



Public consultation: Amendments to the Access Responsible Party contract (ARP contract)

Explanatory memorandum on the proposed amendments

Period of consultation: from 07/11/2016 to 02/12/2016

Elia

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PRACTICAL INFORMATION

This note explains in résumé the reasons for the proposed modifications. The document submitted for consultation is the ARP contract. Suggested additions and deletions are displayed in the text in track changes mode. This consultation aims to obtain any comments from the parties concerned. All comments received in this connection will be passed on to the regulators when the official applications for approval of the amendments to the ARP contract are submitted.

It should be noted that all remarks will be made public at the end of the consultation unless the replying party asks his reply to remain confidential.

All reactions that are relative to elements not within the scope of the present consultation will not be taken into account by Elia.

Market parties have up to four weeks for submitting their remarks. Reactions can be sent at latest until 2 December 2016 at 6pm.

All reactions need to be sent by mail to the following address: cs@elia.be

The documents submitted for consultation can be found on the Elia website.

INTRODUCTION

Elia's proposed amendments to the Access Responsible Party contract (or ARP contract) are vital for the 2017 implementation of the new balancing service for tertiary control energy, which was developed within the framework of the BidLadder project¹. The ARP contract needs to be amended to cover the way in which adjustment of imbalance is managed within the ARP balancing perimeters concerned by the supply of this ancillary service.

This will involve integrating new concepts into the ARP contract: the role of provider of tertiary control energy; the role of 'ARP' associated to this provider; the impact on the balancing perimeter; and the transfer of information to the relevant ARPs.

Elia also suggests incorporating various other points into the ARP contract:

- alignment of definitions of the text with the CACM Regulation²;
- the repeal of Article 7(3) of the Electricity Act, which affects the ARP contract in several places;
- suggested clarifications to be added to Article 18;
- changes relating to the R3 product;
- the rules applying to the balancing perimeter within the framework of a non-CIPU R2 pilot project.

1. Amendments linked to the introduction of the balancing service for tertiary control energy

Proposed amendments:

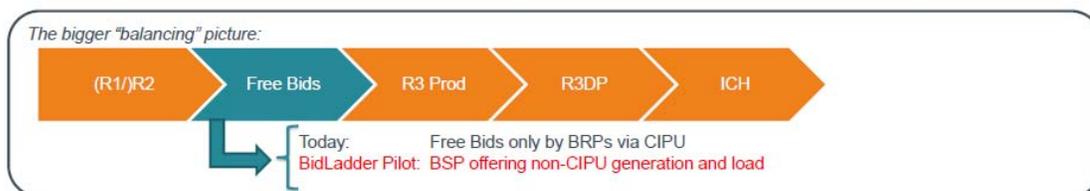
Articles 1, 10.1, 10.2, 11, 11.1.2 and 18

1.1. Background

The BidLadder pilot project aims to create a platform allowing 'free bids' so that flexibility can be offered freely from delivery points on the Elia grid. Free bids will be offered to Elia by operators commonly named "Balancing Service Providers" or "BSPs" (who may be various types of market player, like independent aggregators, grid users or ARPs) from non-CIPU generation and load connected to the Elia grid.

¹ See the extensive work conducted on the subject by the Users Group, plus the documents exchanged: http://www.elia.be/en/users-group/Working-Group_Balancing/Task_Force_BidLadder.

² The CACM Regulation, or Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.



Under the current legal framework, the BidLadder pilot project will be accessible in two scenarios:

- delivery points on the Elia grid³ where the BSP, the supplier and the ARPs (ARP associated with the BSP and ARP responsible for access at the relevant delivery point) are the same party (the 'implicit flex' scenario);
- delivery points on the Elia grid where the BSP and the supplier and the two ARPs have concluded a bilateral agreement (the 'opt out' scenario).

Impact on the ARP contract

Elia suggests the following amendments to the ARP contract:

- addition of certain definitions to Article 1 (Provider of tertiary control energy by non-CIPU Technical Units, ARP associated with a Provider of tertiary control energy by non-CIPU Technical Units);
- impact of the new role 'ARP associated with a Provider of tertiary control energy by non-CIPU Technical Units', ' on ARPs' individual balancing obligation (see Article 10.1) and ARPs' contribution to the responsive balancing mechanism (see Article 10.2);
- extension of the incentive correction applicable in the event of provision of the tertiary control energy service (see article 11,1, 2(a)),
- addition of information exchange procedures to be applied in order to prevent counterbalancing (see Article 11.1.2 (a));
- Inclusion of a new article 11.1.2 (b) containing modalities linked to primary control, initially included as an exception to the general rule defined in article 11.1.2 (a). This is only a modification in terms of form to make article 11.1.2 (a) more readable and to isolate the exceptions to this general rule in following paragraphs (similarly to paragraphs 11.1.2 (c), 11.1.2 (d) and 11.1.2 (e));
- clarification of the impact that provision of the balancing service for tertiary control energy will have on the metering data supplied to Elia by the relevant ARPs (see Article 18).

1.2. Impact on the definitions

Proposed amendments:

Article 1

³ That is, the federal transmission system and the local transmission system.

