run occurs.



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