



EXPLANATORY NOTE RELATED TO THE PUBLIC CONSULTATION ON THE PROPOSAL OF PROCUREMENT PROCESS FOR THE REACTIVE POWER SERVICES

ELIA

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PRACTICAL INFORMATION

At the end of the public consultation, all comments will be made public on Elia's website, with an explanation of how Elia responded to these remarks or the reasons why they were not considered. Elia will respect the potential request for confidentiality and/or anonymity of respondents.

Comments concerning items outside the scope of the documents will not be considered by Elia.

The documents submitted for consultation can be consulted on the Elia website.

Stakeholders have one month to comment. Reactions must be sent no later than Monday 25/03/2024 using the online form available on the Elia website.

Questions relative to the consultation can be sent to the following email address: consultations@elia.be.

INTRODUCTION

Procurement process for the Reactive Power services

In application of Article 8 §1/1 of the Electricity Law, Elia has made a proposal for the procurement process for providers of Reactive Power services for public consultation. This proposal includes the provisions currently included in the bidding instructions in tenders organized by Elia.

PROCUREMENT PROCESS FOR THE REACTIVE POWER SERVICES: EXPLANATION

1. Creation of a separate document for the Procurement Procedures

Article 8 §1/1 of the Electricity Law describes the creation of a separate regulated document for the Procurement process. This document describes the tendering process and awarding rules, as applied by ELIA, to:

- Select qualified providers who can make one or more Reactive Power Service proposals;
- Select Reactive Power Service proposals able to deliver the Service;
- Award Reactive Power Service proposals of the VSP candidates through signature of the VSP Contract;

2. Introduction of the option to use a variable price for the Reactive Power Services

During the recent incentive on the Reactive Power Services, the participants indicated the desire to have the option to use a variable price to offer the Reactive Power Services to Elia in order to limit the price risk and allow for longer contract durations.

Elia has implemented this option in the new Procurement Procedures. VSPs will have the option to use 2 different price references:

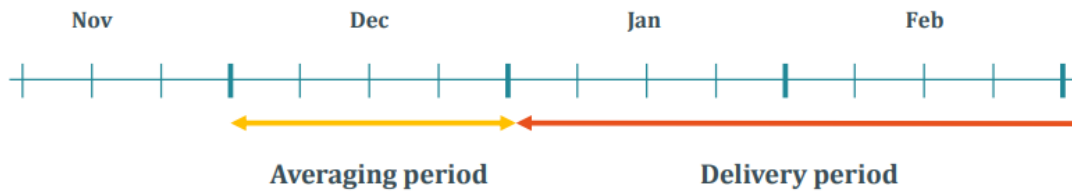
1. Belgian bidding zone day-ahead reference price
2. ICE Endex Belgian power base futures (Belgian Power Base Futures (ice.com)) on a monthly or yearly basis

The structure for these variable prices needs to follow the following form:

$$\text{Price} = X * (\text{price index}) + Y$$

With both X and Y as fixed values with an accuracy of 2 decimals that can be chosen by the VSP.

In order to limit the volatility for ICE Endex reference prices, the reference price will always be the average of the month before the delivery period of the concerned product. In this context the delivery period is the “monthly or yearly basis”. In the Figure below, the example is given for the yearly reference price.



3. Contract duration of 2 years

With the introduction of the variable price, Elia will be able to integrate an additional request from the recent Reactive Power Control incentive. Since the possibility to bid with a variable price significantly reduces the risk associated with the price volatility in the energy market. As such, longer contract periods are possible and Elia will conduct the next tender for 2 years.