

# INEOS ChlorVinyls

18/03/2014

## Strategic Reserves – Elia Consultation

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### General

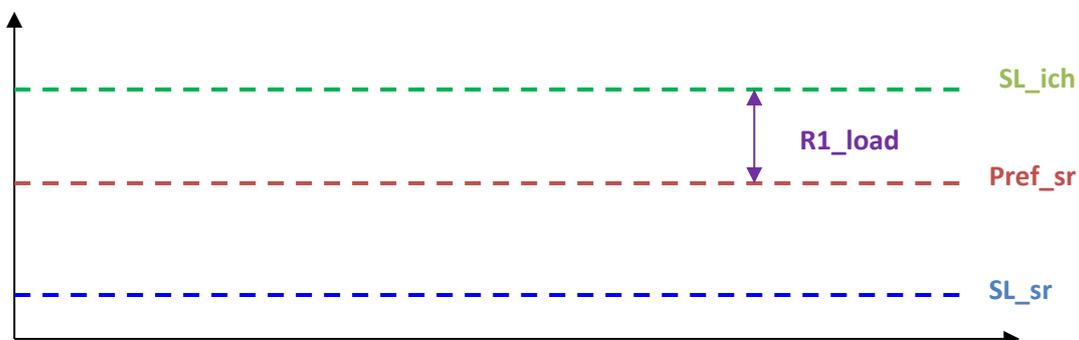
We agree with the fact that two products should be developed one with a shedding limit and another with a capacity obligation

### SGR:

- Product should be open to all Elia grid users including demand
  - Power plants also do not have 100% availability
  - Number of consecutive hours necessary for SR is intuitively limited unless simulations would provide a different analysis.
- No over design of the criteria
  - Criteria to be established should be based on the problem we need to solve
    - It is true that power plants can run more consecutive hours but how many consecutive hours does analysis show that the SR is to be activated?
    - 1h ramp up criteria is not needed for volumes activated via the economic trigger so this means that for the volumes needed for the economic trigger the firm confirmation can be given much earlier than 1h.
    - The number of activations needs to be carefully chosen and calibrated to the actual need based on the study in order to avoid overdesign. A very high number would make SDR relatively uncompetitive vs. SGR while the high number of activations is not needed and so adds costs for nothing.
  - Given the need to allocate MWs to the curtailed ARP we agree that for this product a capacity obligation is necessary, SL-product will not work.

### SDR:

- ICH selected companies should also be eligible to participate for additional MWs. In practice this would mean that the  $Pref_{sr} = SL_{ich} - Pb_{R1Load}$ .



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## Common remarks SDR & SGR

- 4 or 12h product
  - An alternative could be to go for a 4h product but allow for companies to remain “interrupted” for a max. 12h period and compensate the lost energy at Belpex price. This would allow for both types of DSR to be included.
- Activation criteria:
- Number of activations:
  - this number needs to be carefully chosen and calibrated to the actual need based on the study in order to avoid overdesign. A very high number would make SDR relatively uncompetitive vs. SGR while this may not be needed.
- Variable activation price : we believe that next to a fixed price, belpex + x€/MWh as price reference should be possible.
- Min & Max volume split
  - We appreciate the fact that a lock-out will be countered by putting a minimum level for DSR.
  - With respect to the maximum :
    - Elia mentions the issue of cannibalization of other reserve types currently provided by demand. The aim of Elia should however be the overall costs with respect to buying ancillary services and/or strategic reserve as long as demand side can provide additional volume at a lower costs this volume should be selected.
    - With respect to the argument of DSR having a maximum activation duration we question again the fact whether the problem we want to solve really is multiple consecutive hours ? more then 12h?
- Tests:
  - In case real-live tests with actually reducing power are required these should also be remunerated in the case of SDR.
- Transparency:
  - Publication of the anonymized bid curves
  - Publication of template contracts
  - Ex-post analysis if DSR alone could have been sufficient for the solving the issue and what would have been the saving.
- Tariffs
  - We would invite Elia to make a cost estimate of the system before putting it in place
  - For the costs of the system that are to be borne by the consumers this should be borne in a way that those consumers already helping the system by reacting on price signals do not contribute for these volumes to the cost of the system. A simple €/MWh on all volumes is not cost based.
  - A suggestion could be to distribute the consumer allocated costs pro rata the actual measured consumption at the 10 highest belpex hours of previous year or month.
- Structural shortage concept:

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- structural shortage is defined as a possible shortage beyond N-1 situations as for N-1 situations we have R3 reserves. Are however R1 and R2 today already not covering part of this structural shortage ? Will R1 & 2 volumes be reduced to avoid overlap?
- What is the difference between residual imbalances and structural shortage?
  - The minutes indicate that structural shortage is the opposite of residual imbalance. Can the word opposite be clarified ?