

## Proposal for Terms and Conditions for Balancing Service Providers (BSP) for Frequency Containment Reserve (T&C FCR)

--

### Centrica Business Solutions (CBS) response to the consultation

17<sup>th</sup> April 2020

#### Preliminary remarks

Centrica Business Solutions (CBS) identified several key changes in the proposed T&Cs, which would have a significant and structural impact on existing and new volumes engaged in FCR if implemented.

Given the nature of the contract change, the absence of a track change document is understandable. Nevertheless, the consulted T&Cs contain structuring modifications compared to the existing General Framework Agreement, which in our judgement have insufficiently been highlighted in the design note and explanatory document provided by Elia. It must be emphasized that in this context spotting such critical changes within a sizeable and technically complex contractual document is very difficult and creates a real risk to oversee some of them.

CBS therefore asks Elia to thoroughly consider the key points and points of attention raised during the consultation process, regardless of the fact that T&Cs are consulted at a late stage in the implementation process. Furthermore, CBS asks Elia to foresee the possibility of rapid changes of the T&Cs to solve impactful points which would not have been identified by market parties during the consultation process and would arise in the meantime.

#### Executive summary

##### Key remarks on changes proposed compared to the current GFA

1. Maintain current independent sequencing of profiles for the prequalification test, since the proposed unique sequence can have major impacts on existing MWs and was not discussed previously with market parties
2. Remove the requirement on the 30-sec to ramp down to 0 after a prequalification sequence, since the proposal can have major impacts on existing MWs and was not discussed previously with market parties
3. Maintain the rapid change clause for measurement corrections of the current GFA
4. Either further refine or completely remove the 50mHz Frequency Bands concept
5. Allow for imbalance recharge, but with potential constraints
6. Clarify that standalone LER must reserve some power for recharge purposes

##### Key remarks on changes proposed that are not linked to the new T&Cs

7. Review the penalty formula for missed energy tests so it takes into account amount of MWs with missing time
8. Allow BSP to self-test their MWs
9. Clarify that communication issues during availability tests should not lead to failed tests

##### Additional points of attention

10. Combination of CIPU and non-CIPU opportunity requires further adjustments to avoid creating distortions
11. Private metering requirement for DSO connected assets should not be handled in DSO-BSP contract
12. Private meter commissioning test process requires clarification
13. Overall procedure to bring DPs and MWs to the market is lengthy: it can and should be optimized
14. Reference to the supplier's consent in the Grid User Declaration should be removed
15. Accuracy requirements for Virtual DP should explicitly apply at aggregated level
16. Ad hoc energy management document that is referred to in the T&Cs is not available on the Elia website
17. CBS identified a potential typo in a formula of the Annex 6

Detailed consultation response

Key remarks on changes proposed compared to the current GFA

**1. Maintain current independent sequencing of profiles for the prequalification test, since the proposed unique sequence can have major impacts on existing MWs and was not discussed previously with market parties**

In Annex 6, Elia proposes to perform the prequalification test in one sequence (upward, then downward, and finally 4-h frequency follow-up), whereas until now each of the three sequence can be performed separately. This creates a structural change compared to the current process where the three sequences can be performed separately and can impact the participation of existing and future MWs. Even considering the new feature where DPs get allocated to certain 50mHz frequency bands only, the impact on how Elia would use this information for validation of the prequalification test is not specified.

Therefore, CBS considers that given the stakes, such a modification would have needed to be clearly spotted and explained to market participants during the design note phase for them to assess consequences and anticipate them. Given this was not the case, we consider this change cannot be implemented.

**2. Remove the requirement on the 30-sec to ramp down to 0 after a prequalification sequence, since the proposal can have major impacts on existing MWs and was not discussed previously with market parties**

In Annex 6B, Elia added a specific sentence imposing a ramp down to 0 MW in 30 seconds, both after the upward and downward direction sequences of the prequalification test. This creates a structural change compared to the current process which does not have this requirement.

Therefore, CBS considers that given the stakes, such a modification would have needed to be clearly spotted and explained to market participants during the design note phase in order for them to assess consequences and anticipate them. Given this was not the case, we consider this change cannot be implemented

**3. Maintain the rapid change clause for measurement corrections of the current GFA**

The measurement correction described in the current GFA under article 7.11 has been removed of the proposed T&Cs. CBS asks Elia to maintain this clause, since the baseline remains the same than in the GFA, with the risk of wipe-out still existing in case a DP happens to have a sudden change in its output not linked to FCR provision during the settlement on an activation. The 50mHz frequency bands concept could help to mitigate that risk, but not entirely, especially for DPs that would play a role in all frequency bands and could cause this risk.

In that context CBS, renews its ask to implement for FCR the same baseline forecast concept that is being implemented in aFRR, which remains the optimal approach to handle such outliers and the wipe-out risk, and also conveniently will allow a smooth settlement of joint FCR/aFRR activations thanks to the use of an identical baseline for both services.

