



Actility Benelux NV
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Elia System Operator
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Brussels, 31st October 2019

Subject: Actility's view on the public consultation of the LFC BOA and the methodology to determine the balancing capacity in the Elia LFC block

Dear Sir or Madam,

Actility would like to thank Elia for giving us the opportunity on participating in the formal consultation on the LFC BOA. We would be glad to clarify in person any of the following points.

In the light of the increasing stress intermittent generation puts on the Belgian electricity system, Actility welcomes the principle of the dynamic dimensioning of the balancing capacity in the Elia LFC Block. Although agreeing on the main principle, Actility would like to comment on the implementation of the dynamic dimensioning.

Firstly, Actility fears that using a dynamic and complex method to determine the dimensioning volumes will lead to a **lower level of market transparency**, impacting mostly small market participants.

Suggestion:

To battle this unintentional side-effect, Actility asks to compensate this with a publicly available, extensive historical back-testing of the dimensioned FRR volumes if the dynamic dimensioning mechanism would already have been in place. We consider a one-year lookback as a minimum to be able to sufficiently investigate the impact on our portfolio. Given the potential significant impact of the Nemo interconnector, we recommend applying 2 scenarios for the period before the interconnector became operational; one in full exporting modus and one in full importing modus.

Secondly, to Actility it seems strange that while considerable effort is put in the dynamic dimensioning of the FRR volumes, **mFRR down volumes are not considered necessary** by Elia because sufficient free bids would be available. Indeed, 95% of the time 900 MW downward free bids would be available, but strongly depending on voluntary cross-border contracts which are not yet finalized and available interconnection capacity. When ignoring this, the availability of downward reserves drops significantly. but the threshold of 900MW seems very arbitrarily chosen and impossible to evaluate without stating the required volumes correspondingly. Actility wonders what will happen if more downward reserve capacity than this 900MW is deemed necessary by the algorithm and this capacity cannot be met by free bids.

Actility considers this as a potential risk and a methodological inconsistency.

Suggestion:

A similar analysis back-testing analysis should be performed for the determination of the required downward volumes.

Once the methodology of LFC BOA becomes operational and upward volumes are being published and contracted, similarly, the need for downward volumes should be published. This will also provide transparency to the market, warning the market for potential situations of system stress.

We propose for a possibility to contract mFRR down reserves if the dynamically dimensioned downward reserve cannot be met by the free bids

Lastly, Actility is worried by the impact LFC BOA might have on the mFRR flex volumes which are to be procured in 2020. The dynamic dimensioning of FRR combined with the increasing minimum mFRR standard to-be contracted volumes might lead to **a phasing out of mFRR flex which is faster and more drastic than foreseen**. The current phasing out design implies that first a certain mFRR standard volume is contracted and only if more reserves are needed that mFRR flex is contracted. In practice this could lead to periods in which no mFRR flex can be procured. This increases the cost for society, because mFRR standard is a more expensive product, and potentially decreases the reliability as the currently available mFRR standard might not be able to cover the demand. This poses a risk for volumes which currently can only deliver mFRR flex and might disappear from the market prematurely.

Suggestion:

Actility proposes two options. A first option would be to change the minimum to-be contracted mFRR standard volume from an absolute value to a fixed percentage of the dimensioned mFRR or a minimum absolute volume of mFRR flex. This should not entail stability issues as when the total need for mFRR decreases the absolute need for mFRR standard can also be decreased as the absolute need for volumes which can be activated longer than 4 hours will also decrease. This would always allow for a certain percentage of mFRR flex to participate in the market, increasing the volume available to participate, decreasing the cost and allowing flexibility providers to adjust to the mFRR flex phase-out in a more realistic pace.

A second, more comprehensive option would be to be consequent in considering mFRR standard and flex as two separate products and thus to dimension the two products separately. This would provide a level playing field for all reserve products and affiliated offering technologies.

We thank you for taking into account our remarks.

Kind regards,

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