

Subject: EC Consultation on generation adequacy, capacity mechanism and the internal market in electricity  
Date: February 7, 2013  
Contact: Silvie Myngheer and Steven Harlem  
Phone: 0032 2 500 85 88 / 0032 2 500 85 89  
Mail: Silvie.myngheer@febeg.be / steven.harlem@febeg.be

**General comments of FEBEG on the consultation paper on generation adequacy, capacity mechanism and the internal market in electricity of the European Commission**

The Federation of Belgian Electricity and Gas companies (FEBEG) adheres to the EURELECTRIC response paper on the European Commission's "Consultation paper on generation adequacy, capacity mechanism and the internal market in electricity". In this position FEBEG would additionally like to highlight a few points that are of main importance to the energy companies that have power generation, trade and/or supply activities in Belgium.

**FEBEG considers it crucial to take in the first place the appropriate measures to further enhance the supranational integration and functioning of the electricity wholesale markets and to create a level playing field within Europe**, and in particular amongst the countries that are part of the same interconnected wholesale market. Belgium is part of the CWE electricity market, and taken into account the limited scale of Belgium and its high interconnection level with the neighboring countries, more coordinated national energy policies and a level playing field within the CWE market are of utmost importance.

In this respect, the **elimination of currently existing market distortions** (diverging national taxes on electricity generation, diverging injection tariffs and rules/charges applied by grid operators, non-market based support and grid access rules for RES, non-market based procurement of ancillary services...) is a first priority.

Secondly, the **cross border integration of the wholesale markets** through establishing a good functioning cross-border intra-day and balancing market, further harmonization of market and balancing rules and enhancing the available interconnection capacity which might eventually lead to larger balancing and bidding zones, the integration of RES into the market and incentivizing Demand Side Management is also fundamental.

The implementation of the above mentioned measures will take time while a large part of the conventional generation capacity in Belgium will be decommissioned in the short or medium term, either for political reasons (nuclear, coal, ...) or for economic reasons (lack of profitability of gas fired plants). At the same time the current regulatory and legal framework, as well as the market expectations, are not favorable enough to trigger investment decisions in new conventional power

capacity. On top of that, French authorities have recently decided to introduce a Capacity Remuneration Mechanism (CRM) which might further hamper the investment climate in Belgium. In order to ensure that sufficient capacity will be timely available to cover peak demand in Belgium, the Belgian authorities have recently launched a recovery plan that mainly consists of 2 actions: the deployment of a strategic reserve on the one hand and the introduction of specific incentives for new CCGTs on the other hand.

FEBEG considers the deployment of a **strategic reserve** based on tenders in principle as an acceptable transitional measure to ensure security of supply in the Belgian electricity market. Its concrete implementation should however be carefully designed in order to avoid any market or competition distortion or discrimination amongst the concerned assets' owners.

Following recent evolutions in France and in order to guarantee a level playing field within CWE a **CRM should indeed be considered in Belgium** as well: this CRM should be designed in line with harmonization efforts in Europe, at least coordinated at CWE level and implemented as soon as possible to ensure generation adequacy in Belgium. In order to avoid market and competition distortions and to ensure the Security of Supply at least cost, this scheme should be well designed, be market wide and market-based, be technology neutral, be non-discriminatory between existing and new capacity, between generation and demand as well as between national and other capacity.

In order to streamline and coordinate the different national initiatives, **FEBEG urges ACER and the European Commission to develop as soon as possible a set of minimum EU harmonization requirements**. This guidance at EU level should enforce to avoid market distortions, to take optimal use from cross border economies and to avoid inefficient overcapacity, which would lead to excessive costs for the consumers.

Attachment: EURELECTRIC position paper