

Public consultation from Elia on new aFRR design

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REstore response

Key points of REstore's response:

- REstore supports Elia's baseline concept proposal
- REstore supports the demonstration of 4-hour delivery capability through qualitative elements rather than a simulation, but suggests that such a Test could be organized if paid
- REstore supports Elia's proposal regarding Test profiles and assessment criteria, but asks for a minimum tolerance expressed in MWs instead of % for small providing groups, so they are not discriminated compared to larger ones.
- REstore calls Elia to reconsider its proposed planning for split procurement of FCR and aFRR in order to implement it as for 1 January 2019
- REstore considers the proposed additional penalty following non-delivered MWs during an activation is not relevant, as exposure to imbalance risk is sufficient
- REstore supports Elia's proposal regarding design of availability tests, but recalls the need to pay the BSPs for the cost of such tests.
- REstore considers Elia's proposal to implement a price cap on energy bids is not relevant
- REstore supports the implementation of ToE in aFRR, and recalls the need to widen the scope of ToE to include net injectors as well

Baseline concept for aFRR

REstore fully supports Elia's proposal to implement a baseline based on a 1-min ahead forecast sent by the BSP every 4 seconds. We believe this will be a key enabler to allow for an efficient settlement of the aFRR volumes delivered by assets than be very volatile (such as Demand Response or wind farms), allowing to set a clean baseline.

At this stage, REstore however requests from Elia an additional delay to further analyze the concrete requirements associated to this baseline proposal. We fully support that quality checks should be implemented to ensure the baseline provided is of sufficient quality, but need further analysis to assess the proposed criteria regarding:

- The 1-min ahead value proposed: This proposal does contribute to offer a workable framework, but closer to real-time value (e.g. 30 sec) might bring some valuable additional certainty to the forecast, while still avoiding gaming opportunities.
- The check criteria proposed by Elia (Relative Root Mean Square Error with respect to the average daily baseline < 5%, with 2% outliers excluded) also seems as an efficient proposal for the needed control of the baseline quality. However, further analysis are also needed to ensure these are workable criteria. Also, we believe the Test should be long enough to provide a number of Samples sufficiently large to have a relevant root mean square analysis, and will run further analysis to propose some durations.

Availability requirement

REstore supports Elia proposal not to test the 4-hour energy requirement through a simulation test that would indeed be expensive and lead to important additional costs since such tests are not paid.

The information requested to explain how the 4-hour requirement will be ensured should however be sufficiently clear and solid to allow for this alternative.

Another option that could be foreseen would be to pay the BSP for the energy delivered during the 4-hour test, so that (i) it demonstrates with higher certainty the ability of the asset to respect the requirement, and (ii) covers the cost associated to the test. We underline that this kind of (at least partially) remunerated test are implemented in other countries (like the French mFRR).

Test results

REstore notes that the tolerance bands for prequalification and activation control are expressed in % of the prequalified power. As these plays in favor of larger Providing groups (they will be able to more easily add a given flexible asset as they benefit from wider tolerances expressed in MWs), we ask that a minimum threshold is implemented (*e.g.* +/- 1 MW tolerance) to not hamper arrival of new aFRR groups on the market. As soon as their size increases, the proposed tolerance in % can be applied.

Proposed way forward with respect to the joint procurement of FCR and aFRR

As underlined in its response to the Elia survey on split of FCR and aFRR procurement released earlier in 2018, REstore challenges the proposal of Elia to wait until the launch of the new aFRR design to implement the split procurement.

Indeed, the current joint procurement creates a highly opaque environment for participants to the FCR auction only, and clearly gives an advantage to the participants to both auctions. Indeed, FCR participants have no information regarding how the must-run costs of CCGTs are split by the BSP between FCR and aFRR since the prices of submitted aFRR non-selected bids is not communicated. This gives such BSPs the ability to force a dumping of prices of FCR given this asymmetry of information, and artificially lowers the price of FCR local auctions. Concretely, to be selected in FCR local auction a BSP offering only FCR has to guess how the must-run costs are split between FCR and aFRR offered volumes by BSPs offering both, and hence have to propose lower than require prices to get a chance to be selected.

Since the must-run costs of CCGTs participating in aFRR anyway have to be born most of the time as of today (because of a lack of liquidity in aFRR), we ask Elia to reconsider its conclusions and implementation as of January 2019 a split procurement of FCR and aFRR. This will contribute to create more transparent price formation processes, and since ending the artificial downward pressure on local FCR prices, lead to a temporary increase in FCR prices. However, we believe that this is justified since the current situation offers unequal access to information. This increase should also be limited since it is more logic for CCGTS to include entirely the must-run costs in the aFRR bids, therefore leading to lower FCR bids for those MWs.

Penalty for missed activation

REstore understands Elia proposes to apply a specific penalty for the missing MWs following an activation of aFRR, that will lead to reduce both capacity and energy remuneration. We do underline that it seems inappropriate to add this layer of penalty in addition to the exposure to imbalance price for missed activations (which should be the right and only penalty for activation revenues).

Availability Test

REstore supports Elia's proposal to implement such checks only when the liquidity will increase sufficiently in aFRR so that some capacities start to be activated less often, therefore requiring to check

from time to time that they are still able to deliver. In the current situation, since all MWs are frequently activated this indeed does not require an additional test.

Maximum activation price for reserved bids

REstore does not support Elia's proposal to implement a price cap for reserved bids.

In particular, we foresee situations where the price of aFRR bids could indeed be higher than available mFRR bids, but that would not have been activated by Elia for several reasons, including the fact that a response time <15 minutes was required. As soon as aFRR bids are activated by the controller it is that a lack or excess of power is identified on the Grid: to fill this gap Elia can manually activate FRR bids if they happen to be at lower cost, but they will need 15 min to reach full power. In the meantime, aFRR can be activated, and therefore the price can reflect the quicker response time.

Transfer of energy to aFRR

REstore supports the implementation of ToE to aFRR. We think this topic should not only be considered through current scope of the law, which limits ToE to net offtakers, but within the wider scope of all assets provided by independent BSPs. Indeed, the ToE as such should not be limited to Demand Response assets, since it is justified by the need to organize the transfer of energy between two parties with the help of a neutral third party.

We do believe that Demand Response will play a role in the new aFRR product, but even should the volumes be limited, ToE would be justified to handle the participation of other assets such as distributed generation.

Therefore, we support a wider scope for ToE, and its implementation to aFRR given this is an energy content product with a merit order activation.

Additional comments

As pointed in previous consultations, we believe that availability tests should be remunerated when they are successful. Especially, since principle 12 detailed on page 33 leads a BSP wanting to retest a providing group to not be able to participate to aFRR during that moment, this add an additional layer of costs to bear.

Regarding the information to provide on delivery point level detailed on page 27, it is not clear why Elia could not get that information from the EAN code, avoiding implementing the requested process.

Same for the max / min offtake at delivery point level, the need for this information is unclear since Elia already has the aFRR max at this granularity.

The principle presented on page 50 regarding the impossibility to have 2 energy bids with a mix of reserved and non-reserved power is unclear, and we would like to get further elements justifying this since this limitation can raise some issues for the pricing of assets with different opportunity costs.