



# **Report on “public consultation of Proposal for an implementation plan for new aFRR design and separated procurement of FCR and aFRR”**

Public Consultation held between 09/11/2018 – 05/12/2018

**Market Development**

20/12/2018



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## INTRODUCTION

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The aim of the consultation was to receive feedback of the stakeholders on the proposed implementation plan. The consultation was launched on the 9<sup>th</sup> of November 2018 and ended on the 5<sup>th</sup> of December 2018. The consulted document can be found on the website of [Elia](#).

The consulted document presented a proposal for an implementation plan concerning:

- Part I: the new aFRR design (including a recommendation on ToE)
- Part II: the separated procurement of FCR and aFRR products

In addition, other topics are described in the consulted document:

- A description on how data will be collected for the aFRR settlement for non-CIPU assets (assets without an individual power obligation) on both the TSO and (C)DSO grid.
- A proposal for the organisation of the capacity tender with a combined procurement of 24-hour blocks and 4-hour blocks. Also the timings of the capacity tenders for FCR, aFRR and mFRR are described.
- ELIA proposes also an integrated implementation plan for aFRR and mFRR considering the constraints set by the other balancing projects identified for 2019.

Elia has received feedback on the design note from the following stakeholders:

- Actility
- FEBELIEC
- FEBEG
- Fluvius
- Next Kraftwerke
- Restore
- One confidential contribution

This consultation report consolidates the received feedback of the stakeholders on the proposition for the aFRR implementation plan and the other topics which have been consulted. The other received feedback will be discussed through the relevant communication channels.

Elia has made four changes in the adjusted proposition for the aFRR implementation plan following the feedback received during the consultation:

- In its initial plan Elia proposed to organize in a first phase the aFRR tender on D-2 in the afternoon. Based on the received feedback, Elia will organize the daily aFRR tender at D-1 09h00 and will publish the result at the latest at 09h30.
- Elia will implement additional bidding obligations. For example, a BSP will not be allowed to offer aFRR reserves via 4-hour blocks with a total cost higher than the offered 24-hour block. There will be also an interdependency between the total cost of symmetrical and the associated asymmetrical bids.
- Initially, Elia proposed 2 different go live dates, i.e. March 2020 and July 2020 with a strong preference for July 2020. Elia has updated the aFRR implementation plan and proposes now only a go-live of the new aFRR design together with the start of a separated procurement for aFRR and FCR products in July 2020.
- Elia foresees a re-assessment of ToE in the aFRR market in the course of 2019 instead of 2020 as initially proposed.

After the publication of this consultation note, Elia will further communicate to and coordinate with the stakeholders for the relevant topics via the working group balancing.

## PART 1: Proposition of the implementation plan of the new aFRR design

### 1. Generic aFRR design

#### 1.1. Capacity tender

In this section, the feedback received on the methodology for the capacity tender is grouped together.

Stakeholder	Feedback of Stakeholder on bidding blocks and bidding obligations
<p><b>FEPEG</b></p>	<p><b>FEPEG welcomes and supports the introduction of 24-hour blocks in the design</b></p> <p>FEPEG considers <b>the introduction of the procurement of 24-hour blocks in the design as a huge improvement for CCGT's, clearly an evolution which is much appreciated.</b> It allows a reasonable coverage of the start-up costs of CCGT's which allows them to continue to participate and which increases the overall efficiency of the system. FEPEG also wants to remind that Elia<sup>1</sup> has recognized the importance of CCGT's for the supply of aFRR.</p> <p>The combination of 24-hour blocks with 4-hour blocks allow for aFRR allows on the hand a reasonable coverage of start-up costs for CCGT's and opens the market for non-baseload market participations on the other hand. <b>Unfortunately, to allow this combination a high number of complex bidding obligations will need to be created. As a result of this, an intermediate implementation of aFRR bidding in D-2 is proposed</b> while the target model is bidding in D-1.</p> <p><b>FEPEG opposes an intermediate implementation of aFRR bidding in D-2 and proposes to go directly to the target model of the long term vision of Elia for FCR, aFRR and mFRR, i.e. D-1 bidding without bidding obligations.</b></p> <p>This would be possible if in first instance an evolution towards daily 24 hours block would be envisaged instead of immediately going for an implementation of 4 hours blocks. This would be similar to the approach which is taken by the FCR cooperation, i.e. evolution to daily 24 hours blocks in July 2019 and 4 hours blocks 1 year later. FEPEG would thus propose to start with a simplified approach for 24 hour blocks for aFRR, but with portfolio's of CIPU and non-CIPU combined. An evolution towards daily 24 hour blocks with mixed portfolio's would normally be able to create much more liquidity than a complex split with heavy bidding obligations which will create operational issues and risks.</p> <p>In order to be able to implement the full target model, a set of exclusive orders (or linked orders) should be developed. Market participants could then cover all different bidding possibilities and would be able to</p>