**4. Either further refine or completely remove the 50mHz Frequency Bands concept**

In principle, CBS welcomes Elia's new approach to allocate DPs to specific 50mHz frequency bands in which they are capable of providing FCR Power, and is supportive of such an approach in its intention to add flexibility for BSPs and reduce risks during settlement of activations.

However, the proposed implementation is insufficient to address this objective and rather creates risks than adding flexibility:

- it does not well apply to complex pools, where assets are not necessarily used in front line to react to frequency deviations directly, but rather at as supporting assets behind the front line.
- it imposes additional constraints, freezing the expected reaction and power delivered by some assets beyond their initial band, rather than adding flexibility
- It does not state if/how Elia will use it only look at the DPs involved during activations and prequalification, i.e. linking the

In that context, CBS therefore asks Elia to either make this proposal an experimental voluntary scheme that BSPS could apply for with the intent to test it and further improve it in the view of future T&Cs version, or to remove it and maintain the providing group concept until it is refined and effectively adds flexibility.

#### **5. Allow for imbalance recharge, but with potential constraints**

In Annex 2D, Elia prohibits the use of the imbalance market as a Charging Strategy. CBS reiterates that in the existing market design, this is the only option to structurally manage and guarantee the SoE level of a battery or other LER in FCR. CBS therefore asks Elia to remove this prohibition, and alternatively consider constraining the lead time of the imbalance recharge and/or its ramp-rate. Indeed, CBS understands and does support the fact the imbalance recharge should not lead to cancel the FCR provided by the BSP: as it has already been proven successful in existing projects and other countries, asking the BSP to either have a 5-minute lead time before recharging, or recharging with a ramp-constraint can achieve this objective, while maintaining a viable recharge strategy for the BSPs.

#### **6. Clarify that standalone LER must reserve some power for recharge purposes**

Elia clarified the energy management for standalone energy limited assets in previous slides presented in 2018. This included the fact that for standalone assets, which can only rely on their capacity to manage their state of charge, some power must be reserved for recharge, meaning that not 100% of the capacity can be sold in FCR. CBS believes this point does make sense, and therefore asks Elia to clarify this principle in the T&Cs.

#### Key remarks on changes proposed that are not linked to the new T&Cs

#### **7. Review the penalty formula for missed energy tests so it takes into account amount of MWs with missing time**

CBS has noticed that the current formula for settlement of missed energy tests only looks at missing time and does not consider how missing MWs have failed to deliver the required energy. This creates a risk to see an energy test considered as 100% failed even in the case where only 1 MW out of the total pool activated was unable to provide the required energy, and even though the rest of the pool provided the requested energy during the entire duration of the energy test. CBS believes that the penalty should also consider the amount of MWs that have failed, and therefore proposed in the Annex of this consultation document an amended formula.

#### **8. Allow BSP to self-test their MWs**

Elia performs capacity availability tests on a monthly basis. In the context of a smart testing approach, CBS asks Elia to investigate the possibility for BSPs to perform self-tests without being exposed to undue penalties, in order to further increase the quality of their delivery and monitor continuously the ability of the pools to deliver the required service, even in case of changes of configuration. Such self-testing, while being in the market, could be conditioned to certain limitations and prior notification to Elia.

## **9. Clarify that communication issues during availability tests should not lead to failed tests**

CBS asks Elia to clarify that, in case of an issue in Elia's communication interface leading to the availability test trigger signal not being received by the BSP, the test could not be considered as failed and therefore no penalties would be applied. Once the signal is technically received by the BSP, it becomes the responsibility of the BSP to deliver and succeed the test, but prior to that any technical issue that could occur should lead to cancel the test.

### Additional points of attention

## **10. Combination of CIPU and non-CIPU opportunity requires further adjustments to not create distortions**

In Elia's current proposal, the combination of CIPU (DP<sub>SU</sub>) and non-CIPU (DP<sub>PG</sub>) assets seems possible, in contrast to mFRR. However, CBS notes there are still remaining barriers, such as the precondition for BSP to also be BRP for the DP<sub>SU</sub> Units, until iCAROS is implemented. This incomplete design favours BSP-BRPs compared to independent BSPs. CBS therefore asks Elia to either remove the BSP=BRP requirement for FCR, or to maintain the separation of DP<sub>SU</sub> and DP<sub>PG</sub> until the implementation of iCAROS.

