

Subject: Elia consultation on the implementation plan for new aFRR design and separate procurement FCR and aFRR
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Introduction

On the 9th of November, 2018 Elia launched a public consultation on its implementation plan for new aFRR design and separated procurement of FCR and aFRR. The deadline for this consultation is the 5th of December, 2018.

FEBEG welcomes this consultation and would like to thank Elia for creating this opportunity for all stakeholders to express their comments and suggestions. The comments and suggestions of FEBEG are not confidential.

FEBEG welcomes and supports the introduction of 24-hour blocks in the design

FEBEG considers **the introduction of the procurement of 24-hour blocks in the design as a huge improvement for CCGT's, clearly an evolution which is much appreciated.** It allows a reasonable coverage of the start-up costs of CCGT's which allows them to continue to participate and which increases the overall efficiency of the system. FEBEG also wants to remind that Elia¹ has recognized the importance of CCGT's for the supply of aFRR.

The combination of 24-hour blocks with 4-hour blocks allow for aFRR allows on the hand a reasonable coverage of start-up costs for CCGT's and opens the market for non-baseload market participations on the other hand. **Unfortunately, to allow this combination a high number of complex bidding obligations will need to be created. As a result of this, an intermediate implementation of aFRR bidding in D-2 is proposed** while the target model is bidding in D-1.

FEBEG opposes an intermediate implementation of aFRR bidding in D-2 and proposes to go directly to the target model of the long term vision of Elia for FCR, aFRR and mFRR, i.e. D-1 bidding without bidding obligations.

This would be possible if in first instance an evolution towards daily 24 hours block would be envisaged instead of immediately going for an implementation of 4 hours blocks. This would be similar to the approach which is taken by the FCR cooperation, i.e. evolution to daily 24 hours blocks in July 2019 and 4 hours blocks 1 year later. FEBEG would thus propose to **start with a simplified approach for 24 hour blocks for aFRR, but with portfolio's of CIPU and non-CIPU combined.** An evolution towards daily 24 hour blocks with mixed portfolio's would normally be able to create much more liquidity than a complex split with heavy bidding obligations which will create operational issues and risks.

In order to be able to implement the full target model, a set of exclusive orders (or linked orders) should be developed. Market participants could then cover all different bidding possibilities and would be able to reflect the according opportunity or operating cost of an asset. With such rules a market

¹ 'Adequacy study and assessment of the need for flexibility in the Belgian electricity system - period 2017-2027', Elia, 20th April, 2016.

participant can spread his starting cost over 24 blocks, 16-hour, 12-hour, 8-hour blocks or 4-hour blocks. As these rules commonly know from BELPEX bidding, the experience for such bidding is already present in the market. FEBEG is convinced that exclusive block orders (or linked orders) will lead to a better cost optimization for the procurement of aFRR by providing a wider combination of bids at a better price. In addition, it allows all market participants to participate and it will increase competition (a 12-hour or -hour block could be cheaper than a 4-hour block).

FEBEG would also like to suggest to **investigate going live with the daily tendering outside the winter months** (so postpone one or two months) and on the aFRR mid-summer might be risky due to the must run schemes which may be required (for the envisaged units).

FEBEG would welcome a view on the potential of aFRR on other means or technologies

FEBEG regrets the lack of a thorough and balanced assessment of the market potential of the aFRR on other means or technologies in Belgium. In fact, Elia even clarifies in its implementation plan that it didn't received any replies on the aFRR questionnaire in its attempt to assess the expected additional volumes and/or new technologies. **For this reason, FEBEG supports the proposal of Elia to make a new assessment of the potential for non-CIPU with transfer of energy in 2020**, before rolling out the transfer of energy in the aFRR market 15 months later.

In this context FEBEG also wants to share the following considerations:

- As mentioned during the meeting of the Elia Working Group 'Balancing' on the 29th of November, 2018, the implementation costs on Elia side are significant, i.e. estimated at 700 kEUR. Elia - or possibly the CREG - should **also consider the overall system costs of the transfer of energy implementation**, e.g. costs at the suppliers, at the DSO's, at regulators', ... when making cost-benefit analysis.
- Generally speaking, FEBEG encourages Elia to make a **general assessment of the current transfer of energy processes - associated operational costs - before further implementing it in other markets**.
- FEBEG fully **supports the alternative proposition made by Elia for the pass-through contracts**, which - according to FEBEG - should be fairly easy to be implemented. In this respect, FEBEG would also like to put forward the following recommendations:
 - o FEBEG would like to invite Elia to investigate the application of this alternative proposal to other products as well.
 - o Regarding the pass-through contracts, and more specifically for the transfer of energy on mFRR, FEBEG would welcome a quicker communication of the flexibility data in order to properly bill those customers and avoid extra financial risk on suppliers' side.

Specific comments and suggestions

On the baseline

It is not clear in the implementation plan if the baseline will still be needed for CIPU assets. The FEBEG remarks² formulated during the consultation on the new aFRR design remain valid.

² 'Elia consultation on new aFRR design', FEBEG, 28th of September, 2018.

On the measurement precision

With regard to the update of the aFRR design note (p12, 4.3) ‘*The measurement equipment needs to have the highest precision of either 1% or better for the whole measurement chain (...), or 100 kW*’, FEBEG wants to point out that, for a CCGT of 500 MW, a measurement precision of 0,5% is equivalent to 2,5 MW. As the requirement is now formulated, the requirement would be a precision of 100 kW, i.e. 0,02 %. Technically, this is simply not possible for large installations.

On the prequalification and the FSP-DSO contract

FEBEG wants to repeat that the prequalification process and the FSP-DSO contract is to be considered as **a barrier for participation** to the FCR and aFRR product while the added value seems to be very limited.

As several delivery points on the distribution grid are already delivering ancillary services, the DSO’s have been able to learn from this experience and to improve their modelling and grid operations. FEBEG therefore urges Elia and the DSO’s **to review the prequalification process on the distribution grid and to investigate a simplification or removal** of the prequalification and the FSP-DSO contract.
