

Subject: Public consultation on the methodology, hypotheses and data for the dimensioning of the volume of strategic reserves for the winter 2017–2018  
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## Introduction

Elia is organizing a public consultation on the methodology, hypotheses and data for the dimensioning of the volume of strategic reserves for the winter 2017–2018. This consultation started at the 31<sup>st</sup> of May, 2016 and is open until the 28<sup>th</sup> of June, 2016.

FEPEG welcomes this opportunity to provide feedback on the methodology, hypotheses and data for the dimensioning of the volume of strategic reserves. FEPEG would also be happy to express its opinion – in a second consultation – on the actual data Elia used and on the results of the calculations.

The questions, comments and suggestions of FEPEG are not confidential.

## Assessment of strategic reserves should take into account the broader picture

FEPEG has always supported the mechanisms of the strategic reserves as a transitory measure as it is relatively easy to implement with only limited market distortion. Strategic reserves buy time, but don't ensure security of supply on the longer run. FEPEG is convinced that the strategic reserves are not a sustainable solution and that an initiative should be taken to develop and implement as soon as possible an adequate and sustainable market design that ensures the security of supply of Belgium.

Meanwhile the assessment of the strategic reserves shouldn't be limited to the next two winters, but take into account the broader picture, i.e. future evolutions in the market in Belgium and its surrounding countries:

- in its 'Adequacy study and estimation of the flexibility needs of the Belgian electricity system for the period 2017–2027' published on the 20th of April, 2016, Elia demonstrated the need for a structural block of 4.000 to 8.000 MW in the period 2023–2027, but also confirmed that:
  - o at short term there's less capacity needed (provided that all nuclear generation capacity remains in operation), but the capacity needs will increase when the nuclear phase-out starts;
  - o gas-fired power plants are not profitable anymore;
  - o the Belgian electricity system requires more flexibility;
- further degrading market conditions for the existing power plants could lead to more closures than already officially announced; this phenomenon will happen in Belgium but most likely in other countries as well;
- 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 as well to avoid that multiple countries are counting on the same available capacity.

The assessment of the volumes of strategic reserves should thus not be limited to the need of contracting power plants for the next winter, but should also take into account the adequacy and flexibility needs on the longer run, and thus the evolution of the available capacity to meet these needs: although existing power plants could possibly not be needed for next winter, they can nevertheless be important to secure the future Belgian adequacy and flexibility needs in a cost efficient way later on. In this perspective, the assessment should take into account the fact that existing power plants that are announced to close and that are not contracted for the strategic reserves, can be permanently lost for the system. Contracting these power plants – even in a mothballed state – allows Elia and the Belgian Government to avoid a lack of capacity to cover the future strategic reserve needs. Ideally, and as mentioned above, the mechanism of strategic reserves should as soon as possible be replaced by a sustainable market design: strategic reserves contracts should thus be designed in such a way that they don't hamper, but are aligned with the implementation of a new market design.

### **Questions, comments and suggestions on the methodology, hypotheses and data**

#### ***On the methodology***

##### General

FEBEG is of the opinion that the applied methodology does not sufficiently allow to take into account congestion issues at local level mainly linked to onshore and offshore wind. Introducing the grid – and its constraints – as an element in the modelling could have a significant impact on the results. FEBEG is also wondering whether Elia assesses the re-dispatch possibilities in the event the whole stack is already used to cover the load?

##### Page 8 – Energy Not Served (ENS)

How does the model spread the unserved energy on the constrained hours? Does the model distribute the volume over several hours – meaning that there are several hours taken into account in the LOLE – or does it put it all on one single hour?

##### Page 15 – Availability

Elia is assuming 100% availability of the units in strategic reserves which FEBEG considers too optimistic as these units are generally older and as cold units are more likely to trip. FEBEG is of the opinion that Elia should foresee additional volumes of strategic reserves to cover this risk.

Elia considers the unavailability of units, but did Elia also assess unavailability of the grid? Is it realistic to assume that the grid is 100 % available?

#### ***On the hypotheses and data***

##### Page 22 – Unplanned unavailabilities

FEBEG is of the opinion that the unplanned unavailabilities should be reviewed and based on more recent figures: FEBEG is not convinced that historical data of before 2014 best reflect the current availability ratio of the units.

##### Page 27 – Wind generation

Does ELIA consider a different load factor for onshore and offshore wind generation? What is the level of detail for the load factor assessment? Is it done per region? Does Elia take into account a simultaneous cut-off of wind parks in the event of too much wind in storm weather conditions?

##### Page 29 – Hydro and pump storage

What is the level of energy is Elia considering of the pump storage facilities? As the unit is contracted to provide black-start service (and sometimes N-1), it is necessary to de-rate the generation level. Assuming that the full energy can be economically dispatched is too optimistic.

Page 31 – Market response

It is difficult to understand and assess the level of the available volume of market response, as it depends on market prices and spreads. If the value of market response is not sufficiently high in the market, industrial companies will not wish to invest in the equipment and technology – that is required to participate with demand response in the market – without a support mechanism (cfr. SDR/R3DP) to cover the investments' costs.

The study of Pöyry is limited as it is based on a 32 % answer rate. Would it not be a good idea to improve and update the study of Pöyry?

Page 33 – Interconnections

FEBEG has several questions and comments on the Elia proposals and assumptions as regards interconnections as they seem not to reflect the actual lower operational and commercial guarantees that are given to market participants:

- Does Elia correct the realized load in France with the 'shed volumes' ('volumes effaçables') by the EJP ('Effacement Jour de Pointe')? On page 24 of its report, ELIA explicitly mentioned that the profile does not take into account the possible impact of demand response reaction to high prices but does not mention if this is already done for the French load profile. EJP should be properly taken into account like it is done in Belgium.
- What will be the impact of the new interconnection between Belgium and Luxembourg on the flow-based domain after its go-live? This should be clearly documented.
- Using only one flow-based domain (low wind and very cold) only reflect one specific winter condition: FEBEG recommends to use more types of flow based-domains or to verify with a reference capacity in the NTC methodology.
- How will the TSOs guarantee that the interconnection capacity will be used efficiently and in a non-discriminatory way? Certain days in September and October 2015 have demonstrated that Belgium can enter in to 'artificial scarcity situations' due to limited import capacities at the Belgian borders due to non-competitive flows. The impact of such flows – also at non-scarcity moments – should be quantified.

Page 38 – Flow-based methodology

ELIA states that there is no guarantee that the different fall-back solutions will be accepted by other TSOs in the event of a scarcity situation in Belgium. This means that in reality the flow-based domain might even be more constrained. Therefore, FEBEG is of the opinion that Elia should also consider another scenario to take this potential limitation into account.

In the past months the high prices in Belgium appeared to be often caused by the activation of the intuitive patch. It is not clear whether this patch is taken into account or not in the reference flow-based domain.

***On transparency***

FEBEG calls upon Elia to publish all non-confidential data that are used as input for the assessment, in a detailed way, e.g. tables in annex to the study and preferably made available electronically on the website of Elia (Excel format). To allow own forecasting and re-assessments by market participants, the following detailed information should be published as well:

- the Belgian asset base (Y, Y+1, Y+2, ...) used in the modelling;
- the flow-based domains used in the modelling.

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