

# Tendering R1, R2 and R3 2015

## Summary of proposed evolutions – for consultation purposes

<b>Summary</b>	This informative document describes the evolutions proposed by Elia to R1, R2 and R3 contracts for 2015, in preparation of the tendering for those services for 2014. Prior to the Balancing Taskforce organized on the March 26 <sup>th</sup> the remarks from stakeholders will be collected so that Elia can take those into account when finalizing its design before requesting regulatory approval. Stakeholders are asked to send in their feedback at the latest on March 13 <sup>th</sup> .	
<b>Date</b>	February 25 <sup>th</sup> 2014	
<b>Status</b>	<input type="checkbox"/> Draft	<input checked="" type="checkbox"/> Final

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**Disclaimer: this note is provided for consultation and is not a contractual document.**

## 1 Objective and context

This document summarizes the main evolutions proposed by Elia to R1, R2 and R3 contracts for 2015. Although ELIA is not obliged to consult the stakeholders, ELIA has since last year taken the initiative to inform, on a noncommittal and proactive basis, the stakeholders about the proposed evolutions via the Task Force Balancing. The purpose is to collect stakeholders' feedback on these proposals so that Elia can take those, where possible and desirable, into account in its continuous effort to facilitate the market. Such evolutions are partially subject to a formal approval by CREG of the so called Balancing Rules. Elia's proposal for changes to the Balancing Rules as of 1<sup>st</sup> January 2015 will be officially sent to CREG and will reflect, as far as relevant, the change proposals described in this note, taking stakeholders' feedback into account where relevant and feasible.

The actual templates of the contracts will be sent out in a further stage as part of the call for tender. In order to allow market participants to prepare at best Elia provides an indicative calendar below.

### 1.1. Indicative calendar for 2015 tendering:

Feb 17 <sup>th</sup>	1st TF Balancing: planning, contracting process, presentation of and start consultation period on "Package 2015"
Mar 13 <sup>th</sup>	End of consultation period – possible amendments to "Package 2015"
Mar 26 <sup>th</sup>	2nd TF Balancing: final Package 2015 on basis of which the Balancing Rules for 2015 will be prepared and submitted to CREG
Mar 26 <sup>th</sup>	Design Freeze
Apr 1 <sup>st</sup>	Opening European Qualification procedure R1 / R2 / R3 (continuously open)
May 1 <sup>st</sup>	Call for candidates R3DP
May 15 <sup>th</sup>	Deadline signature Framework Contract R1-R2-R3
May 16 <sup>th</sup>	Tendering for yearly R1-R2-R3 products launched for 20 working days
June 1 <sup>st</sup>	Tendering ICH & R3DP launched
June 1 <sup>st</sup>	Start prequalification process R3DP = deadline for submission of prequalification requests to DSOs and ELIA
Mid-June	Tendering deadline to submit offers to ELIA for R1-R2-R3 yearly products
July 1 <sup>st</sup>	Elia sends report to CREG and Minister on received volumes & prices. CREG – has 60 working days to assess reasonability of received offers.
July	CREG report on short term auctions R1 & R2 during S1 2014
<Sep 1 <sup>st</sup>	Communication prequalification results to BSPs
Sep 19 <sup>th</sup>	Tendering deadline to submit offers to ELIA for ICH and R3DP
Sep 22 <sup>nd</sup>	CREG report on reasonability of prices of yearly R1, R2 and R3 products
Early Oct	Communication of selection of ICH and R3DP
Dec	Start short term sourcing R1 & R2 (subject to CREG approval & comfort) ?

### 1.2. Preceding consultations

This consultation is not the first step. In the past months Elia has participated in and/or organised itself several initiatives that have allowed Elia to integrate stakeholder's expectations in its design.

### 1.2.1. Ad Hoc taskforce balancing

The Balancing Taskforce was created in Q4 2012 as an ad-hoc Task Force under Elia User' Group. It is the platform via which Elia consults the market when proposing evolutions to balancing and ancillary service mechanisms. Participants to the Task Force include associations represented in the User's Group, but was also extended to individual electricity market actors such as aggregators. CREG is invited as an observer.

Priority topics identified for the Task Force are:

- Improve balancing by BRPs to minimise residual needs, including by improvement of incentives and of balancing-related transparency data
- Diversify resources providing balancing services; in particular develop participation of Load
- Realise XB synergies

During several of these taskforces topics were addressed that are reflected in these proposed evolutions. Agenda's and minutes are found on Elia's website for these meetings (<http://www.elia.be/en/about-elia/Users-group/ad-hoc-taskforce-balancing>)

### 1.2.2. Expert group meetings

As part of the discussions in TF Balancing, it was identified that participation of resources located in distribution grid to balancing services is raising specific issues, to be analysed in depth and requiring specific solutions to be developed in collaboration with the impacted stakeholders. Therefore, a specific working group of experts was established in March 2013, composed by a limited number of representatives of BRPs, Aggregators, Distribution System Operators and CREG as representing FORBEG.

The goal of this working group is to reach a mutual consensus on new balancing products from distributed energy resources. One of the deliverables of this expert group is to propose concrete design adaptations in the short-term (2014-2015) and recommendations for the longer-term.

## 2 Summary for the evolutions proposed

Main evolutions in 2014:

- based on the results of the consultation of 2013, Elia implemented the short term sourcing for R1 100mHz product and R2 product.
- based on the results from the Restore pilot project in 2013, ELIA launched the R3 Dynamic Profile product on 2014 for max 50MW.