	<p>reflect the according opportunity or operating cost of an asset. With such rules a market participant can spread his starting cost over 24 blocks, 16-hour, 12-hour, 8-hour blocks or 4-hour blocks. As these rules commonly know from BELPEX bidding, the experience for such bidding is already present in the market. FEBEG is convinced that exclusive block orders (or linked orders) will lead to a better cost optimization for the procurement of aFRR by providing a wider combination of bids at a better price. In addition, it allows all market participants to participate and it will increase competition (a 12-hour or -hour block could be cheaper than a 4-hour block).</p> <p>FEBEG would also like to suggest to investigate going live with the daily tendering outside the winter months (so postpone one or two months) and on the aFRR mid-summer might be risky due to the must run schemes which may be required (for the envisaged units).</p> <p><sup>1</sup> 'Adequacy study and assessment of the need for flexibility in the Belgian electricity system – period 2017-2027', Elia, 20<sup>th</sup> April, 2016.</p>
<p><b>RESTORE</b></p>	<p>REstore understands the purpose of the proposal made to allow 24-hour blocks bids during the capacity tender, with the associated obligation to bid for all underlying 4-hour blocks.</p> <p>However, REstore is highly concerned that this design would result in the impossibility for bids covering only specific 4-hour blocks to compete with such 24-hour block offers, especially if they are asymmetric. Even if more competitive, bids covering only isolated 4-hour blocks would have no guarantee to be selected, therefore will not be able to compete with bids covering all 4-hour blocks of a given day. This will result in keeping the aFRR market closed to new entrants and technologies.</p> <p>-&gt; REstore points to Elia that allowing 24-hour symmetric blocks will create a major barrier for new capacities that will offer aFRR either on &lt;24-hour or on asymmetric basis, not bringing the fruits of a competitive and liquid market. Until no guarantee is given that such 24-hour symmetric bids will not lead to such a barrier, we ask Elia to allow only 4-hour blocks asymmetric bids.</p>
<p><b>NEXT KRAFTWERKE</b></p>	<p>Next Kraftwerke rejects the proposed bidding rules. Next Kraftwerke considers 24h blocks and symmetric bids major design errors that consolidate the existing aFRR market design and hamper a competitive market. The acclaimed short-term increase in procurement costs with 4h-asymmetrical-bids from CCGTs are not weighted against the negative impact of design decisions tailored to CCGTs on the long-term. We emphasize that a cost increase is (i) possible yet not-proven and (ii) temporary in nature. Next Kraftwerke proposes that Elia organises an open round-table discussion on the cost arguments made by all (potential) aFRR providers.</p> <p><b>Target model is the final most efficient solution:</b> Elia clarified in several meetings that the mid-term and final design for the bids for aFRR would foresee 4h blocks and asymmetric bids that are placed</p>

