

Summary of tender principles for the Princess Elisabeth Zone

28/04/2023

1. Introduction

Each of the principles proposed below has been assessed against a set of general criteria designed to ensure that the development of the Princess Elisabeth Zone (PEZ) is accompanied by the greatest possible social welfare gains. The criteria are as follows:

- Ensuring the highest possible injection of renewable energy into the Belgian grid;
- Limiting risks for investors so that wind can be produced at the lowest possible cost;
- Having the lowest possible energy price for all Belgian consumers with the possibility of fixed-price PPAs (Power Purchase Agreements) for our industry and citizens;
- Enabling citizen participation through renewable energy communities;
- Avoiding windfall profits.

2. PEZ tender procedure

Two tender phases are planned with a first tender for a first lot of 700 MW and a second phase for the other two lots of 1275 to 1400 MW which will be described in the ministerial decree "MD lots".

All tendering procedures will be based on the same tendering principles.

3. Timeline

The bidders will have 9 months to prepare their bids, after which the FPS Economy will have 3 months to evaluate the bids, which can be extended by 3 months if needed. The bidders are then expected to have the entire wind farm operational no later than 48 months after the announcement of the winning bid.

4. Admissibility criteria

4.1. Technical capacities

The technical capabilities of the bidders are important to limit the risk of project delays or non-execution.

The bidder must have a technical experience of 300 MW of realised offshore wind power. This experience must be demonstrated in the bid and must concern an active role in the project management; mere financial participation is not sufficient.

4.2. Financial strength and stability

The bidders must own at least EUR 75 million in assets by the end of the year preceding the year of application for the 700-MW lot and EUR 150 million for the 1275-1400-MW lots.

Proof of financial stability of all bidders will be required and should be provided through a guarantee of EUR 70 million for a 700 MW lot and EUR 140 million for a 1275 - 1400 MW lot. This guarantee must be added at the time of the registration. The release of this guarantee will begin after the completed installation of 50% of the wind turbines, in a linear manner until the final release that would take place when all turbines are commissioned.

4.3 Requirements for the grid connection

As an annex to the tender documentation, a set of technical requirements for the project's grid connection will be shared, which the bidder must confirm that it has taken note of and will realise the project in accordance with.

4.4 Maximum strike price

A maximum strike price will be imposed on the bids. To determine the maximum strike price, a study will be ordered. The bid of tender participants with a higher strike price than the predetermined maximum will automatically be considered as unacceptable.

4.5 Minimum installed capacity

The capacity to be installed per lot will be determined by ministerial decree in accordance with Article 6/4, §1 of the Electricity Law. The bidder will have to demonstrate that this minimal capacity will actually be built into his project.

4.6 Minimum share of citizen participation

A minimum of 1% of the CAPEX of the entire project should be opened to citizen participation. In case shares are opened, the purchase price of the share will be used to determine the percentage value of the project's CAPEX.

A detailed plan on how this participation will be achieved and applied must be included in the tender, also specifying the communication plan for citizens, transparently setting out the risks and possibilities involved and the applicable legal framework.

This minimum threshold will be reviewed one year after the final installation date. If this minimum percentage is not met at that time, a non-release fine will be imposed to ensure that this criterion is effectively met.

4.7. Cybersecurity

All concessions will be subject to the upcoming NIS2-directive. Following standards must be followed: IEC 62443, ISO 27001, CIS20 (controls). This requirement will be reviewed one year after the acquisition date. If this requirement is not met at that time, a fine will be imposed to ensure that this criterion is effectively met.

4.8. Exclusion criteria

To avoid exclusion, the bidder must meet the following criteria:

- The bidder cannot be considered as a firm in difficulty within the meaning of the "Communication from the Commission – Community guidelines on State aid for rescuing and restructuring firms in difficulty".

- The bidder is not the subject of an outstanding recovery order under state aid;

- The bidder who has not fulfilled all his obligations regarding the payment of tax debts and social security contributions must prove that

- (a) he has no contribution obligation exceeding €3 000 (three thousand euro); or

- (b) he has obtained a delay of payment for this debt and strictly observes this delay.

If the bidder has a contribution obligation exceeding €3,000, he shall prove, on penalty of exclusion, that he has one or more debts to a contracting authority or a public undertaking that are certain, due and claimable and exempt from any obligation to third parties in an amount at least equal to his debt less €3,000.

If the contracting authority's certificate does not show that the bidder meets these requirements regarding his/her tax and social obligations, he shall inform the bidder accordingly. From the day after such notification, the bidder has five working days to provide proof of his regularisation. This regularisation can be used only once.

5. Award criteria

The following award criteria and associated weighting will be used to evaluate the bids:

	Strike price	Innovation in business model
points	90	10

5.1. Strike Price

A 2-sided CfD is chosen as the tender mechanism for the wind farms, where a carve-out is encouraged for a part of the electricity produced. Both parts of the proposal are explained below.

6.1.1. 2-sided Contract for Difference

The base volume of the offer is always considered within the two-sided CfD. This means that the offer is subject to a variable price premium/refund obligation.

The variable price premium in month m (CfD Premium m) is applied monthly to each MWh that would have been possible, in particular the Available Active Power (AAP), including among others the curtailment requested by the system operator, as well as the negative Day-Ahead-Market (DAM) and imbalance prices, after correction for non-operational hours due to, for example, O&M reasons; The AAP m is the Available Active Power in month m and is evaluated on the basis of all collected data. The necessary verifications and corresponding corrections apply. From the final acquisition of the project, the strike price will be partially indexed annually at 30%, related to the O&M portion, with the year of the final bid submission date being the base year for indexation.

