POSITION

Subject: Elia consultation concerning the modifications on the balancing rules
Date: 22 October 2018

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Introduction

On the 15th of October, 2018 Elia launched a public consultation concerning the modifications on the balancing rules. The changes proposed to the balancing rules are applicable on the winter period 2018-2019 and concern the implementation of non-reserved incremental bids from non CIPU technical units with an activation lead-time greater than 15 minutes (slow non CIPU incremental bids). The deadline for this consultation is the 22nd of October, 2018.

FEBEG welcomes this consultation and would like to thank Elia for creating this opportunity for all stakeholders to provide comments and suggestions with regard to the modifications on the balancing rules. The comments and suggestions of FEBEG are not confidential.

Overall evaluation of the proposal for slow non CIPU incremental bids

FEBEG welcomes the initiative to attract additional flexibility in the system at short notice

FEBEG **supports the initiative and the efforts of Elia** to bring concrete and rapid solutions to the current situation. FEBEG is of the opinion that the proposed design for slow non CIPU incremental bids is pragmatic and realistic while it takes well into account the existing constraints and the regulatory framework.

FEBEG also wants to emphasize that the objective of the new product design for slow non CIPU incremental bids is to bring additional flexibility to the system balance at short notice. In this perspective, it is therefore of extreme importance that it is exclusively **aimed at flexibility that is not already active in other market segments** (reserved or non-reserved tertiary reserve, day-ahead market, intraday market, …).

FEBEG wants to emphasize the temporary character of the new product

The proposed design for slow non CIPU incremental bids offers quite a lot of flexibility in the specific conditions with regard to the firmness of the product. FEBEG understand that this could be necessary in the current circumstances, but it makes that the **quality of the product is sub-standard: in no way this should set the standard for other products or for a prolongation of this specific product outside of the temporary period** the product is currently aimed at. FEBEG suggests to clearly stipulate in the balancing rules that the SLA for the new product will end on the 31st of March, 2019.

As discussed in the Elia WG 'Balancing' on the 16th of October, 2018: a **level playing field should be created between slow starting CIPU and slow starting non-CIPU bids**. This should include the conditions with regard to the payment of the fixed start fee.

Transparency will be of utmost importance: Elia should make all necessary efforts to ensure a same level of information for all market parties.

Contracts with 'valorization of the deviation'

FEBEG requests CREG and Elia to have the article 14.4 (see below) of the new transfer of energy rules applicable as from the 5th of November 2018 (launch of the new product) instead of the 1st of December, 2018 in order to **avoid the risk of double remuneration on the customer's side and an additional financial impact on the supplier**. Indeed, particularly for contracts with valorization of the deviation, there's a settlement between the supplier and the customer based on the difference between the nominated position and the real position of the customer. Due to the expected tight conditions for the winter 2018-2019, there's a high probability that the imbalance price will be very high – possibly close to 10.500 EUR/MWh in November 2018 – when the new product is activated.

'*14.4 Pénalités pour un Contrat valorisant l'écart entre la nomination et la position réelle du client final Si le gestionnaire du réseau de transport note que le client final refuserait de reconnaître l'existence du Contrat valorisant l'écart entre la nomination et la position réelle du client final contrairement à la déclaration du fournisseur via le contrat entre le gestionnaire du réseau de transport et le fournisseur33, et au cas où cette situation persisterait après information et avertissement du FSP, le gestionnaire du réseau de transport exclura le Point de livraison concerné de manière motivée en ce qui concerne la participation au service concerné avec le FSP. Le gestionnaire du réseau de transport informera la Commission de tous les Points de livraison similaires du portefeuille d'un FSP pour lesquels il existe une incertitude sur le régime contractuel avec le fournisseur concerné.*'

Detailed comments and suggestions

Paragraph 8.1:

Elia refers to biddings for which '*de prijs van de bieding …gelijk is of meer bedraagt dan 100% van de hierboven genoemde limiet*'. FEBEG doesn't understand how the price of the bidding could be higher than 100% of the limit. Could Elia detail in which scenario this would be possible? Or clarify how this sentence should be interpreted?

Paragraph 8.5.1, bis:

'*Niet-CIPU technische eenheden …worden behandeld in het kader van de bestaande regels van CIPU-eenheden…*'. FEBEG supposes this needs to be '*CIPU technische eenheden …*'

Paragraph 8.5.1, bis:

FEBEG also wants to point to the precondition of a call for bids by Elia: such call for bids will only be launched when there's a structural shortage identified by the technical trigger. This procedure not only demonstrates once more that the slow non-CIPU incremental bids cannot be considered as a future proof standard product, but it also an important element in striving for exclusivity.

Is the interpretation correct that this call for bids will in practice be launched between 8 to 12 hours before delivery? Could Elia elaborate on this? It is an important factor to evaluate if some potential new prone to be R3 capacities will not be shifted to the new product of the slow non CIPU incremental bid.

Paragraph 8.5.2, bis:

'*…als een bieding die de voorbereidingsfase is gepasseerd niet werd geactiveerd, wordt de leverancier vergoed met een bedrag gelijk aan de vaste component van de aangeboden prijs …*' In the existing CIPU rules, this would not be the case for exactly the same CIPU product. In the Elia WG 'Balancing' on the 16th of October, 2018 it was stated that Elia would create a level playing field for both equivalent products. FEBEG doesn't see this implemented in the proposal for changes to the balancing rules.

Paragraph 8.5.2, bis:

There is quite a lot of flexibility in the specific conditions with regard to the firmness of the product: volume flexibility +/-20% up to 1.5 hours before activation, non-delivery is considered as a zero delivery without a specific penalty (§ 8.5.3), ability to cancel the bid at any time in case of 'forced outage' without that there is a definition for what could be understood under forced outage, …

All this makes that the quality of the product is sub-standard: the new product can in no way be compared to similar CIPU flexibility or to something which could be expected from a standard product. These sort of flexible conditions can according to FEBEG only be applied in view of the current specific circumstances and should be brought up to standard quality levels should the product's existence be prolonged after this winter's period.

Paragraph 8.9:

With regard to the technical-economic merit order, for the part under point 2), '*Start/stop van productie-eenheden…*', FEBEG assumes that also here '*waarvan de prijs minder bedraagt dan 1000€/MWh*' should be added. In that case under point 4), it should be '*…bedoeld in punt 1&2…'*

Paragraph 8.9, last alinea:

Reference is made to the coherency between slow starting CIPU units and the new slow starting non-CIPU incremental bids. FEBEG expects this coherency also to be extended to the payment of these bids (cfr. remark above on the payment of the preparation fee in case of non-activation).