	<p>independently and cannot be combined among each other. Elia further states that this Target Model is the most efficient solution and should therefore be the ultimate product design.</p> <p><b>Next Kraftwerke agrees with this view.</b> This model is not only the to-be-expected European generic model that will allow cross-border sourcing; it also has already proven to stimulate competition and drastically reduce prices in neighbouring domestic markets. For instance, in Germany aFRR capacity prices are close to zero.</p> <p>Therefore, Next Kraftwerke is very surprised that it still proposes a two-stop solution, which would allow 24h and symmetrical blocks in a transition model. In general, a two-stop solution is opposed by almost all market parties, because:</p> <ul style="list-style-type: none"> <li>○ Such transition models put the market incumbents in charge of the speed at which the target model is reached.</li> <li>○ Transition models require additional and unnecessary implementation costs both for the market parties and Elia. Given the large number of operational changes ahead, Next Kraftwerke pleads for a direct switch to the Target Model.</li> </ul> <p>Next Kraftwerke does not find back a single technical argument in Elia's design note to delay the Target Model.</p> <p>The only reason given is the threat of increasing aFRR procurement costs. Next Kraftwerke would like to highlight several considerations about this claim:</p> <ul style="list-style-type: none"> <li>○ We would like to point out that this argument is only brought forward by those parties who currently operate on the aFRR market as a protected oligopoly.</li> <li>○ The current aFRR market is known to be an oligopoly with limited competition. The suggestion of some stakeholders that prices on this market are built in competition and are therefore close to marginal costs are far-fetched and not credible. Based on a comparison with other European countries, Next Kraftwerke finds it reasonable to assume that prices on the aFRR market are far above the prices in a more competitive market. This likely long-term reduction in procurement costs has not gotten the attention it deserves.</li> <li>○ A short-term cost increase is possible but not proven. It is even possible that the increased but limited competition from new market participants in the period after the opening of the market might already be enough to mitigate or even overcompensate the claimed cost increase. Indeed, on a free market the incumbents will have to react to the market pressure immediately.</li> <li>○ But even if 4h blocks and asymmetric sourcing would result in a temporary cost increase, this is not at all bad. On the contrary, it is a herald of increased future market</li> </ul>
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	<p>competition. Why? Almost any market design change will result in a temporary cost increases but eventually, they will be the main driver for new providers to join the market and more asset owners to offer their flexibility – the same way as the supply curve shifts after cost increases on almost any market nicely shown in the picture of one pork cycle swing (Ezekiel).</p> <ul style="list-style-type: none"> <li>○ Most importantly, Next Kraftwerke fears that the debate on costs is fed with ungrounded arguments. To give an example: In one answer to the last consultation we read the claim that the start-up costs would have to be priced in each 4h block. This argument is – certainly also to Elia’s knowledge – far from what one would expect:             <ul style="list-style-type: none"> <li>a) The argument is first only valid when the plants are severely out of the money. When they are in the money it is obsolete and when they are slightly out of the money they can ride through between blocks (at Pmin) at reasonable costs. If a 140 MW Pmin asset is out of the money with 10 EUR/MWh it can still ride through a full day at Pmin before it even reaches the start-up cost level. Note that we verified these cost figures with a colleague at Next Kraftwerke who was responsible for the dispatch of CCGTs at a large European utility for several years.</li> <li>b) No market party designs its bids on the worst-case scenario, which is the basis for this claim. The worst-case scenario for a market participant with an asset with high start-up costs would be that he is either only selected for one 4h block or for several 4h blocks that are so far from each other that a ride-through at minimum power (with low market prices) is more expensive than a start- and stop.</li> <li>c) All market parties learn! In the small market of aFRR it is highly unlikely that the market would be in permanent reshuffle mode. Market parties will be able to add probabilities to different possible outcomes following their bidding strategy. They would therefore learn when the risk of start and stops is high, when they can ride-through etc.</li> </ul> </li> </ul> <p>We conclude that the mere adding of start-up costs to each 4h block would be an unwise strategy. Next Kraftwerke does not find it credible that an experienced and competent flexibility provider would bid in that way and maintain it under growing competition.</p> <p>Next Kraftwerke would like to warn Elia for the threat of market power exertion:</p> <ul style="list-style-type: none"> <li>○ When 4h blocks can be offered together with 24h blocks: The current market participants can just offer the 24h block at their normal price and offer the 4h blocks at very high</li> </ul>
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	<p>prices. This will lead to the situation that in the beginning the 4h blocks can never be combined to a competitive 24h block unless the aggregators can right from the beginning offer significant volumes and combinations.</p> <ul style="list-style-type: none"> <li>○ symmetric and asymmetric bids: The same holds for the symmetric and asymmetric bids. The asymmetric bids can be overpriced which will make the combination with asymmetric bids from aggregators unlikely if not impossible.</li> </ul> <p><b>To conclude:</b></p> <ul style="list-style-type: none"> <li>○ <b>Next Kraftwerke asks Elia to reconsider its implementation plan. To avoid market power exertion the new aFRR design should only allow 4 h blocks and only asymmetric bids that cannot be combined among each other and bids that are fully divisible down to 1 to 5 MW.</b></li> <li>○ <b>As long as CCGTs are in the money on average or close-to in the money (e.g. max 15 EUR/MWh below) there is no reason to allow 24h bids and symmetrical bids. This should be considered, and Elia should only switch (e.g. on monthly basis) to the proposed transitional solution when CCGTs are out of the money.</b></li> <li>○ <b>If Elia does allow 24h blocks and symmetric bids and puts a bidding obligation to bid 4h and asymmetric bids, then it is indispensable that the overall costs of the 6 x 4h blocks (pendant to the 24h block) and the asymmetric bids (pendant to the symmetric bid) can in overall costs not exceed (or only to a limited extent) the overall costs of the 24h and symmetric bids. We however think that this solution would be far from optimal and as aforementioned only postpones the target model that also Elia foresees.</b></li> <li>○ <b>Regarding the argument of a cost increase: Next Kraftwerke regrets that there was at no point an open discussion about the arguments for cost drivers. Next Kraftwerke was always open for a grounded and honest discussion and is willing to learn an accept all arguments that are solid. We fear Elia is confronted with arguments from all sides without an open debate in which naturally all parties tend to strengthen arguments by exaggeration. Next Kraftwerke would still welcome such discussion.</b></li> </ul>
<p><b>Activity</b></p>	<ul style="list-style-type: none"> <li>• Bidding rules <ul style="list-style-type: none"> <li>○ Activity does not agree with the 24hour, symmetric block possibilities : <ul style="list-style-type: none"> <li>▪ it is uncertain that the price would really increase without them as the start-up cost argument is not always valid (when fully in the money, or when running at PMIN is an option,....)</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ it will delay the integration of non cipu units, hence also the price decrease that goes with it. It looks like the risk of short term price increases is deemed more important as long term and more considerable price decreases</li> <li>▪ Even when a short term price increase would materialize, this could be an incentive for more market players to enter the market and innovate and allow them to make investments required to bid assymetric 4 hour blocks.</li> <li>○ The ideal market design according to Actility is one with assymetric, 4 hour blocks as described by ELIA. We however do not see the need for a temporary step which allows the 24hour blocks.</li> </ul>
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### Elia's answer