This price stabilisation mechanism will apply for a period of 20 years. A legislative amendment is being prepared for this purpose.

With the aim of limiting the risk to the government as much as possible, a maximum amount per year is set that can be paid by the government as support. A study is being launched to determine the amount. The same study will examine the desirability of imposing a maximum number of full-load hours to which the 2-sided CfD applies. The study also examines the impact of each of these measures on the strike price to keep it as low as possible and determines the maximum strike price that will be imposed (see section 4.4).

6.1.2. Carve-out

The proposed carve-out allows providers, in a period of 3 years after the wind farm is installed, to stop offering up to 50% of the total electricity generation under the 2-sided CfD, but to consider it as a carve-out.

The proposed carve-out is only possible if the electricity in question is contracted through a PPA leading to a fixed price for the electricity at a price no higher for the end user than the strike price submitted in the bid plus 3 EUR/MWh.

Consequently, this percentage of the production will not be subject to the variable price premium/refund obligation, but will be completely excluded from the 2-sided CfD.

By allowing a higher PPA price, there is a big incentive to the submitters to sell this electricity directly to end-users.

The carve-out is also subject to the following conditions, namely

- In line with the partial indexation of the strike price under the 2-sided CfD regime, the price of the PPA may also be partially indexed at 30%. This condition applies for the entire duration of the support period.
- Besides the fixed-price PPAs under the carve-out, the bidder is free to offer additional services separately (such as balancing and profile guarantee).
- The total volume of the PPAs should not exceed 50% of the total electricity produced. However, an additional carve-out of up to 25% is allowed for pay-as-produced PPAs leading to a fixed price, not exceeding the submitted strike price plus 3 EUR/MWh and intended for the members of a renewable energy community, through this renewable energy community, as defined in the Renewable Energy Directive (2018/2001).
- Before the PPAs take effect, the relevant volumes will remain below the 2-sided CfD at the offered strike price.
- The provider receives a one-time fallback option to bring the carve-out volume back under the 2-sided CFD regime at the strike price submitted in the bid, if a customer defaults, if a PPA is terminated or if the provider can no longer place the volumes on the market after the end of a PPA. If a customer defaults or a PPA expires or is terminated, the provider is given a limited time to enter into a new PPA, and may bring the volume corresponding to the broken PPA below the 2-sided CfD at the submitted strike price if necessary. In other words, this fallback is activated per PPA interrupted, and thus not necessarily for the entire volume in carve-out.
- The provider also receives the possibility to possibly revert to a full 2-sided CfD if a decision is made by the government to make a substantial change to the market model.

- The contracted PPAs are always shared with the CREG, which checks the extent to which the optional carve-out meets the above criteria. Non-compliance leads to corrective measures.

6.1.3. Scoring of "strike price" criterion

The strike price is rated at 90 points.

5.2. Innovation in business model

To promote citizen participation, 10 points can be earned by bidders who increase the share of citizen participation. Under this framework, the bidder can reserve a percentage of the project's CAPEX for different forms of citizen participation during the tender phase. The objective is to open up to 4% of the project's CAPEX in total for citizen participation. The making available must be activated no later than three years after the final installation date.

The following forms of citizen participation are eligible:

- Financial participation amounting to 3% of the project's CAPEX in addition to the minimum 1% citizen participation as an eligibility criterion
- Communication, sensitisation and active engagement included in the action plan
- Access for renewable energy communities amounting to 2% of the project's CAPEX as defined in the Renewable Energy Directive (2018/2001). This 2% may be part of the 3% mentioned under the first bullet and if the 1% citizen participation as an eligibility criterion is completed with a renewable energy community, then this may also be counted within the 2%.

Two options will be examined for the distribution of points with a view to making a choice between the two options when the Royal Decree Tender is drawn up:

- Option A
 - Financial Participation (3 points)
 - Access for renewable energy communities (3 points)
 - Communication (3 points)
 - If a combination of two of the previous criteria is used, an extra point will be awarded (1 point)
- Option B
 - Financial Participation and Access for renewable energy communities (6 points)
 - If the bidder uses not only a Financial Participation but also provides Access for renewable energy communities, an additional point will be awarded (1 point)
 - Communication (3 points)

A detailed plan on how this participation will be achieved and applied should be included in the bid, also specifying the communication plan for citizens, transparently setting out the risks and possibilities involved and the applicable legal framework.

Three years after the effective installation date, the percentage promised will be verified, taking into account an evaluation by the competent authority of the efforts made by the bidder and the tracking of its action plan. In case the promised percentage has not been achieved at that time, the proposer is considered to offer it again one year later. If the provider fails to do so, as well as cannot demonstrate that he/she has followed his/her action plan, an administrative fine will be imposed amounting to the same volume not achieved.

6.2.1. Scoring of the “innovation in business model” criterion

The score for the 'financial citizen participation' part will be determined based on the % of the project's CAPEX made available for citizen participation.

The score for the 'communication, sensitisation and active involvement included in the action plan' section will be awarded by the AD Energy of the FPS Economy.

The score for the “renewable energy communities” section will be determined based on the % of the project's CAPEX made available for renewable energy communities.