

Subject: FEBEG's comments on ELIA's Public consultation on integration of additional offshore capacity – mitigation measures

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FEBEG thanks ELIA for having the opportunity to answer ELIA's Public consultation on integration of additional offshore capacity – mitigation measures<sup>1</sup>.  
The comments and suggestions of FEBEG are not confidential.

### Key comments

FEBEG welcomes this consultation and would like to thank Elia for creating this opportunity for all stakeholders to react on the study and the recommendations as well as on the possible mitigation measures.

While we greet the study and the discussion on possible mitigation measures we wish to highlight that considering the remaining time-frame before the actual integration of additional offshore capacity, it **is pre-mature to already define the actual set of mitigation measures to be implemented**. We want to clearly underline that the current list of measures **cannot in any way be “carved in stone”** and should be evaluated/adapted over time, taking into account new technologies (size of wind turbines, high wind speeds technology...) and market evolutions (electric vehicles, EU integration, more interconnections, commissioning of new flexible assets, MARI/PICASSO ... ). Past data or current technologies are by definition a very rough basis to estimate the future situation (in this case 5–8 years ahead).

A fair balance should be found between (i) the provision on necessary information to provide sufficient visibility on the measures that could impact the additional off-shore capacity in advance and (ii) waiting long enough in order to have a clear view on the market & technological evolutions which may reduce the need for mitigation specific measures

**We suggest that Elia continues to improve/adapt the proposed measures in the future in a open and collaborative state of mind with the stakeholders.** The uncertainty today is too big in any way to already have a “fixed” view on what would be included in the tenders. What is the advantage of already today fixing the measures in great detail? We do not see the benefits of “locking in” already too many measures.

In particular, we would like to see Elia re-assess the extent of the underlying issues before the tendering of the offshore concessions, as we are of the opinion that Elia has been conservative in its assessment of how various initiatives and trends in the energy market that already exist today, will lessen the challenges of the offshore integration for the Grid Operator.

Furthermore we would like to better understand the system-wide view that Elia is developing to deal with an energy system with a high penetration of renewable energy, and the place of the proposed measures in this vision.

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<sup>1</sup> <https://www.elia.be/en/public-consultation/20201001-public-consultation-on-integration-of-additional-offshore-capacity--mitigation-measures>

Additionally, we wish to underline that **it is the BRP's responsibility to balance injection and off-take within its portfolio**. The BRP is incentivized to fulfil this obligation as he is exposed to the imbalance price while additional liabilities are foreseen in the regulatory framework. **The mitigation measures should not hamper the BRP to fulfil its obligations in any way**. Elia should at all times ensure a level playing field between BRP's without offshore wind production and BRP's with offshore production in their portfolio and Elia should observe the principle of non-retroactivity of the mitigating measures related to the existing offshore parks.

The mitigation measures should therefore be coherent and not create any distortion between different actors and/or technologies.

Specifically, **FEBEG considers the preventive curtailment of wind parks and imposing ramping rate limitations as an intervention in or constraint to the task of the BRP to balance its position**. We are therefore not in favor of such measures. We favor a holistic and evidence-based approach to market interventions, supported by cost-benefit analysis, to ensure that interventions are done at the level, and by the party, who is best suited to do so from a societal cost-benefit perspective. Elia should not assume or impose a "free" measure (from Elia point of view). A measure which is "not free" from Elia point of view would have the benefit of being used with caution.

FEBEG would also like to emphasize the importance of levelling the playing field between market actors and technologies. This is especially relevant for the proposal of the ramping rate limitation. To the extent that offshore park operators are not able to reasonably forecast the risk to take into account in their business case, they are exposed to risks which do not exist for other market actors for which there are no non-remunerated ramping rate limitations.

FEBEG remains convinced that Elia should rely on the BRP's being sufficiently incentivized by the imbalance price to fulfil their obligation. Elia shouldn't intervene in the responsibility of the BRP to balance its portfolio. If, nevertheless, Elia does want to intervene, Elia should establish clear, transparent and coherent rules which ensure a level playing field between the different actors & technologies.

