

Febeliec answer to the public consultation of Elia on the design proposal for the Bidladder Pilot Project

Febeliec welcomes the consultation by Elia on the design proposal for the Bidladder Pilot Project, which has been discussed during a number of meetings of the Task Force Bidladder over the course of the months May to July 2016. Febeliec has since many years been a fierce proponent of a Bidladder project, in order to open up the market for free bids in the balancing market from CIPU units to all other sources of flexibility, in order to create a level playing field and in the end lower the total cost of balancing through better competition to the benefit of all grid users. As such, Febeliec encourages the on-going developments by Elia in this field. Despite the fact that several comments made during the abovementioned meetings by Febeliec (as well as other stakeholders) have already been incorporated in the Elia design proposal, Febeliec still has following questions and comments concerning this proposal.

As a first remark, Febeliec takes note of the limitation by Elia of the scope of the bidladder project to the A2 and A3 models of the CREG and would strongly like to invite the CREG as well as Elia to keep an open spirit towards the so-called B2 model in the study of the CREG on flexibility, the model with correction of perimeters in order to make any activation of flexibility at a load facility totally transparent to the supplier of this facility and as such remove any potential for retaliatory action by a supplier against the grid user as any action by the latter would be invisible to the former. This issue has been raised on many occasions by Febeliec representatives during the meetings of the Task Force Bidladder and also the CREG has during these meetings formally asked Elia at several instances to investigate the potential of this model for those grid users connected to the transmission grid, even though this option was not formally retained in the CREG study itself but has been discussed and the potential of this model recognized by the CREG in subsequent meetings on the aforementioned CREG study with Elia representatives present. The CREG agreed with the potential value of this model for the not very competitive segment of the Belgian wholesale market for the very large (mostly transmission connected) grid users and thus Febeliec would strongly insist that the CREG and Elia strongly monitor the evolution of Demand Side Response participation to the bidladder and the extent to which grid users can valorize their flexibility without encountering active or passive opposition to this from their suppliers or from other parties. Febeliec does not want to slow down the implementation of the bidladder project in Q2/Q3 2017, as it strongly believes the bidladder will have a positive impact on competition and thus prices in the balancing market, but would nevertheless ask both parties to formally organize an evaluation of the bidladder project and specifically the impact of the non-implementation of the B2-model in this first pilot project, especially in the segment of the transmission connect industrial grid users for the abovementioned reasons. In case the results would be not fully satisfactory concerning demand side participation, Febeliec formally asks that Elia should also investigate the B2-model, as even though the number of demand facilities connected to the transmission grid is fairly limited in number, their potential and capacity for demand side response and thus flexibility in a bidladder project is far from negligible (as is also proven by their participation in many other Elia products such as R1, R3DP, SDR, ICH, etcetera).

Febeliec would also like to re-iterate in the framework of this consultation its general comment made during several meetings and consultations of the Task Force Balancing on the need for a level-playing

field for all R3 products in a common merit order, meaning that all R3 products should have an activation price.

With respect to the current pilot status of the bidladder project, Febeliec hopes that the bidladder will very quickly evolve beyond the pilot status and be opened not only to BRPs, but also to other actors as well as all flexibility sources, also including those delivery points located in the distribution grids and distribution-connected CDSs (thus not limited to the transmission grid and those delivery points within transmission-connected CDSs). Moreover, as described above, Febeliec would also like to extend the scope for transfer of energy beyond the bilateral models (with an agreed or regulated price, the latter being needed as a fallback solution) and also include a model with correction of the perimeters in case the current approach does not lead to satisfactory demand side participation levels.

Febeliec wants to stress the utmost importance of confidentiality in the treatment of (commercially sensitive) information but also towards the information linked to activation of flexibility directly and specifically attributable to specific grid users available to their suppliers, for the reasons described above. Febeliec is still very cautious about the guarantee of confidentiality of activation of flexibility of individual grid users towards their suppliers in the A2 and A3 models, even despite Elia arguments about aggregation of activated flexibility volumes per supplier/BRPsource, and would like to iterate its point on monitoring of the bidladder project in its current scope without the B2 model.

With respect to the comment of Elia (p8 of the consultation) on the respect of roles and responsibilities in the development of new market models and products, Febeliec would like to get a better understanding of the meaning of this comment by Elia, as it is unclear to which roles and responsibilities Elia refers here. The same applies to the next comment on market principles, where it is also unclear whether this is just a general comment or referring to specific elements. With respect to the last principle of simplicity and accessibility, Febeliec is always in favor of such endeavor, but this principle should however not lead to sub-optimal solutions and models, just for the sake of simplicity and accessibility. Serious issues often require serious and complex, yet correct and equitable solutions. Promoting a level-playing field as a guiding principle by Elia is strongly supported by Febeliec and has always formed the core of its argument in favor of a Bidladder project.

