

Subject: Transparency on the calculation of the volumes for the strategic reserves

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## Introduction

FEBEG welcomes the consultation of Elia as regards the transparency on the calculation of the volumes for the strategic reserves. Elia has launched the consultation on the 1<sup>st</sup> of June, 2015 and distributed a presentation 'Transparency calculation volume strategic reserves'. The consultation closes on the 26<sup>th</sup> of June, 2015.

## FEBEG comments and suggestions

### *On the process, communication and transparency*

FEBEG would welcome more transparency on the underlying data and assumptions used by Elia for the adequacy assessment as this would help market players to better understand Elia's assessment and to have the best possible view on the Belgian adequacy situation for the coming winter.

FEBEG suggests Elia to centrally publish such data and assumptions, e.g.:

- an up-to-date list of power plants that are announced to close or mothball;
- the assumptions for the evolution of demand flexibility;
- more detailed information about underlying data would be useful, e.g. chart showing estimated distribution of the missing MW per hour, estimation on how often the shortage in Belgium would be driven by France, ...;
- the assumptions on the available capacity in neighboring countries in periods of cold spells;
- the contribution of the interconnectors, i.e. the available technical transfer capacity and not commercial capacity since these are not the same;
- identification of the impact of the N-1 criterion and loop-flow issues on new interconnection projects;
- ...

In order to increase the buy-in of stakeholders, FEBEG proposes that Elia consults on the assumptions that are used for the calculation of the volumes for the strategic reserves as well as on the outcome of the calculations. In this perspective, it would also be a good idea to provide some form of back-testing of the winter 2014-2015 as this would also improve the understanding in Elia assessment.

### *On the methodology*

First of all, FEBEG wants to point out that system adequacy – for which the assessment takes into account extreme conditions – is not necessarily equal to market adequacy which is rather based on average conditions.

FEBEG is also convinced that the current methodology for assessing system adequacy can be further improved, e.g.:

- the assessment should not only take into account officially announced closures and life time of power plants, but also the risks of further degrading market conditions for the existing power plants which could lead to more closures than already officially announced;
- the way to take into account the international environment should also be further improved which requires a stronger internal coordination amongst TSO's: the market conditions in other countries should be modelled to avoid double counting on available capacity through

interconnections and to avoid a too optimistic or pessimistic assumption on the future availability of generation capacity in the neighboring countries;

- the methodology should evolve towards a more integrated approach, i.e. making calculations for the global system – i.e. generation and transmission – and not for both separately.

***On the assumptions***

Demand:

- Could Elia please provide more information on the data used for the load and for the peak load scenarios (paragraph 3.2)?
- Is there any structural change in demand considered since 2010?
- Is the temperature sensitivity of 110MW/°C applicable for all hours of the day and also for very negative temperatures (i.e. high deltas versus reference temperature)?
- How is the demand elasticity taken into account in the present study? One can reasonably think that in case of scarcity – and corresponding high prices – additional flexibility could be found on demand side. The launch of the study (Pöyry) on this specific point is an improvement but the strategic reserve computation should already reflect some demand elasticity in case of high prices.

Generation:

- Is there any increase in wind/solar capacity taken into account?
- At this moment in time, there is still a huge uncertainty on the nuclear availability (decision on the future of Doel 3 and Tihange 2, accounting for 2.000MW together, is still pending)

Operational reserves:

- R1, R2 and R3 are not considered in the calculation. In order to avoid any double counting, the unplanned outages should only be the outages that are not covered by the reserves.
- If supply is derated by R1/R2/R3 needs and compared to a demand where R1/R2/R3 partially covered the demand, there is a risk to overestimate the strategic reserves' needs.

Interconnections/ imports:

- Import capacity is further reduced from 3,5 GW to 2,7 GW for the coming winter. Why is the import capacity from the Netherlands significantly lowering as the Tennet analysis of July 2014 indicates that there would be enough generation capacity (surplus) in the coming years?
- How is the import/export in the simulations considered: is it a model for Belgium only or is it based on a simulation of all CWE countries combined with an import limited to 2.7 GW during all hours?

***On the volumes to be procured***

FEPEG is also of the opinion that if there's not enough volume available to be contracted to guarantee a system adequacy of 3 hours of LOLE, this should be made public as a result of the tendering procedure together with the LOLE that is the result of the contracted volumes of strategic reserves.

Creating very tight market conditions in the procurement of strategic reserves risks to drain the available demand response from other flexibility markets like the day-ahead market, intraday market and balancing market, while many demand response products are more at their place in these markets.

***On the current market design***

Finally, FEPEG wants to emphasize its concern about the fact that the current market design, i.e. energy only market with strategic reserves, will not be able to ensure security of supply on the long run and to tackle properly the challenges that Belgium faces for the coming years with the decommissioning of both 6.000 MW nuclear capacity and obsolete fossil-fired power plants, as the strategic reserves don't give long-term signals for new investments.



FEBEG supports the strategic reserves as a transitory measure that buys some additional time, but that – at the same time – already shows its limits as well. Elia will probably not be able to contract enough capacities to meet the required volume of strategic reserves as some generation units are not eligible for the strategic reserves while other generation units will not be able to participate due to permitting issues or environmental or security regulation.

Therefore, FEBEG wants to call Elia to cooperate with all stakeholders to implement a market-wide capacity market in Belgium as soon as possible.

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