Elia takes note of the considerations and remarks on the increased cost for the capacity tender if only 4-hour blocks would be allowed. FEBEG explains that in such a case the start-up costs must be considered separately in each bid per 4-hour block. Elia observes that negative clean spark spreads occur on a regular basis and accepts the statement that start costs are an important factor for the price determination of a bid. Elia accepts also the comment from others that higher prices should indeed lead to the entry of new technologies in the market, triggering an evolution to a capacity procurement which is less dependent on negative clean spark spreads. Elia has however no guarantee that new technologies will enter the aFRR balancing capacity market fast enough and with a sufficient high volume making the costs for aFRR reserves independent from negative clean spark spreads.

FEBEG proposes, in a first step, an evolution towards daily and only 24-hour blocks for the capacity tender. Allowing only in first instance 24-hour blocks is not considered as an acceptable solution for Elia as this will be a barrier for the entry of non-CIPU assets.

Elia observes the fundamental different point of views of stakeholders. Some are in favor of only 4-hour blocks and others prefer a capacity tender with only 24-hour blocks. Elia believes therefore that the combination of 4-hour and 24-hour blocks, as proposed in the aFRR implementation plan, is a good compromise for all stakeholders. The proposal enables to attract new flexibility while keeping the risks of increased procurement costs limited. Once the liquidity of the aFRR market has increased significantly, Elia will take further steps towards the final target model being a separated procurement of aFRR up and aFRR down with only blocks of 4 hours.

