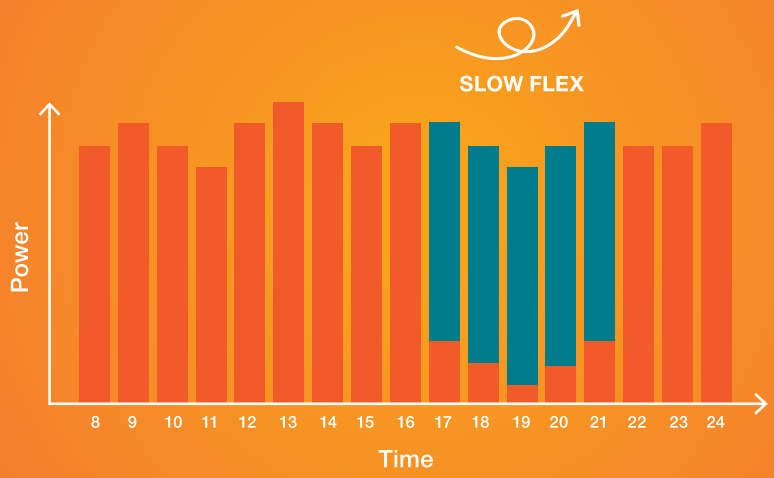
Back-up flexibility for winter 2018-2019

Slow R3 non-reserved power



Context

As you may have seen in recent weeks, Belgium is facing an additional and unexpected unavailability of several nuclear power plants for the winter 2018-2019. Due to this unavailability, the legal criteria for security of supply will not be respected this winter without additional solutions.

Initiatives have already been taken but the need for additional flexibility remains in order to ensure the security of supply of the country.

In order to cope with this unprecedented situation, Elia developed with its stakeholders a new flexibility product called “Slow R3 non-reserved power”. This new product allows remaining flexibility in the market to participate in the balancing market when the system needs it.

Elia presented and challenged this new product with the market parties and regulator in October 2018.

Targeted flexibility and proposed approach

Targeted flexibility

The targeted flexibility is the flexibility which cannot be offered today to Elia on the balancing market (for example flexibility that cannot be activated within 15 minutes).

However, this flexibility could, in specific situations, help the grid.

Elia took into account the following constraints for the new flexibility product:

- the flexibility will be activated with a longer activation delay (several hours);
- the concept of Transfer of Energy will be applicable (see pages 10-11).

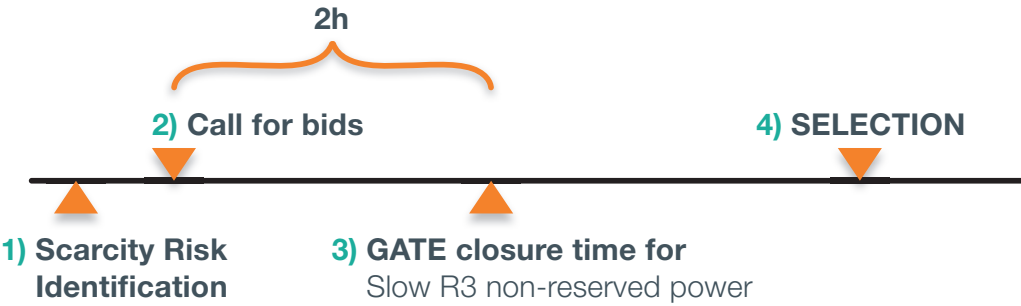
In order to allow a go-live of the product in early November, Elia proposed to use as much as possible the existing frameworks and tools.

Proposed approach

The solution foresees the extension of the existing R3 non-reserved power framework (=bids which are today submitted on the Bidladder platform with an activation delay of 15min) in order to allow slow bids. The proposed way to achieve it was:

- to adapt the existing R3 non-reserved General Framework Agreement by adding a specific rule that allows for a limited period (between 05-11-18 until 31-03-2019) the introduction of slow bids;
- to modify after consultation the Balancing rules.

Operational process in a nutshell



1) In case of identification of a scarcity risk (detected by a Technical Trigger), Elia launches a call for bids for a Period to Cover.

- An Activation happens within that Period to Cover, for a minimum of 1 hour and with possible prolongations.

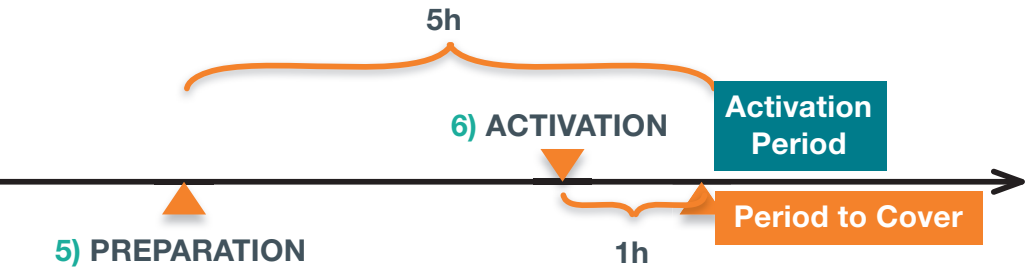
2) Bids are submitted for a Period to Cover and contain volume, price (fixed and variable) and repartition per delivery points.

