

Subject: Elia consultation on the procedure for the constitution of the strategic reserves for the winter period 2016–2017
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Introduction

On the 16th of December, 2016 Elia launched a consultation on the draft 'procedure for the constitution of strategic reserves applicable as of the 15th of February, 2016 for the tendering of strategic reserves for the winter period 2016–2017'. The deadline of this consultation is the 22nd of January, 2016.

FEPEG welcomes this consultation and would like to put forward the following comments and suggestions.

General comments and suggestions

Demand flexibility in the market

FEPEG has always been of the opinion that the market design should be such that demand flexibility is at maximum used within the actual market. Therefore, FEPEG applauds and supports the proposal of Elia to check the price sensitivity of the demand that is offered as SDR: capacity that consistently responded to Belpex prices higher than 150 EUR/MWh is excluded.

Need for simplification

FEPEG wants to repeat its concern that the already small Belgian market for ancillary and adequacy products is too fragmented. The fact that the market for ancillary and adequacy products consists of so many products has several downsides:

- it considerably reduces liquidity and competition;
- it becomes a real challenge for market parties to commercially and operationally manage such a large set of products;
- it hampers the evolution towards cross border exchange of such products.

Therefore FEPEG wants to repeat its recommendation to limit the number of standard products in order to increase liquidity, volumes and competition for each of the products and to avoid undue market fragmentation; this recommendation is – as regards the ancillary products – in line with the (draft) Network Code 'Electricity Balancing'.

Specific comments and suggestions

Simulation test

Simulation tests are tests before the start of the SDR or SGR contract to check whether the SDR or SGR supplier meets the technical requirements of the SDR or SGR contract. On the top of that, Elia reserves the right to ask for such simulation tests to check the 'good supply' of the service.

FEBEG recommends Elia to improve the definition of a simulation test taking into account the following:

- As the simulation test is a cost for the candidate that is not remunerated by Elia and in order to have a fair arrangement and a level playing field, *a//* selected candidates should undergo a simulation test. Elia can off course negotiate with the candidates about the timing of the test in order to optimize costs.
- Contrary to the supply tests during the SDR or SGR contract, simulations tests are performed before the start of the SDR or SGR contract. As the sentence 'On the top of that Elia reserves the right to ask for such simulation tests to check the 'good supply' of the service' is somewhat misleading, FEBEG recommends to explicitly exclude contracted SDR or SGR from the simulation tests as they have already proved their capability to supply the strategic reserve service. Elia can still ask for supply tests.

Planning

FEBEG also wants to address a concern as regards the planning of the tendering. Contract awarding can run until the 1st of November, 2016 (§3.1) but not being able to supply the strategic service as of the 1st of November, 2016 (§5.4) can be penalized. This is very unfair and unreasonable towards candidates that have to adapt/invest in their installations to be able to supply the strategic reserve service. Elia should provide sufficient time after contract rewarding to allow for these investments, and should exempt these candidates from penalties.

Submetering

The submeter installations on transmission or distribution grid level have to be commissioned before the 17th of October, 2016: penalties are foreseen if this deadline would not be met (§4.1.3 and §4.3.3). Meters at CDS level don't face the risk of penalties (§4.2): this is again unfair and results in an uneven playing field.

Pmax

FEBEG also wants to point to the differences in the definition of Pmax in CIPU and in the procedure for constitution of the strategic reserves. FEBEG urges Elia to remove this inconsistency, e.g. by adding an amendment in CIPU for the generation unit contracted in the strategic reserves.

Further evolution market design

FEBEG has always supported the mechanism of strategic reserves as it is a relatively easy to implement transitory measure with limited market distortion. Strategic reserves do buy some time, but don't as ensure security of supply on the long run.

FEBEG is of the opinion that the strategic reserves are not an enduring solution and that an initiative needs to be taken as soon as possible in order to develop an adequate and sustainable market design ensuring security of supply in Belgium.