Elia understands the concern of Restore, Actility and Next Kraftwerke on the combination of 24-hour and 4-hour blocks for the capacity tender. They believe that it might be difficult to find competitive complementary bids for flexibility offered via 4-hour blocks, enabling flexibility offered via 4-hour blocks to become selected instead of flexibility offered via 24-hour blocks. In order to mitigate this risk, Elia will implement additional bidding obligations (volume- and price based) for flexibility offered via 24-hour products, in order to make sure that competitive complementary bids can be found for other bids of 4-hour blocks. For example, the total cost of the (sum of the) 4-hour blocks will be limited based on the total cost of the associated 24-hour block. There will be also an interdependency between the total cost of symmetrical and the associated asymmetrical bids.

Elia has also analyzed the proposed solution of 4-hour blocks with the possibility of linking bids. Elia believes that such a solution without additional bidding obligations would lead to a selection of only 24-hour bids. In order to avoid this situation, additional bidding obligations should be added which will make the procurement rules even more complex whereas the benefit of this additional feature is not proven.

Next Kraftwerke proposes to only allow 24-hour blocks in case there is a negative clean spark spread. Although Elia understands the logic behind this proposal Elia does not believe that this would be a good evolution for the aFRR design as complexity will significantly increase with limited incremental benefits.

First of all it will be difficult to define a correct decision parameter whether 24-hour blocks would be allowed for the daily capacity tender or not. The clean spark spread is often not a full day positive or negative. Moreover clean spark spreads for power plants are different as they are having different efficiencies. From an operational point of view, the introduction of such a parameter might have an important impact for providers as bidding strategies need to be changed dynamically in function of this parameter. Even when we would implement such a parameter, Elia still believes that the proposed bidding obligations (price- and volume based) for 24 products should be maintained.

The concern of FEBEG on the go-live of aFRR during the mid-summer is only valid in case only 4-hour blocks are used for the capacity tender. Since the last design proposal foresees the introduction of 24-hour blocks enabling, this comment is not relevant anymore.

Elia would like to remember that the EU standard products for balancing capacity still need to be developed and proposed by ENTSO-e. As long this has not been done Elia cannot consider aspects of EU harmonization in its design.

**Modification added to the aFRR implementation plan**

Elia will implement additional bidding obligations for volumes and prices in order to make sure that competitive complementary bids can be found for the 4-hour blocks assuring that they can compete with flexibility offered via the 24-hour blocks.

Elia has updated the aFRR implementation plan and has foreseen an additional period to finalize the new aFRR design at the beginning of 2019. More concrete, Elia will elaborate on the bidding obligations and other aspects as indivisibility of the bids.

Stakeholder	Feedback of Stakeholder on the timings of the auction
<b>FEBEG</b>	FEBEG opposes an intermediate implementation of aFRR bidding in D-2 and proposes to go directly to the target model of the long term vision of Elia for FCR, aFRR and mFRR, i.e. D-1 bidding without bidding obligations.
<b>RESTORE (feedback received on mFRR implementation plan)</b>	<p><b>Organization of mFRR auctions</b></p> <p>We agree the procurement cycle in 2 steps proposed by Elia for mFRR standard and flex will increase the overall transparency in the auctions.</p> <p>However, we rather support to move directly to the long-term vision for the organization of daily procurement of FCR, aFRR and mFRR. As it has been raised by market participants during the workshop organized by Elia on 19 November, introducing an intermediate step will add a layer of complexity, and additional costs for all involved parties. A step-wise approach</p>

will *de facto* force market parties to adjust their systems, processes and contractual arrangements twice. As an illustration, market parties will have to check and possibly modify all contracts, as well as have to develop pricing models specifically for the short time gap when the intermediary solution will be put in place. After this transitional period, all contracts and pricing models will become obsolete, and must be adapted once again.

REstore therefore asks Elia to not only identify and document advantages of an interim solution, but also consider these costly, time-consuming and inefficient constraints in the full cost-benefit analysis of implementing a phased approach.