With respect to the distinction between BSP and FSP, Febeliec wants to stress that within the Elia context, where maintaining a balance between supply and demand at any point is one of the main tasks of the TSO, this distinction might be limited and thus both concepts might be interchangeable within this consultation and project. However, within a broader flexibility context, this distinction is very important, as flexibility goes far beyond the realm of the balancing market. A BSP is only a specific instance of an FSP and in any case limited to those flexibility providers that can react within the short timeframes required for the balancing market, which represents only the tip of the (demand side) flexibility iceberg.

With respect to the principle that every FSP should have balancing responsibility, Febeliec agrees with this point, to the extent that this responsibility is limited to the volume of flexibility that is offered and can be transferred to another actor (which is also in line with the vision of Elia).

With respect to the mutual exclusivity of participation of a delivery point in both the Bidladder and other R3 products, Febeliec would like to iterate its comments made during the meetings of the Task Force Bidladder that this creates an important threshold, as grid users (and their FSPs) will have to make trade-offs between participating in R3 auctions for capacity or participation in Bidladder. If a grid user

(and his FSP) are selected for a (reservation-based) R3 product for only a very minimal fraction of his total flexibility capacity, the remainder of this capacity will be lost for the balancing market as it will not be allowed to participate to the Bidladder. Therefore, Febeliec insists that Elia investigates within a short timeframe the potential to remove this limitation by providing a solution for guaranteeing that the reserved R3-capacity is still available for Elia if it would have to be called upon, while at the same time not foreclosing the balancing market for the remainder of the flexibility. For many industrial players, longer term visibility of production cycles (and thus flexibility availability) are not perfect, which would mean that being able to participate to R3 capacity auctions with certain capacity and to the Bidladder with all other flexibility that would only become visible in much shorter timeframes than those of the R3 capacity auctions would provide much more flexibility volume to the Bidladder and the balancing market, to the benefit of all grid users. Febeliec has no specific comments towards the proposed solution of flexible pool management, other than that every endeavor that facilitates the participation of grid users to both R3 and bidladder is highly encouraged. Febeliec would however also like to remind Elia that combining R3 and bidladder participation should not be limited to those actors participating via aggregators (with a pool of delivery points) but also from an FSP (industrial grid user) who is his own FSP and activates flexibility only from one or a limited number of delivery points and for whom pool management is not an issue. A solution that allows participation to both R3 and bidladder for them, as mentioned above, should not be overlooked. Moreover, Febeliec would also like to reiterate its comment made during the July meeting of the Task Force Bidladder on the possibility of allowing multiple FSP on a delivery point; again, in many cases (industrial) grid users may want to offer part of their flexibility themselves directly to Elia (as their own FSP, e.g. their very flexible processes or permanently available flexibility) to the balancing market, while other flexibility could be offered through an aggregator (e.g. less flexible processes or temporal flexibility, for which combination with other delivery points in the perimeter of an FSP/aggregator could be a valuable element). Febeliec would like to ask Elia to investigate this point in-depth, in order to facilitate as much as possible the capability of grid users to directly participate in the balancing market, in order to increase attractiveness and competition and create an as large as possible level-playing field.

With respect to the “opt-out” option proposed by FEBEG, Febeliec is a priori not opposed towards this solution insofar this will allow for more flexibility to find its way to the balancing market and will not hamper the development of the standard solution.

With respect to the simulation test, it is unclear for Febeliec whether each individual delivery point of an FSP needs to undergo a separate simulation test or only on the aggregated level of the pool of an FSP, as an FSP does not have to undergo a new simulation test with each adaptation of its pool. Moreover, Febeliec would like to get a better understanding on the reasoning behind and the impact of the non-correction of the perimeter of the BRPfsp in case of a simulation test.

Febeliec also noticed in the consultation document (p16) that Elia states that an offer is only valid in case the price lies within the limits of -2999,99 €/MWh and 4499,99 €/MWh. Febeliec would like to understand the reasoning and justification behind these price limitations.

With respect to the comment of Elia on congestion management and the Red/Green zone system (p16 of the proposal), Febeliec would like to see some additional validation of Elia on the approach for those delivery points below 25MW (at this point excluded from the Red/Green zone policy if well understood) or for those delivery points that are part of a pool that is larger than 25 MW, but where all points are

not necessarily all located within (a) red zone(s). Moreover, Febeliec would like to know where the inclusion of those delivery points with a flexibility capacity above 25 MW into the Red/Green zone policy, in analogy with the approach of CIPU units as prescribed in the CIPU contract, is described and formalized and whether this has already been approved by the federal regulator and if so, in which context.

With respect to the information transfer between parties and from and towards Elia, Elia mentions the “flex access register” and states that Elia receives the required information from the CDSO for delivery points on the CDS, but it is unclear if and what communication system and protocol will or should be used of this. Febeliec would like to get some more clarification on this point from Elia, whether this will be by use of existing communication systems and protocols or whether additional systems and protocols will have to be created (in which case, there should be a consultation of the relevant stakeholders).

With respect to the new “supplier contract” between Elia and suppliers, Febeliec would like to point out that in the case of a B2-solution, such contract would not be required.