

Subject: Elia consultation on the review of the black start ancillary service
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Introduction

On the 8th of October, 2018 Elia launched a public consultation on the review of the black start ancillary service. The deadline of the consultation is the 19th of November, 2018.

Elia published two documents for consultation: a study on the review of the black start ancillary service and a design note on restoration services.

FEBEG welcomes this consultation and would like to thank Elia for creating this opportunity for all stakeholders to submit their comments and suggestions on the review of the black start ancillary service. The comments and suggestions of FEBEG are not confidential.

FEBEG welcomes the proposals for the new design of the black start ancillary service

Qualitative study on black start ancillary service

FEBEG would like to **congratulate Elia with the quality of its study on the review of the black start ancillary service**: the study is clear, describes the current situation as well as the expected future evolutions, compares with other countries and proposes several possible evolutions for a review of the Belgian black start ancillary service.

Procurement via public call for participation is maintained

FEBEG strongly **supports Elia in its efforts to improve the procurement of the black start ancillary service**, especially as it allows Elia to maintain the procurement via a public call for participation. In particular, FEBEG welcomes the **evolution towards an iterative negotiation process** so that the selection is no longer purely price-based but also based on the technical quality of the offered services. In order to attract new providers, Elia considers – which is also supported by FEBEG – to review the actual contract duration of 5 years and to open up the delivery of the service to alternative configurations.

FEBEG regrets that Elia didn't consider a similar innovative and advanced approach for the procurement of MVAR.

Nevertheless FEBEG has some concerns with regard to the new design of the black start ancillary service

Houseload operation and islanding

FEBEG takes note of the fact that the houseload operation and islanding is out of scope of the new design of the restoration services. **Given the uncertainties on availability at the moment of a black out, Elia will not contract restoration services based on houseload operation or islanding capability.** The new design will hence only focus on the black start ancillary service.

Although some units have or will have the legal obligation of houseload operation or islanding capability, FEBEG wants to point out that **generators remain very sceptical on the contribution of houseload operation or islanding to the restoration of the grid** as the transition to houseload operation or islanding is very uncertain and depends on several factors¹.

FEBEG therefore recommends Elia to consider **houseload operation or islanding as an option, but not to take it into account** – at this moment or in the near future – for the design of the restoration services or the determination of the volume of the black start ancillary service.

Aggregation of sites

According to the new design of the black start ancillary service, Elia will allow to provide the service via the aggregation of sites, with the self-starter site located behind a different connection point than the generating site, and possibly even a medium-sized generation site in between.

FEBEG **supports this proposal as it should increase the number of potential providers** of the black start ancillary services.

Nevertheless FEBEG is of the opinion that the **following aspects need to be further clarified**:

- *Responsibilities:*
The aggregation of sites requires the use of a part of the TSO or DSO grid. Therefore, the proposed service is subject to a study and approval by the relevant system operator.

As the provision of the service via the aggregation of sites is dependent on the availability and the use of the grid, **responsibilities of both the grid operator as the service provider need to be carefully defined and delimited**. In other words, who is responsible for what when the service cannot be provided due to issues with the grid?

- *Communication:*
Providing the black start ancillary service via an aggregation of sites implies **that several parties – i.e. self-starter site, medium-sized generating site, generation site and grid operator – are able to communicate in case of a black out**. At the moment, it is not clear how this communication will be organized and what the requirements are.
- *Testing:*
At the moment it is also not clear how the delivery of the service via an aggregation of sites will be tested, especially as the service depends on the use of a part of the grid. In this context FEBEG wants to emphasize the **importance of a level playing field between the service providers**, not in the least because the grid operator is an involved party in case of aggregation of sites.

Stringent technical requirements, e.g. block load

The technical characteristics (e.g. art 5.3 of the design note on restoration services on block load: a generation unit should be capable of instantly accepting an offtake of a least 10 MW blocks without the frequency of the island deviating from the 49–52 Hz range) are **more stringent than imposed by the NC RfG**: FEBEG fears that some future installations will not be able to offer the black start service.