## Specific comments

First of all, **FEBEG wishes to confirm that the elements put forward in the previous position paper<sup>2</sup> are still valid and supported by its members**. The comments below should thus be interpreted as a brief overview of the previous paper, with some additional remarks/ questions.

### Storm tool

As mentioned in the previous position paper, **FEBEG supports the current storm procedure** as it improves information exchange between the BRP and Elia on storm forecast and mitigation measures, but **reminds that** it remains the responsibility of the BRP to choose – at all times – the appropriate means to fulfill its balancing obligation. **The Federal Grid Code mentions that BRP's have an obligation of means (vs obligation of results) to balance their positions which is and should remain an obligation of means**. BRP's may freely use the data source that he considers relevant. This source can obviously be different from the one using by the TSO.

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<sup>2</sup>FEBEG comments on ELIA's public consultation on ELIA's study on the integration of additional offshore capacity (2020-07-08 FEBEG comments on consultation ELIA study integration offshore capacity.pdf)

Based on the first experiences with the storm tool, some shortcomings and potential improvements have been identified. Therefore, FEBEG encourages Elia to improve the storm tool:

- Elia should ensure that the proposals for improvement of the storm tool, following the feedback received by the stakeholders, will be implemented before the new go-live (1 November 2020). Elia committed to integrate the day-ahead schedules (CIPU nominations) and the updates in intraday (IDPCR) of wind parks.
- As the storm tool will most probably become a remaining tool, Elia should invest in robustness and user-friendliness (where BOTH Elia and BRP's would use these API's)

### Alpha component

At several occasions<sup>3</sup>, in the previous position paper, FEBEG has expressed its concerns and reservations with regard to the introduction of an alpha component in the imbalance price. We wish to repeat the main issues:

The sole function of the imbalance price is to reflect the real-time supply/demand equilibrium of the system. The formation of real time energy prices should only be market based. Hence, **FEBEG opposes to any regulated administrative 'incentivizing components' such as the 'alpha component' being used in imbalance pricing.** Therefore, FEBEG prefers the alpha component to be put at '0' for the following reasons:

- Distortion of the price signal
- Distortion of the level playing field between countries
- Contradictory to measures to reduce the occurrence of price spikes

FEBEG therefore strongly opposes a further reinforcement of the alpha component.

In addition, we like to warn Elia that according to currently debated/presented iCaros rules, a SA may not update its schedule for the coming 30' (due to neutralization time). So by definition this will result in a higher Alpha.

### Coordination of cut-in phase

As this moment the dispatch of Elia is managing the coordination of the cut-in of offshore parks. Elia announces its intention to evolve towards an automated process to coordinate the cut-in. FEBEG supports such an evolution, but wants to point that it is important for market parties – especially in order to be able to assess the impact of potentially non-remunerated ramping limitations – to have an insight in the rules that will be applied by the dispatch or the automated process: these rules should be clear, transparent and non-discriminatory.

We refer to the overall remarks above, related to the role of the BRP's and the willingness of FEBEG to collaborate with Elia before enforcing new restriction to wind parks, which could be to pessimistic and too early to accurately estimate at the moment. Specifically regarding the Cut-In Phase coordination we have the following remarks

Regarding the new parks, **we are not in favor of a possible ramping rate limitation** (for reasons mentioned above and below in this position paper: **too early to carve in stone the measures** and level playing field between BRP's an offshore vs other technologies). If, after duly consideration and additional analysis, it appears to Elia that such would be crucial to safely operate the grid, **FEBEG would ask for a CAP and a financial compensation on energy lost/not injected.** Elia should not

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<sup>3</sup> 'Elia design note on offshore integration', *FEBEG*, 9 November 2018, 'Elia proposal for formula for alpha component in the imbalance tariff', *FEBEG*, 5 December 2018 and 'Elia consultation on tariff proposal 2020-2023', *FEBEG and ODE*, 13 March 2019.

assume or impose a “free” measure (from Elia point of view). A measure which is “not free” from Elia point of view would have the benefit of being used with caution.

### Incentivize reactions to real time price

As mentioned in the previous position paper, Elia is putting in place an ecosystem allowing market parties to develop new services for the end-consumer. **FEBEG supports this initiative which can increase the flexibility** but, on the other hand, such model will also add complexity in market functioning which will be a challenge for the forecasting tools.