- Bids can be cancelled prior to preparation.
- Volume of bids can be adapted up to +/- 20% prior to 1,5 hours before Period to Cover.

Possible timeslots for Scarcity Risk Identification (other timeslots are note excluded):

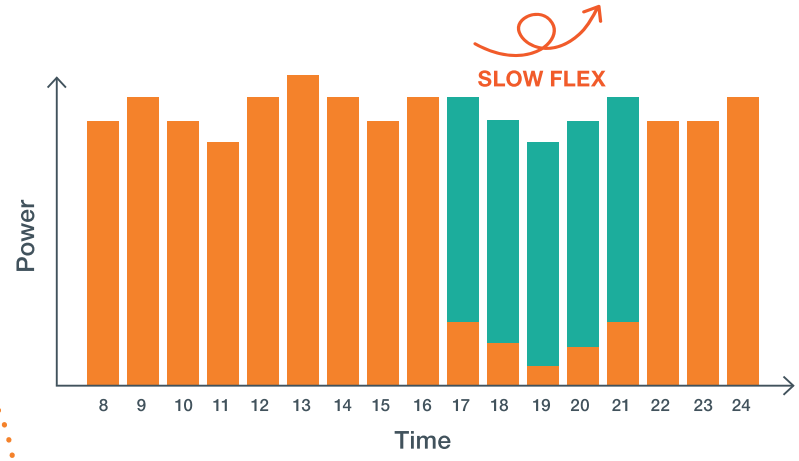
- 19h00 in D-1 for the morning peak;
- 8h00 in D for the evening peak.

The maximum duration of the bids is 4 hours (in the limits of the Period to Cover), unless the bidder informs Elia of possible prolongation.



- **3)** The gate closure time for bids will be 2 hours after the Technical Trigger.
- **4)** The selection of the bids is based on a merit order (costs of bids during the first hour until the needed volume is covered).
- **5)** 5h before Period to Cover, if the need is confirmed, Elia sends a preparation message to selected bids (until volume covered).
- **6)** 1h before Activation Period, if the need is confirmed, Elia sends an activation message to prepared bids.

Slow R3 non-reserved power: Product Identity Card



What is it?

In the case of Scarcity Risk Identification by Elia, Elia organizes a call for bids for a Period to Cover (morning peak or evening peak). The length of Period to Cover will be defined when Elia detects a risk of scarcity. The call will be sent by email to all BRPs, BSPs and any others who subscribed to the mailing list. Market players having slow flexibility can then offer incremental bids to Elia. Bids are sent for the entire Period to Cover.

Who can offer it?

Consumers and holders of decentralized generation connected to the transmission of distribution grid can offer Slow R3 non-reserved power. See page 8 for procedure.

Volume offered?

A minimum of 1 MW (can be spread across multiple site or offered with a partner).

The characteristics of the bids are:

- volume (applicable for the whole Period to Cover, volume is not divisible);
- fixed price [€/MW], with a cap to 1000€/MW;
- variable price [€/MWh];
- repartition of the volume per delivery point.

Selection of the bids:

Once the bids are offered, a selection is made based on a merit-order (costs of the bids during the first hour until the needed volume is covered). A preparation message is sent to the selected bids. However, these selected bids can be cancelled by Elia (or by the bidder if good reason).

How does Elia buy this service?

Market player can send the bids per email to Elia with a template provided by Elia.

Availability of the bids?

As it isn't a reservation product, the bid is supposed to be available only during the Period to Cover.

Remuneration

- If your bid is selected and prepared, you will receive, 1 hour before activation, an activation message. If you activate the bid as proposed to Elia, you will receive a remuneration corresponding to your fixed price (for the 1st hour) and variable price (Bid price [€/MWh] * Volume[MW] * effective activation duration [h]).
- If your bid is activated but you miss the activation or you do not activate the bid completely, the BRPbsp will be exposed to imbalance tariffs.
- If your bid is selected and prepared, but not activated, Elia will pay a compensation corresponding to the fixed price.

How to participate?

The conditions for participation to Slow R3 non-reserved power are the same as the conditions for participation to R3 non-reserved power.

Conditions for participation to Slow R3 non-reserved power

1. Open qualification procedure: administrative and financial checks
2. Signature of the contract (=General Framework Agreement)
3. Designation of an ARPbsp (who will take the responsibility in case of failed activation of partial activation)

Remarks:

- Delivery points already participating* to R3 (reserved/non-reserved) are not allowed to participate to Slow R3 non-reserved power.
- If Transfer of Energy applies (see pages 10-11), a bank guarantee is requested.

