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Sent: vrijdag 27 januari 2017 14:06

To: Usersgroup

Cc: febeliec

Subject: Febeliec answer to the Elia consultation on the Procedure of Constitution of the Strategic Reserve

Dear Sir or Madam,

Please find below the Febeliec answer to the Elia consultation on the Procedure of Constitution of the Strategic Reserve.

In case of questions or remarks, do not hesitate to contact me.

Kind regards,

Michaël

Febeliec answer to the Elia consultation on the Procedure of Constitution of the Strategic Reserve

With respect to the consultation of Elia on the Procedure for the Constitution of the Strategic Reserve, Febeliec would like to make following remarks, which include both punctual comments as well as more general comments. Moreover, Febeliec reserves itself the right to further comments on all aspects related to the Strategic Reserve as well as the practical implementation of the Constitution of the Strategic Reserve in the following month, following the Ministerial Decree of January 2017.

- With respect to the background (p10) of the Procedure, Febeliec takes note that Elia states “Elia shall report to CREG and the Minister [...] and its report shall include a most optimal **technical**-economic proposal for the combination of offers”, where the technical criterion was added by Elia. Febeliec does not agree at all, as the technical aspect should be covered by the product description and requirements. The only evaluation to still make at this point is an economic optimization, not again analyzing the technical characteristics.
- With respect to point 3.3 (p14), Elia states “and as the case may be, 2018/2019 and 2019/2020”. As the Ministerial Decree creates a strategic Reserve for all three years, the “as the case may be” should be removed.
- With respect to point 3.5, in the meantime a Ministerial Decree has been published in January 2017, instructing Elia to compose a strategic reserve for all winters up to 2019/2020 of 900MW. The Febeliec interpretation of this Ministerial Decree is that it does not preclude participation to the strategic reserve with products with a shorter duration than (all) three winters (so also per winter period) and does not preclude for parties willing to offer volumes to the strategic reserve to participate to tenders at a point closer to the following winters (does not now for all three winters, but yearly for each following winter). It otherwise would be very difficult for many potential participants to the strategic reserve to offer any volumes, as long term visibility (three winters/years in the future) on production and consumption planning would be very difficult and thus potential volumes greatly reduced.
- With respect to point 5 (p21), Febeliec finds the wording “as amended from time to time” vague and not relevant.
- On point 5.1.2 (p23), on the disclaimer added on the participation of assets for SDR Units, Febeliec strongly reiterates its position that it has already shared at every consultation on the

fact that it is the **offtake** at the connection point of a consumer that is important for the determination of the volume for the strategic reserve and not the consumption of specific processes on the same site. The consumption of each individual process is irrelevant as a reduction in such consumption could be countered by an as large reduction in local generation on the same site, thus complying with the requirements for participation to the SDR, while not at all providing a contribution to the system. It is irrelevant by which means a consumer delivers the reduction in offtake, as long as the required offtake reduction at the connection point to the grid, which in the end helps to alleviate the stress on the system, can be delivered.

- With respect to point 5.2.2 (p24), Febeliec wonders what profile Elia will apply in all other cases than those mentioned, and on which data such profile would then be based, as presumably no winter period data would exist. Moreover, Febeliec notices that in footnote 10, Elia mentions that it will be “fair” when deciding whether the data will be taken into account, but such vague selection criterion is not explicit enough and could lead to discriminatory selection criteria and discussion.
- In the same point 5.2.2 (p27), Elia writes: “Justified explanation if certain periods have to be corrected due to significant developments foreseen [...]. Elia and the SDR Candidate will consult each other in order to determine how metering data will be corrected”. Febeliec takes note that Elia wants to find a pragmatic solution for such problems. Nevertheless, Febeliec wonders who will in the end decide after aforementioned consultation between both parties and if there is the possibility to contest the outcome of such decision in case the SDR Candidate (or Elia, if it would not be up to Elia to decide) would not agree.
- Again in the same point 5.2.2 (p27), Elia states “As described hereby above, if the Delivery Point is a Submetering or CDS Delivery Point, SDR Candidates must also submit validated metering data for the periods 1/10/2014-31/03/2015, 1/10/2015-31/3/2016 and 1/10/2016-28/02/2017.”, Febeliec asks Elia to bring this in line with the elements on page 24 and elsewhere in the document on the rules to apply in case such data would not exist, in order not to preclude these SDR Candidates.
- With respect to the table presented by Elia (p28) on the exclusivity criteria, Febeliec wants to reiterate its general position that all combinations between balancing and strategic reserve products should by default be possible, unless explicitly excluded from such combination by Elia based on transparent, detailed, justified and validated criteria.
- With respect to the determination of the maximum reference power, Febeliec wants to strongly reiterate its position, as already given in previous consultations and discussion on this topic, that this is a major error in the reasoning applied by Elia to de-rate all volumes offered by SDR Candidacies by those volumes that in the past were not being consumed at moments where the Belgian DAM price was above the (arbitrary) threshold of 150€/MWh. First, this arbitrary value has no justified relevance for the discussion on this product, even more as such events have not occurred frequently enough in recent winter periods to be able to deduce any statically significant conclusions. This also refers to the methodology with representative days as described by Elia, as it would be very difficult to determine sufficient days that are both significant for the system and at the same time significant for the behavior and consumption patterns of the SDR Candidate in question, thus opening the door to the application of non-transparent and arbitrary selection criteria. Second, results of the past are no guarantee for the future. As economic conjuncture, order books of consumers, must-run obligations, availability (addition or removal) of production processes and production lines, ... can differ in time, the results of the past cannot in any case be linearly transposed to future behavior. This is even more relevant for the strategic reserve, as this product is conceived as an insurance policy against system inadequacy. By excluding

aforementioned volumes, Elia excludes low-hanging (and thus cheaper) fruits from participation and at the same time does not guarantee a similar impact and behavior by consumers in the future, thus jeopardizing the adequacy of the system by the way this de-rating mechanism is set up. Febeliec strongly wants to urge Elia and all other involved decision makers to revisit this mechanism, in order to avoid any issues related to it in the future.

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