### mFRR activation decision in context of extreme events

Elia is considering to modify the criteria for the activation of mFRR and to introduce the ‘direct activations of mFRR to cope with extreme variations of wind power’. **FEBEG doesn’t oppose such evolutions, but reiterates its request for clear and transparent rules for the activation of mFRR. For more details we refer to the previous position paper.**

### Measures related to forecast

As mentioned before, **FEBEG supports the proposed measures related to the forecasts**, but wonders to what extent it would not be possible to provide even more information to the BRP’s:

- It’s not clear if the real-time wind speed’s which will be measured by the wind turbines from another park (close surrounding of the park to be forecasted) will be at the disposal of the BRP’s.
- Could Elia also consider providing information on ‘variation of production’ or metering in real-time measured for neighboring parks in Belgium and in others country (FR, NL, ...). This could allow BRPs to do a better forecast and to anticipate the risk (with agreement between BRPs to disclose data).

### High Wind Speed technologies

Firstly, we would like to refer to the General Comments above, as **it seems too early to fix at the moment in detail certain technological requirements**. Overall, we also wish to repeat the general remark the risk of pancaking of costs should be monitored: it should be checked if not only a very limited number of equipment suppliers will be able to install wind turbines with high wind speed technologies.

### Preventive curtailment of wind parks and ramping rate limitation

Firstly, we would like to refer to the General Comments above, and we repeat again that **FEBEG considers the preventive curtailment of wind parks and imposing ramping rate limitations as an intervention in or constraint to the task of the BRP to balance its position.**

As regards the ramping rate limitation, we are of the opinion that **parks cannot assess the impact on their business plan upfront**, for the following reasons:

- the trigger for ramping rate limitation is an uncertain factor making it difficult for market actors to predict the number of times a ramping rate limitation will be applied;
- market actors have no insight in the rules that Elia will apply for the coordination of the cut-in.

Concretely, how much energy will be lost by imposing a 15 MW/min restriction per MW per year, we **like to see a remuneration for the losses, or at least a cap on this loss of energy**. In addition we would like to add that, according to FEBEG, the ramp rate limitation should be expressed in percentage or in MW/min, it is not clear whether this is at BE level, park level, ...overall, its better use metrics which are disconnected to the size of the park

FEBEG also would like know why the System Imbalance trigger is set as of 500 MW?

### BRP Position Coverage

We refer to some elements put forward in the General Remarks. **Overall, past data cannot be used to extrapolate how BRP's will balance the system in the future.** Some of the reasons are an increasing volatile imbalance prices (full integrated merit order implementation), some BRP's of offshore parks left the Belgian market while others have joined or got more experienced, etc.

FEBEG would like to underline that the **current proposed design of MARI & iCaros will jeopardize the possibility that BRP's cover their own position:**

- Units above a threshold must be offered
- Explicit bidding will neutralize these capacities resulting in a lag of 2 QH where BRP's may not take corrective actions
- Alpha factor (depends on SI & how long SI is) will undoubtedly increase, without any possible way for BRP to react

### Additional remarks – not related to specific measures

Is it a correct incentive for properly undertaking corrective actions such a preventive curtailment, ramp rate limitation...**An overall overhaul of the subsidy scheme should be studied in parallel to avoid market distortions (such as injection when prices are – very – negative).**

As a general remark, the document does not describe any penalty mechanism.

### Transversal remarks

**FEBEG would like to underline the importance of, overall, keeping a helicopter view of all the various projects/ideas/incentives.** It is essential that all the new ideas/project/regulations to be implemented in the short term should be evaluated in light of existing regulations. Also, new ideas/project/regulations should be evaluated TOGETHER.

**At the moment, certain NEW projects are in conflict with reach other or Current/Soon implemented legislation/market rules.** Some examples:

- Would removal of DA balancing help MOG II integration?
- Is neutralization time proposed in MARI/iCAROS in line with BRP coverage requested here?
- Is Alpha component (and Omega factor) helping BRP's to integrate offshore in the portfolio?  
→ How are all the projects in line with the Federal Grid Code and EU regulations?

**FEBEG urges Elia to draft consistent rules across the different projects.**