

Subject: Elia consultation on the input data for the dimensioning of the volumes of the strategic reserves for Winter 2019–2020
Date: 24 September 2018
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Introduction

Elia is organizing a public consultation on the input data for the dimensioning of the volumes of the strategic reserves for Winter 2019–2020. The deadline of the consultation is the 24th of September, 2018.

FEBEG welcomes this consultation and thanks Elia for creating this opportunity for all stakeholders to express their comments and suggestions. The comments and suggestions of FEBEG are not confidential.

Too optimistic growth rate for market response

FEBEG would like to thank Elia for its efforts to try to improve the estimation of the volume of market response which will be taken into account in the analysis to determine the volume of strategic reserves. The work performed together with E-Cube is considered to be very valuable.

Nevertheless FEBEG is seriously doubting if the choice for a 7 % growth rate for market response is realistic. Indeed, the result of the study of E-Cube are three extrapolation scenario's that could all three – according to the consultant – be defended: the scenarios vary from 4 % and 5 % to 7 % global volume growth. FEBEG has the impression that the choice for the 7 % global volume growth is a 'policy decision', rather than a choice substantiated with economic arguments. With regard to the 7 % global volume growth scenario, E-Cube clearly states that the market response is not intrinsically unlimited and the value is very impacted by the strong increase of year 2017–2018 which might not necessary repeat in the future.

FEBEG sees some arguments that justify this statement of E-Cube:

- The evolution of the volume of demand response is to some extent interlinked with the procurement of demand side products – strategic reserves or balancing products – by Elia: participants tend to prefer the strategic reserves or reserved ancillary services products to acquire a capacity fee in order to make the operation profitable. If Elia has a high demand for reserved products, the related capacity fees will possibly trigger investments to develop more demand response. If the need for reserved products would drop, part of the developed demand response could remain in the market but a part could also disappear again. So, the framework for procurement of strategic reserves and ancillary services can boost the development of market response, but it is unclear how long this effect will last.
- Therefore a strong growth of demand response should be clearly motivated by an expected relevant change in the market itself that would increase the profitability of the implicit demand response products in the market. In this respect, it should also be taken into account that the expected increase of economic growth might reduce the operational margin of industrial players to lower their production for market response actions, unless the expected remuneration would increase significantly.

Therefore FEBEG proposes to opt for the 4 or 5 % growth rate as a more cautious and realistic approach for the future evolution.