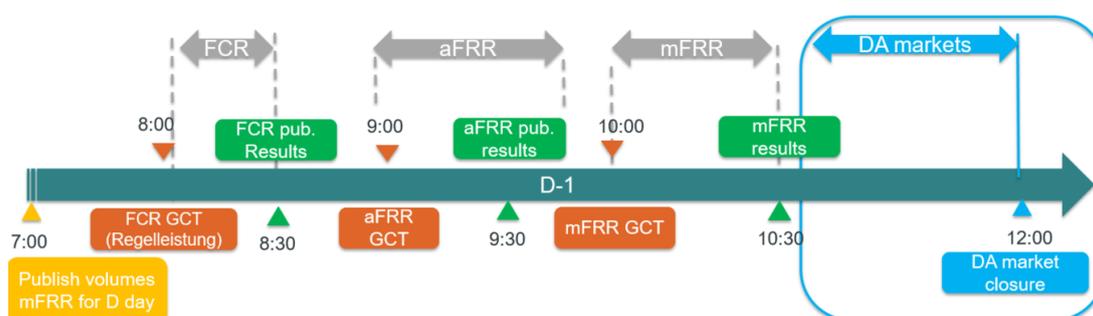
-> REstore asks Elia to consider the full cost-benefit analysis to assess whether implementing an interim solution is really needed regarding the procurement cycle of FCR, aFRR, and mFRR in 2020.

### Elia's answer

#### **Modifications added to the aFRR implementation plan**

Based on the feedback of the stakeholders on this topic, Elia will organize the daily procurement at D-1 at 9h00 for aFRR, with publication of the results at the latest on 09h30, as indicated in the implementation plan and presented below.

#### **ELIA's vision on organization of daily procurement in day-ahead**



## 1.2. Real-time communication platform

In this section, the feedback received on data collection for non-CIPU assets via the real-time communication platform is discussed.

Stakeholder	Feedback of Stakeholder on real-time communication platform
<b>FEBELIEC</b>	With respect to the consultation on the aFRR implementation plan and the communication solution with the private device and gateway, Febeliec is pleased to see that Elia has taken a pragmatic approach to this topic, but just wants to add that coordination (p12) will have to be done with all DSOs, including the CDSOs.