## **11. Private metering requirement for DSO connected assets should not be handled in DSO-BSP contract**

Elia proposes to govern private metering by the DSO-BSP contract. In line with CBS' response to SYNERGRIDS recent consultation of the BSP-DSO Contract, CBS asks Elia to remove this proposal and align with DSOs in order to:

- apply harmonised rules for existing meters to all reserves covered by the FSP-GRD contract and Elia's T&Cs
- bring the technical specifications for sub-metering into line with market opportunities, in order to remove remaining obstacles for flexibility

## **12. Private meter commissioning test process requires clarification**

CBS asks Elia to clarify the content of the private meter commissioning test, which is a new proposal, as it is currently unclear which data Elia will actually compare to validate it.

## **13. Overall procedure to bring DPs and MWs to the market is lengthy: it can and should be optimized**

CBS asks Elia to parallelise processes and reduce to the extent possible the duration in working days of all the different verifications needed to add DPs and prequalify MWs. Examples:

- reduce the 10 working days both before and after the commissioning test
- reduce delays once a DP is accepted or a prequalification validated to 1 day, instead of 5 before being able to bid

## **14. Reference to the supplier's consent in the Grid User Declaration should be removed**

As raised in its response provided to the consultation on aFRR T&Cs, CBS asks Elia to remove the reference to the "supplier" in the Grid User Declaration, as the supplier contract should not foresee any reason to forbid a consumer to engage with a BSP.

**15. Accuracy requirements for Virtual DP should explicitly apply at aggregated level**

CBS asks Elia to clarify whether the accuracy requirements apply at aggregated Virtual DP level. For such DPs, the individual assets composing them are indeed likely to be less accurate, in particular when it comes to residential. Looking at the aggregated accuracy, the rule of large numbers will help reaching accuracy levels that are more in line with expectations for individual larger assets.

**16. Ad hoc energy management document that is referred to in the T&Cs is not available on the Elia website**

CBS notes that the document referenced in the Annex 2, "FCR Energy Management Strategy Requirements" could not be found on Elia's website: as such a document should contain important information and details on the energy management strategy allowed in FCR, CBS asks Elia if the document can be published to all market parties.

**17. CBS identified a potential typo in a formula of the Annex 6**

CBS believes that in the formula below a value "4" should be added before the "MIN" value.

if	$MIN \Delta FCR \text{ Power supplied} \geq 0.9 * \min \left\{ \begin{array}{l} Max FCR \text{ Power supplied Up;} \\ Max FCR \text{ Power supplied Down} \end{array} \right\}$
Then	

**ANNEX – Proposal of CBS to fix the penalty formula for missed energy tests**

CBS proposes to replace the proposed formula by the one below, in order to ensure failed energy tests take into account not only the missing time, but also how many MWs are missing.

**11.F DETERMINATION OF FCR MISSING ENERGY**

If an energy availability test is not compliant, ELIA will calculate the FCR Missing Energy.

To determine the FCR Missing Energy, ELIA only considers the phase of provision of the FCR Capacity Requested, i.e. the 1500 seconds of phase ii.

The FCR Missing Energy corresponds to the total energy that was not delivered during the 1500 seconds of phase ii.

The FCR Missing Energy is by taking the integral of the FCR Missing Power over the full duration of the test.

$$FCR_{Missing\ Power}(ts) = \sum \text{Max} [FCR\ Capacity\ Requested(ts) - FCR\ Power\ supplied(ts) ; 0]$$

$$FCR_{Missing\ Energy} = \sum_{all\ ts\ in\ phase\ 2} \frac{FCR_{Missing\ Power}(ts) * 1\ s}{3600\ s}$$

**13.C PENALTIES FOR FCR MISSING ENERGY**

In accordance with Art. II.15.4, the penalty resulting from FCR Missing Energy is calculated on a monthly basis as follows:

$$P_{FCR\ Missing\ Energy} = \sum_{month\ m} \alpha * \frac{1500\ s}{3600\ h} * \frac{FCR\ Missing\ Energy}{FCR\ Capacity\ Requested} * CP_{WA} * CV_A * \#CCTU * hours_{CCTU}$$

Where:

- $\alpha$ : penalty factor equals to 0,75 by default;  
In case the penalty concerns a second consecutive failed availability test,  $\alpha$  is equal to 1,5.
- $CP_{WA}$ : the weighted average of capacity prices (in €/MW/h) corresponding to all FCR Capacity Bids awarded to the BSP for the period comprised between Day D-29 until Day D (i.e. 30 Days), where Day D is the date of performance of the concerned availability test. The weight is the FCR Awarded for the concerned FCR Capacity Bid;
- $CV_A$ : the average volume corresponding to all FCR Capacity Bids awarded to the BSP for the period comprised between Day D-29 until Day D (i.e. 30 Days), where Day D is the date of performance of the concerned availability test.
- $\#CCTU$ : the number of CCTU for which at least one FCR Capacity Bid has been awarded to the BSP for the period comprised between Day D-29 until Day D (i.e. 30 Days), where Day D is the date of performance of the concerned availability test;
- $hours_{CCTU}$ : number of hours of a CCTU.