22nd January 2016

Object: Procedure for the constitution of strategic reserve - Energy Pool's response to Elia's consultation

Dear Madam/Sir,

Energy Pool welcomes the opportunity to provide views on your recent proposal for the Procedure of constitution of strategic reserve. You will find below a number of comments on some of the Procedure's clauses.

Although there will not be a Strategic Reserve call for tender in 2016, we believe our comments can inform future development of the Strategic Reserve for 2017 onwards.

Yours faithfully

Jacques Arbeille
Demand response market manager

Headquarters and Operations
Savoie Technolac – 20 rue du Lac Majeur
Parc Ouragan – Bât. C – BP 324
73 377 Le Bourget du Lac Cedex, France

www.energy-pool.eu

Commercial, IT and International
19 avenue Georges Pompidou
Immeuble Danica – Bât. A
69 003 Lyon France

Energy Pool response to the consultation

4.1.1: ***"In the case of portfolios containing Delivery Points with Submetering, it should be noted that the service cannot be delivered with more than 4 Submeters per MW offered"***

We do not understand the rational for this constraint. Also we believe the fact submetering has a cost means this requirement will be anyway met due to economic reasons.

5.1.1: ***"Important disclaimer: The assets in the SDR Unit used to provide the SDR Service with the SDR Reference Power should reduce electricity consumption (in MW) by changing, stopping or slowing down an energy-consuming process without relying on increased generation of electrical energy"***

Although this comment is beyond the scope of this Procedure, we believe backup generators should not be excluded from the participation in strategic reserve as they can provide added value to the electrical system and reduce the cost of sourcing the strategic reserve.

5.2.2 Certification of SDR Reference Power

"Signed grid user declaration confirming exclusivity regarding the participation of the grid user's Delivery Point in the SDR Candidate's SDR Unit and granting ELIA access to the Delivery Point's (past) metering data ;"

In the case of potential multiple years contracts (e.g. 3 years contracting period for SDR), the requirement to have a signed grid user declaration by March 2016 is a barrier to new entrants. Indeed, if a new entrant wishes to enter the SDR market, he will be largely limited in its number of MW it wishes to grow over the next 2 years as this number will be constrained by the March 2016 grid user declarations. It also forces grid users to commit to work with the SDR provider for a period of 3 years which is against the establishment of a competitive market on the SDR resources side.

Therefore, we recommend applying the following evolutions:

- Delaying the need to provide a signed declaration for the first year of delivery
- Removing it for year 2 and 3 and applying a deadline during year 2 and year 3 where the end user will have to provide the signed grid user declarations for delivery in year 2 and year 3.
- In addition allowing for secondary trading between SDR Service providers should facilitate the fulfilment of the contract.

"Exclusivity criteria governing the combination of Delivery Points participating in SDR DROP-TO, SDR DROP-BY and/or other ancillary services"

Combination Possible?	R3 DP with Headmeter	ICH with Headmeter	R1 Load with Headmeter
SDR DROP-TO with Headmeter	No	Yes, if TSO AP*	Yes, if TSO AP*
SDR DROP-BY with Headmeter	No	No	Yes, if TSO AP*
SDR DROP-TO with Submeter	No	No	No
SDR DROP-BY with Submeter	No	No	No
SDR DROP-TO within a CDS	No	Yes, subject to conditions	No
SDR DROP-BY within a CDS	No	Yes, subject to conditions	No

We believe the following combination should be made possible:

- R3DP and SDR : we believe issues related to the calculation of energy when there is a combined activation on both reserves can be treated by setting an order of priority in the way the delivered reserve is calculated (e.g. delivery of R3DP could be calculated in priority followed by the calculation of SDR delivery)
- SDR DROP BY and ICH with the condition that the SL ICH is higher than the Unsheddable Margin SDR
- We support the possible combination of SDR DROP BY and TO with R1 load and we would like the same possibility to be open when DSO connected access points will be authorised to participate in R1 load

5.2.2 Determination of the maximum Reference Power

"The pool Baseline is then reconstituted by the sum of the Baselines for the Delivery Points. This is used to deduce, for each quarter-hour, the actual metering measurement for the Delivery Point, and this difference is divided by the pool Baseline to define a reaction ratio R_{qh}. If the average of all the ratios R_{qh} for the quarter-hours (R) exceeds 20%, ELIA adjusts the maximum permitted SDR Reference Power of the pool (R_{ref}) as follows: […]"

This provision will limit the capabilities of Grid users with spot market indexed contracts to participate in the SDR. Access to the market should be on equal footing: Grid users with spot market indexed contracts have an incentive to adapt their behaviour based on price signal but should be able to access the SDR market in a similar way than customers without a spot market indexed contract.

SDR is remunerating the availability of the sites and the safety associated with a guarantee to see reduced load during critical hours. There is no behaviour change guaranteed just based on market signal.

Since the change in behaviour will be linked to the type of contract the Gris user has (indexed or not to spot market price) we think that a reduction based on historical behaviour cannot correctly capture the possible change in behaviour in the coming year.

Furthermore, we believe there is a threshold effect in ELIA's proposed formula. Indeed, there will be a significant discriminatory treatment between a pool for which R is 19% (no adjustment of R_{ref}) and a pool for which R is 21% (21% adjustment of R_{ref}). For a pool for which R is > 20%, we would recommend to adjust the R_{ref} only by the points of percentages above the 20% threshold.

"and flexible volume R_{refi}. The sum of the flexible volumes for all Delivery Points i must be equal to the SDR Reference Power "R_{ref}" of an SDR Unit"

It would be useful for SDR providers to be able to only provide metered data and receive from Elia the maximum SDR Reference Power as Elia may have more accurate/more complete metered data than the SDR providers.

5.3.2 SGR/SDR Contract // Relationship between the SDR Contract and other contracts

"SGR Contracts concluded following the Call for Tender will cover a contractual period of 1, 2 or 3 years from the 1 November of the Winter Period(s) for which the unit is selected until the 31 October following said period(s)."

We believe there is a typo here: SDR should be stated instead of SGR.

We welcome the fact that SDR contract could cover two or three years as it would give some revenue certainty to SDR providers and support the development of new SDR resources. However we believe it should be clearly stated that when a SDR unit is not delivering SDR (i.e. between April and October), the access points constituting this SDR unit should be free to participate in other ancillary services.

Bidding principles for SDR Candidates

" SDR Candidates can submit an offer for the 1st or several consecutive Winter Periods(always including the 1st) for which a volume of strategic reserve from SDR is stipulated by the Minister's instruction. Thus, if the Minister's instruction relates to an SDR volume for 3 years, SDR Candidates can make an offer covering the 1st Winter Period only, or multiple offers covering successively the 1st Winter Period as well as the 1st and 2nd Winter Periods and/or the 1st, 2ndand 3rdWinter Periods"

Although part of this comment is out of the scope of this consultation, we believe the constraint to make offers which always include the first year of delivery is against the principle of allowing new entrants to participate in SDR.