Addition of the concept Provider of tertiary control energy by non-CIPU Technical Units
(hereinafter: provider of tertiary control energy):

Service Provider is a role or market function fulfilled by a market player. The concept of provider of tertiary control energy needs to be added to the contract; it will be used in Articles 1, 10, 11.1.2 (a), and 18.

As for the choice of the word 'provider': 'provider' is preferable to 'supplier', as use of the latter term may lead to confusion with the role of the commodity supplier on the electricity market.

The definition of provider is also used with the definition of R3DP (cf. point 4). With this in mind, Elia suggests using this term to replace the concept 'Supplier of Dynamic Profiles'.

Addition of the concept 'ARP associated with a provider of tertiary control energy'

As per the third principle established by CREG in its study on measures to facilitate participation of demand in energy markets in Belgium (160503-CDC-1459) (hereinafter named "the CREG study"), a provider of tertiary control energy must take on responsibility for balance for the activation of the flexibility under its management.

The current market model at regulatory level is structured around the central role of the ARP. Unless this market model is changed fundamentally, it would be unjustifiable for some players to be able to influence the balance on the grid without the creation of a special ARP for providers of balancing services.

All provider of tertiary control energy must therefore appoint an ARP for each of their delivery points (not necessarily the same ARP for all delivery points). They may be ARPs themselves, in which case they fulfil both roles.

Consequently, the concept 'ARP associated with a provider of tertiary control energy' needs to be added to the contract; it will be used in Articles 10, 11.1.2 (a) and 18⁴.

Revision of the definition of 'Delivery Point':

Finally, Elia suggests revising the definition of 'Delivery Point', which is no longer accurate given the changes to balancing services. The definition currently refers to "flexibility and load-shedding" services, whereas in future, Delivery Points will also be used for balancing services. Since the word "flexibility" has been replaced by the word "balancing", it is important to specify that Delivery Points are also relevant for Strategic Demand Reserve.

⁴ It is important to note that the various roles an ARP may fulfil are described in the access contract (Appendices 3, 3bis, 3ter, 9, 10, 11 and 14bis to the access contract); this role is different here in that it is not conferred by the access holder, but by a balancing service provider.

1.3. Impact on the ARPs' individual balancing obligation

Proposed amendments:

Articles 10.1 and 10.2

Elia suggests adding a new paragraph to Article 10.1 to point out that imbalances can also occur in the balancing perimeters of ARPs acting in their capacity as ARPs associated with a provider of tertiary control energy, and that these imbalances will be subject to the imbalance tariff just like any other imbalances.

As for Article 10.2, it is vital to specify that an ARP associated with a provider of tertiary control energy cannot participate to the overall objective of maintaining balance in the control area for the part of its perimeter linked to its activity as an ARP associated with a provider of tertiary control energy.

1.4. Impact on allocation to the balancing perimeter

Proposed amendment:

New article: 11.1.2 (a)

Article 11.1.2 (a) must also include the rules for notifying the ARP. If Elia is performing an activation of the tertiary control energy service (by non-CIPU Technical Units), the ARP responsible for the relevant delivery point is always informed that the flexibility in its portfolio is being activated.

Elia sends an initial notification to the ARP responsible for the relevant delivery points no more than 15 minutes after the start of the activation period. This notification sets out the volume of flexibility , aggregated for each ARP for all Delivery Points within his portfolio, based on non-approved information supplied to Elia by the provider of tertiary control energy. As such, the ARP is aware of the estimated impact on its portfolio, which prevents counterbalancing.

There is also a second notification: Elia sends the ARP a second notification no more than 15 minutes after the end of the activation period. This details the volume of flexibility activated, aggregated for each ARP for all Delivery Points within his portfolio, based on non-approved information supplied to Elia by the provider of tertiary control energy. As such, the ARPs in question can see the estimated impact on their portfolio, which prevents counterbalancing.

1.5. Impact on exchanges of data

Proposed amendment:

Article 18

The transfer of aggregated and validated (or otherwise) metering data is not affected by the balancing service for tertiary control energy because these data will not change.

That said, Elia suggests expanding Article 18 to specify that the relevant ARPs receive data each month on the imbalance settlement volume for their imbalance perimeter. These data are to be provided in line with existing procedures, which are also to be described in this article in future (see point 4 of the memorandum).

It is worth pointing out that adjustments to imbalance perimeters are always performed at portfolio level and that no information is shared regarding the delivery points themselves in order to ensure the confidentiality of commercially sensitive data.

Elia also suggests expanding the title of the article to better reflect its expanded content.

Finally, following recent requests for clarification from CDS operators in the Users' Group, Elia suggests adding to the first and last paragraphs of Article 18. That way, it will be possible to determine that different rules apply in the cases described in the first and last paragraphs.

The first paragraph refers solely to access points directly connected to the Elia grid, whereas the last paragraph refers to the transfer of metering data for CDS access points connected to a Closed Distribution System (as described in Appendix 14 of the Access Contract and the grid codes on electricity distribution).