For 2015, ELIA continues its efforts in the same direction and proposes the following main evolutions:

1. following the initiative taken with respect to partly allowing short term sourcing in 2014, and subject to confirmation by CREG of the appropriate guarantees, ELIA is willing to **continue the Short Term Sourcing (STS) of R1 100mHz and R2.**
2. **extending**, subject to CREG approval, the **R3 Dynamic Profile product to 2015** with a quasi-real time notification of the concerned BRP on exact activated volumes, and clarifying the eligible conditions for participation in R3DP 2015 tendering.
3. **further facilitating contracting** by 1/ moving forward on a flexible prequalification process as of 2015 tendering and 2/ decreasing the minimum bid size for R2 from 5MW to 1MW for the annual contracting and 3/ upgrading the ICH-bidding sheets.

In concreto, the evolutions proposed above will, subject to CREG approval, be implemented for 2015:

### 3 Short Term Sourcing R1 & R2

- The current Balancing Rules allow ELIA to procure for 2014 between 20-30% of its primary and secondary reserves on a short term basis (i.e. max. 1 month). ELIA has, based on above agreement, launched in 2014 the monthly sourcing of 27MW of R1 100mHz product and 20MW of R2 product.
- As the CREG is to write a report in July on the short term auction results during S1 2014, ELIA will launch its tendering process in May for yearly contracting of R1, R2 (and R3 production). This implies that, in absence of any CREG agreement on the prolongation of short term sourcing in 2015, ELIA will source 100% of R1 and R2 products on annual basis.
- Anticipating a positive outcome of the CREG analysis and the provision of the necessary guarantees by the CREG, ELIA will provide specific bidding instructions to participants to the tendering process in order to face both scenarios (continuation or not). In any case R1load, R1 down and R1 200mHz will always be contracted on an annual basis.
- As the rule for determining the volume split between long and short term sourcing is to be approved by CREG in the Balancing Rules, ELIA can only decide on the short term volumes for R1 100mHz product and R2 product after the approval of these Balancing Rules.
- Hence, ELIA will organize in May the yearly tendering for 2015 with the possibility to (partially) contract R1 100mHz and R2 via the short term auctioning procedure as of December 2014.

→ *Hereby we seek to collect stakeholders' feedback on an applicable volume split for the Short Term Sourcing process in 2015.*

For 2014, ELIA has sourced the following volumes.

Primary Reserve (Frequency Containment Reserves)	81MW
Secondary Reserves (automatic Frequency Restoration Reserves)	140 MW
Tertiary Reserves (manual Frequency Restoration Reserves)	661 MW for imbalance management off which <ul style="list-style-type: none"> <li>• From 350 to 400 MW R3 Production</li> <li>• Max 50MW for R3 Dynamic Profile</li> <li>• 261 MW Interruptible Load</li> </ul>

### 4 R3 Dynamic Profile

- Extend current product to 2015. To that extent, ELIA will provide a reporting on the activations of R3DP in January and February 2014 to Forbeg, allowing the latter to validate a prolongation of the R3DP product for 2015.
- Facilitate a quasi-real time information to the concerned BRP on the exact activated volume in his perimeter. To that extent, ELIA is currently examining with the DSOs how to facilitate the exact activated volume to each BRP in case of an R3DP activation within 15'. This quasi-real time information allows BRPs to be informed on the amplitude and duration of an activation of R3DP thereby avoiding counterbalancing actions and disruptions in their forecasting.

→ *Hereby we seek to collect stakeholders' feedback on the facilitation of a quasi-real time information to the concerned BRP on the exact activated volume in his perimeter.*

## 5 Tendering conditions 2014

→ Hereby we seek to collect stakeholders' feedback on the 3 proposals stated below:

### 5.1. Moving forward on a flexible prequalification process as of 2015 tendering

#### **What**

- Establishment of framework contracts enabling new players to participate to the short term tendering process at any time and this also once the annual tendering has passed. A framework contract shall be applicable to the following products: R1 100mHz – R1 200mHz – R1 Down, R2 - R3 production
- All Suppliers submitting a valid candidature, can sign a framework contract at any moment.
- Elia will check yearly whether the supplier still complies with the conditions set forth in the qualification procedure
- All Suppliers with a framework agreement can participate in the next tender. (long term or short term)
- All suppliers with a framework agreement can participate in the secondary market
- Contracted volumes and prices are formalized via a purchase order (or in case of yearly via signature of an annex

#### **Why**

- Current tendering process is oriented towards a yearly cycle.
- Short term procurement requires increased flexibility.
- The new process aims to partly abandon the yearly character of the procurement process, allowing more flexibility with less administration.

### 5.2. Decreasing the minimum bid size for all reserve products from 5MW to 1MW for the annual and short term contracting

#### **What**

As from 1/1/2015 the minimum bid size for all reserve contracts (R1, R2, R3Production, R3 Dynamic Profile and ICH) will be 1 MW.

#### **Why**

This reduction (and harmonization) in minimum bid size will facilitate the participation of smaller players and new entrants.

### 5.3. Bidding sheet for ICH 2015

#### **What**

As for R3 Production for 2014, all annual offers for ICH for 2014 will be collected via an intelligent bid-sheet allowing a number of bidding conditions, such as multiple bids with different parameters, volumes and/or prices

#### **Why**

This will provide more flexibility to ICH-candidates in submitting their bids.