* participating = having signed or being included in a contract for participation to existing R3 (reserved/non-reserved)

FAQ

Is it possible for a delivery point connected to the distribution grid to participate?

Yes, it is possible. However, the delivery point should be included in a BSP-DSO contract and have a Network Flex Study (performed by the Distribution System Operator). Please contact your Distribution System Operator for more information.

Is it possible for a BSP to have several delivery points?

Yes, however, each delivery point needs a Grid User declaration.

May I combine the Slow R3 non-reserved power with already existing flexibility products such as R3 flex/standard or R3 non reserved?

No, if your delivery point is participating (=having signed or being part of a contract) to already existing flexibility, you cannot participate to the Slow R3 non-reserved power.

Is it a “drop-to” or “drop-by” product?

It is a “drop-by” product.

How will Elia evaluate if I correctly activated my flexibility?

Elia will compare the offtake power before activation and evaluate if the supplied flexibility is conform to the requested flexibility.

Once I received the activation message, when should I exactly activate my flexibility in order to avoid penalties?

Once you receive the activation message, your flexibility is supposed to be completely activated one hour after the reception of the activation message. I you activate the flexibility before, your BRPsource will be remunerated with the imbalance tariff.

Transfer of Energy (ToE)

As you may know, the Transfer of Energy rules have been approved by CREG and entered into force as from 1st of June 2018.

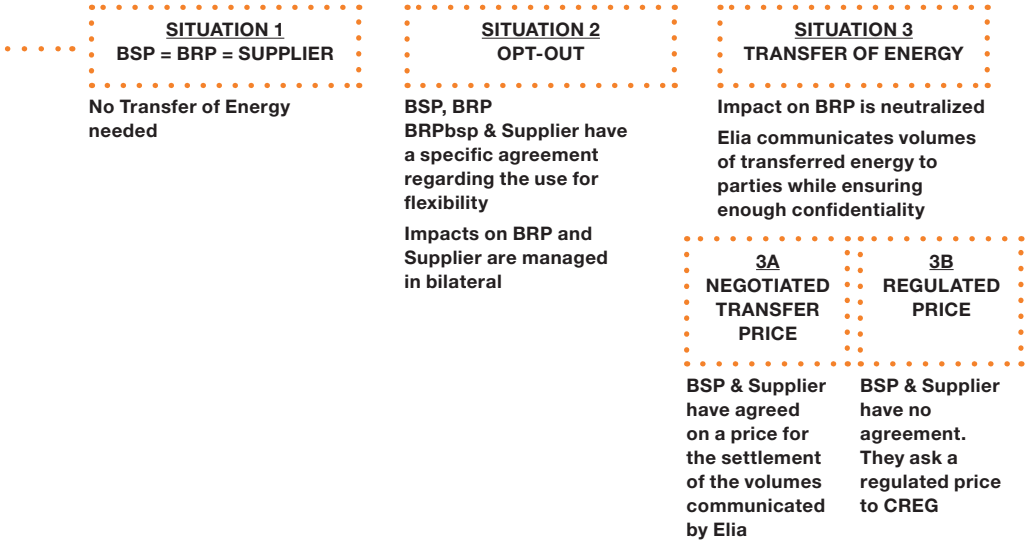
Who is concerned by the Transfer of Energy rules?

Transfer of Energy rules have been set up in order to allow non-CIPU market players to participate to balancing services, especially when the balancing service provider (BSP), balancing responsible party (BRP) and supplier do not belong to the same entity.

What is Transfer of Energy about?

Transfer of Energy rules determine in particular:

- the principles for the determination of the activated flexibility volume;
- the high level principles regarding the impact on the BRP caused by the activation of demand side flexibility;
- the exchange of information and data necessary for the implementation of the Transfer of Energy;
- in case of no bilateral agreement on the energy price of the energy that must be compensated to the supplier, the possibility to ask the CREG to set the energy price.



Why are Transfer of Energy rules necessary?

When a balancing service provider (BSP) is wishing to participate to non-reserved tertiary control power or Slow R3 non-reserved power, different situations are possible:

Situation 1

The BSP, BRP and supplier belong to the same entity.

⟶ No transfer of energy is needed

Situation 2

The BSP, BRP and supplier do not necessary belong to the same entity but have a specific agreement among themselves regarding compensation of energy and BRP's imbalance perimeter. This situation is called "Opt out" situation.

⟶ No transfer of energy is needed

Situation 3

The BSP, BRP and supplier do not belong to the same entity and do not have bilateral agreement for compensation of BRP's imbalance perimeter. In this situation, the Transfer of Energy rules apply meaning that Elia will compensate BRP's perimeter and communicate the transferred energy volumes to parties with enough confidentiality. In addition, if the BSP and the supplier do not have agreement on price for supplier's energy compensation, they can ask the CREG to set the energy price.

Need more information?

Feel free to contact us via

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- your Key Account Manager
- the Contracting Department (contracting_as@elia.be)

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