<p><b>Next Kraftwerke</b></p>	<ul style="list-style-type: none"> <li>• Next Kraftwerke appreciated the open discussion with Elia on the need for real time data per delivery point (e.g. during the pilot but also thereafter). We understand the reasoning and agree that real time data can be an additional barrier to data manipulation. Therefore, we support Elia in the approach to collect real-time data per delivery point and accept possible extra investment that might be needed to do so.</li> <li>• Next Kraftwerke also sees that the exchange of this real time data via Elia's real-time communication platform can be a possible solution. We agree that it would be impossible to communicate the real time data per delivery point via the scada-to-scada connection. The proposed alternative solution is relieving stress from Elia's but also from the aggregator's scada systems.</li> <li>• Next Kraftwerke has to decisively reject the idea that the gateway to the real time communication platform has to be locally placed and has to be close to the participating delivery point. This requirement results in large additional costs while so far Elia could not explain to us the benefits that are derived from a local gateway compared to a design in which the gateway(s) is (are) placed centrally at the control system of the aggregator. In case Elia insists on this solution Next Kraftwerke can unfortunately not ensure further engagement in aFRR in Belgium.</li> <li>• Equal treatment of CIPU units and non-CIPU units: Mid-term the different treatment between CIPU and non-CIPU units shall be abandoned. Therefore, Next Kraftwerke insists that the new rules for communication shall also apply for all CIPU units and that these shall with go-live comply with any rules that are imposed for non-CIPU units.</li> <li>• The related costs for large units are perfectly acceptable and there is no reason why Elia should keep the data load from CIPU units on the scada system if an alternative is offered.</li> <li>• Some more details on why Next Kraftwerke to reject a local gateway:             <ul style="list-style-type: none"> <li>○ No gain in data-authenticity: A local gateway does not guarantee and not even increase data authenticity. The real value lies in the real-time communication not in the local gateway. The real time communication of DP data is supported by Next Kraftwerke. In this regard please note that only the metered data is locally generated while the three other real-time data points are generated by the central control system. These three data points would therefore be sent to the delivery point to be sent locally via a gateway while they could be directly sent from the central system to Elia. (If a local gateway would guarantee data authenticity, would this not mean that the three other values that are generated centrally and sent via a local gateway would not be authentic?)</li> <li>○ Checking authenticity: We think that there are at least two ways to check the data authenticity.</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>• The data that was sent in real-time can ex-post be compared with the head meter data. In cases when the metered asset represents the full generation/demand behind the meter this would allow absolute data validation. In case there is for instance still demand on site that does not participate in the service, this methodology would allow an excellent plausibility check!</li> <li>• Real-time measurements on site can be compared with the real time data sent to Elia/DSO. This would be absolute validation of the data. Whether the data is sent from a local or a central gateway does not make any difference.</li> <li>• Next Kraftwerke welcomes regular check on service provision and immediate exclusion in case of fraud:             <ul style="list-style-type: none"> <li>○ Next Kraftwerke would welcome a regular check on-site or ex-post via head meter data both by Elia and the DSO if these are considered necessary.</li> <li>○ In case such check should indeed show that data is manipulated the market participant that is found guilty should be excluded from service provision with immediate effect.</li> </ul> </li> </ul>
<p><b>Restore</b></p>	<ul style="list-style-type: none"> <li>○ <u>Real-time communication</u></li> </ul> <p>REstore understands that the proposed real time communication solution proposed by Elia requires that each DP participating to aFRR has to send information at the DP level in real time, including its baseline and availability status, and through a secured cloud-based communication platform. As stated in the consultation report of the previous aFRR design note, Elia considers that “an aggregation by the BSP is not allowed since it is the asset that should be able to send all individual data to Elia for non-CIPU assets via the cloud-based platform. Therefore, Elia request unit-based data on a 4 seconds basis”.</p> <p>This raises concerns since the baseline and the availability of each DP are elaborated and assessed by the BSP, and is evaluated by Elia at the aFRR group level. The DP is not responsible for assessing and sending its baseline or availability status to Elia. This requirement of Elia goes against the principle of aggregation, and is in particular difficult to understand since “Table 2 – overview of the exchanged parameters and the level of aggregation” of the updated product design note states that these information should be sent in real time by the BSP to Elia (even if per delivery point), and not by each DP directly to Elia. The expected requirements are therefore confusing.</p> <p>Looking at the parallel with how FCR is implemented, where such detailed information is sent by the BSP and where timescales are even more close to real time, the argument opposed by Elia does not seem relevant.</p> <p>REstore asks Elia to withdraw this proposal, and that real-time information (including the baseline) is sent in real time and ex post by</p>

	<p>the BSP and only the BSP (as already foreseen) and not by each DP participating to the group.</p> <ul style="list-style-type: none"> <li>○ <u>Metering requirements</u></li> </ul> <p>We also believe that the DSO consideration of a sealing of the physical link would create additional red tape and propose to replace this with an audit right or at least use a minimum threshold eg. xx MW in order to balance the money to be gained with tampering with the data versus additional burden of this measure.</p>
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### Elia's answer

Elia takes note of Febeliec's comment regarding CDSO coordination and adapts the implementation plan accordingly.

Elia stresses that the real-time character of the data-exchange avoids that data is being tampered after delivery of the aFRR service. The local character (on delivery point level) avoids real-time data tampering on pool-level (by optimizing measurement data centrally at the dispatch of the BSP).

The proposed configuration enhances **standardization** for a shortlist of certified solutions for the private measurement device and private gateway. By defining minimal technical requirements for the private measurement device and private gateway (which can be owned by the end-user), Elia provides the opportunity to manufacturers to integrate these requirements in existing and/or future assets, or have alternative third parties create out-of-the-box add-ons to existing assets in the market.

A local private measurement device and gateway (e.g. can be owned/rent by the end-user) directly connected to the real-time communication platform results in the possibility for an end-user to keep his measurement device and private gateway while changing from a BSP. This will allow end-users to change easily from BSP, lowering switching costs and facilitate a true competition on the flexibility market.

For CIPU units (assets with an individual power schedule obligation) Elia needs a real-time connection with its SCADA-system for dispatching purposes (e.g. to ensure grid security), which is also reflected in Table 2 of the aFRR design note.

Elia clarifies that section 4.4.4 of the design note represents the data-exchange for the purpose of the ex-post settlement of the aFRR service. This does not imply that the associated data-exchange also takes place ex-post after the delivery of the aFRR service.