¹ ‘Study on the review of the black start ancillary services’, *Elia*, 8th of October, 2018, page 34.

Public procurement procedure

Positive evolution

FEBEG welcomes the **evolution towards an iterative negotiation process** so that the selection is no longer purely price-based but also based on the technical quality of the offered services.

Nevertheless FEBEG wants to draw the attention to some **concerns, especially as the risk continues to exist that the service will be imposed by Royal Decree.**

Technical requirements

During the public call for participation Elia will – in an iterative process with the candidate service provider – investigate and evaluate the acceptability of the offered services. To the understanding of FEBEG, **this iterative process has as objective to align on one or more technically feasible options to provide the service of black start.** In the final phase, Elia will invite the selected candidates to submit offers in accordance with the discussions and recommendation of the simulation study.

According to figure 10 (page 41) of the design note the call for participation is followed by a selection and negotiation phase. **FEBEG would like to know if the technical requirements are also part of this negotiation phase.** Or, is the negotiation phase limited to the remuneration only? At the end of the iterative process during the call for participation, the candidate service provider could have decided to submit an offer for a particular technical solution which was considered acceptable by Elia. Can Elia – in this phase – still ask the candidate provider to modify the proposed technical solution or request the provider to revert to another technical solution that could have been discussed during the call for participation?

The reason for this question is twofold:

- As far as FEBEG concerns, the new public procurement procedure needs to strike **a balance between flexibility and level playing field.** FEBEG is of the opinion that the call for participation allows Elia and the candidate provider to align on possible technical solutions to provide the black start service and that it's **ultimately up to the candidate provider to choose with which solution he wants to enter into competition and thus in the negotiation phase.**
- The option exists to impose – by Royal Decree – service delivery on an asset with existing capabilities or the installation of the capability and the service provision on an asset without capabilities. Will the Royal Decree impose the technical solution in the offer of the candidate provider or could all other technical solutions – discussed with Elia during the call for participation – be imposed as well? Anyhow, **generators consider the possibility of having imposed large investments at a regulated remuneration as a huge – nearly unacceptable – risk.**

Market based remuneration

Several elements, e.g. public procurement procedure, negotiation phase, fair margin, ... , suggest that it's the **ambition to have a competitive process with a market based remuneration** for the black start ancillary service.

In strong contrast, the **description of the offered prices and contracted cost, especially with the proposed categories of cost components, reflect – which FEBEG strongly regrets – a pure cost-plus approach.** The notion 'offered prices' is therefore misleading.

In the context of a cost-plus approach, it is very likely that the service and the price will be imposed by Royal Decree. FEBEG therefore wonders if it is not a good idea to already **involve the CREG and the Federal Public Services during the negation phase** in order to increase the efficiency of the process.

FEBEG also wants to repeat its concern about the fact that the **installation of the capability and the service provision on an asset without capabilities can be imposed by a Royal Decree**. This possibility is considered as a huge risks. FEBEG is of the opinion that in such a **situation the total investment should be reimbursed within the timeframe of the first period of service provision with a maximum of two years**. FEBEG considers it unacceptable that market parties would be bound by a multi-year contract that would prohibit them from, for example, closing down the plant before the end of a 10-year contract, just because the black start ancillary service needs to be delivered.

Tests

Scope of prequalification test

FEBEG welcomes the pragmatic approach by Elia that a prequalification test is only needed in case of a new contracted capability.

Remuneration of tests

The design note on restoration services doesn't explicitly foresee a remuneration for the costs of tests nor for the opportunity loss during testing.

As there's no separate scheme for the remuneration of tests, FEBEG assumes that these **test costs are to be considered as operational costs** and can as such be integrated in the offers.

FEBEG therefore recommends Elia to set up a scheme for the remuneration of the tests or to explicitly mention that the costs of testing are to be considered as operational costs.

Test at request of service provider

FEBEG is of the opinion that **tests at the request of the service provider should be incentivized** as frequent testing will improve the quality of the service.

Therefore, tests at request of the service provider should be allowed without a direct penalization or with milder penalties when a test would be failed.