2. Clarification of the concepts 'CCP' and 'shipping agent'

Proposed amendment:

Article 1

As VREG pointed out⁵, the concepts 'CCP' (central counterparty) and 'shipping agent' need to be perfectly harmonised with those same concepts as used in the CACM Network Code (Articles 2(42) and 2(43)).

The proposed amendments aim to align the terminology used in the ARP contract with the official terminology used in the European Regulation. In practice, the amended text would specify that CCPs and shipping agents are 'entities' rather than legal persons.

3. Repeal of Article 7(3) of the Electricity Act

Proposed amendments:

Articles 1, 11.1.2 (d), 12.2.1(4) and 16.5

⁵ VREG decision (BESL-2016-06) regarding the last application to amend the ARP contract.

Appendices: Appendix 3 (footnote) and Appendix 5, point 1.2(5)

The amendment of the Electricity Act on 21 July 2016 alters the support arrangements for offshore wind energy production⁶, most notably by repealing the contract mechanism for the purchase-sale of electrical energy and the management of deviations in production as organised by Article 7(3) of the Act. The repeal of Article 7(3) of the Act will mean that the rules implementing the mechanism within the ARP contract need to be deleted, with the overall effect that the conventional rules will be applied to offshore wind energy production too.

Elia suggests the following amendments:

- Article 1: Deletion of the definitions for 'Energy Production Forecast' and 'Production Deviation Rules');
- Article 11.1.2 (d): Deletion of the description of the mechanism for managing deviations in production;
- Article 12.2.1(4): Deletion of the additional nomination rules for production deviations;
- Article 16.5: Deletion of the rules governing the compensation billed by Elia for production deviations;
- Appendix 3: Amendment of the footnote referring to imbalance adjustment;
- Appendix 5, point 1.2(5): Deletion of the rules on cut-off times for nomination.

4. Reorganisation of R3 products

Proposed amendments:

Articles 1, new article 11.1.2 (d)

Products linked to the tertiary control energy service are undergoing broad changes. Starting from 1 January 2017 the products R3 Production and R3 DP will be replaced by the products R3 Standard and R3 Flex which will be open to CIPU and non-CIPU units. This ascribes in a bid to have ancillary services that are more technically neutral.

2017: product opening

	CIPU	Non CIPU		CIPU	Non CIPU
Standard product	R3 Prod (€)	-	➔	Standard product	R3 Standard (€) R3 Standard
Specific products (limited energy)	-	R3DP ICH (€)		Specific products (limited energy)	R3 Flex (€) R3 Flex ICH (€) ⁽¹⁾

Elia suggests replacing the definition 'Supplier of Dynamic Profiles' in favour of the more generic concept provider of tertiary control power by non-CIPU technical units. The notion 'Supplier of Dynamic Profiles' has been thus removed from the list of definitions.

⁶ Act of 21 July 2016 amending the Act of 29 April 1999 concerning organisation of the electricity market with regard to the modification of the mechanism for granting green certificates for electricity produced as per Article 6, the financing of the undersea cable and production deviations, published in the Belgian Official Gazette on 26 September 2016.

Elia also suggests referring to the name of the service provided by the provider of tertiary control power by non-CIPU technical units in Article 11.1.2 (d), as in other sub-sections of the article.

Since the new term 'technical unit' is used here⁷ (not to be confused with 'production unit'), Elia suggests defining it in Article 1 of the contract.

5. Non-correction of the balancing perimeter for the non-CIPU R2 pilot project

Proposed amendment:

New article 11.1.2 (e)

Elia suggests adding a new point, 11.1.2 (e), to Article 11 in order to clearly define the impact on the balancing perimeter of the ARPs concerned by the non-CIPU R2 pilot project. This point is intended to be applied temporarily, i.e. only for the actual duration of the project.

As such, there is a need to stipulate that if Elia asks a Balancing Service Provider to activate flexibility within the framework of the non-CIPU R2 pilot project and this activation would have an impact on an ARP's balancing perimeter, the balancing perimeter will not be corrected for the duration of the modification or the interruption.

Elia also undertakes to notify ARPs that may experience an impact in their balancing perimeter at least 15 calendar days before the actual start of the pilot project and 15 calendar days before the end of the operational period of the pilot project.

6. Miscellaneous

Proposed amendments:

Articles 1, 11.1.2 (c)

Appendices 5 and 6

Elia suggests improving the definition of 'Internal Day-Ahead Transfer of Energy' to reflect the content of the definition used for 'Internal Intraday Transfer of Energy'.

Elia also suggests harmonising references to the CIPU contract in the text and appendices:

- removing the capital letter on the word "contract" in Articles 11.1.2 (c) because this concept is not defined;
- using the familiar acronym CIPU in Appendices 5 and 6, as in the text of the general terms and conditions.

⁷ The R1 GFA defines this concept as follows: "A resource connected within the Control Area of ELIA or another TSO participating in the Regional Procurement Platform, able to provide the Primary Control Power service and having been prequalified as such. In the ELIA Control Area, it can be a Non-CIPU Technical Unit (subject to the terms and condition of this General Framework) or a CIPU Technical Unit (subject to the terms and conditions of a specific general framework)."