Elia and the DSO's withhold the right to perform on-site audits to determine the compliancy of both the private measurement device and private gateway according to minimal technical requirements set by both the DSOs and Elia. For such a check both devices need to be installed locally.

Finally, Elia explains that physical sealing of the link between the private device and the gateway for DSO connected delivery points is still under investigation with the DSO's. Elia remarks that such a physical sealing to verify the whole communication channel also requires a local approach for the collection of data via a private local gateway.

Elia concludes that its position on the data collection remains as initially proposed.

### 1.3. Implementation plans

Stakeholder	Feedback of Stakeholder on proposed timelines
<b>FEBELIEC</b>	<p>With respect to the proposed timelines by Elia in the consultations at hand, Febeliec takes note from the fact that for the regulatory approval process six months have been taken into account by Elia. Febeliec has also taken note from the comments from the regulator on this topic during the workshop related to the topics of the consultations at hand. Febeliec can understand that the decisions to be taken cover a wide range of elements and should be thoroughly analyzed, both technically and legally. Febeliec can furthermore also understand that there is still uncertainty on the potential interaction with the Member State, as described in the EBGL and other European texts, and that the possibility for the Member State, however to be defined on the Belgian level, top provide an opinion can also prolong the decision process. However, Febeliec strongly wants to urge the relevant regulator(s), government(s) and/or administration(s), as well as the transmission system operator to be as swift as possible to take the necessary steps to adapt the balancing products and framework and reduce the total decision time to the minimum possible. For Febeliec it would be a major concern if very lengthy and heavy decision processes would lead to a slowdown or even full stop of needed adaptations to the balancing market, as this could become detrimental to its development and thus drive up the total system cost, to the disadvantage of all consumers and their energy bills.</p>
<b>FEBELIEC</b>	<p>Febeliec for both consultations will trust the transmission system operator in its analysis on the practical feasibility and implementation of the proposed modifications as it does not have access to the required input to provide its own in-depth vision on this topic, but nevertheless wants to encourage Elia to be as forward as possible to push the envelope of development, in order to avoid falling to a very slow pace of (needed) adaptations to the balancing market.</p>
<b>NEXT KRAFTWERKE</b>	<p>Next Kraftwerke is sincerely disappointed about the new timing. The opening of the aFRR market is again postponed.</p> <p>The argument that first the daily procurement of mFRR need to start is not explained. Elia can equally first start with the daily procurement of aFRR,</p> <ul style="list-style-type: none"> <li>○ the same way as Elia could have started to first open the aFRR market before opening the mFRR market, or;</li> <li>○ to open the aFRR market before developing the bid ladder, or;</li> <li>○ to open the aFRR market before developing the Transfer of Energy framework for aFRR.</li> </ul>

	<p><b>Next Kraftwerk strongly disagrees with the approach that again priority is given to further fine-tuning of the mFRR market.</b></p> <p><b>We would like to ask Elia and the CREG:</b></p> <ul style="list-style-type: none"> <li>○ <b>To reevaluate to prioritize aFRR over other products</b></li> <li>○ <b>to review the foreseen timing and to see whether some steps can be shortened (e.g. review period of the CREG).</b></li> <li>○ <b>To clarify that a go-live by July 2020 is the final deadline and that an earlier go-live is possible and intended if possible.</b></li> </ul>
<p><b>Elia's answer</b></p>	
<p>Elia understands the concern of Febeliec concerning the impact of heavy decision processes on the development of the balancing market. Elia is coordinating with the CREG for the global planning concerning the process for the redaction and approval process for the different T&amp;C BSPs (FCR, aFRR &amp; mFRR), balancing rules and other related topics in order to make it as efficient as possible, within the boundaries of legal prescriptions.</p> <p>Elia has highlighted in section 1.5.1 of the aFRR implementation plan, the considered constraints in the set-up of the integrated implementation plan. One of the constraints is with respect to the joint ambition to evolve to daily procurement for both aFRR and mFRR products. The daily procurement for aFRR and for mFRR are fundamental changes in the operational processes that must be prepared carefully together with market parties. The go-live of both can therefore not be organized simultaneously. In order minimize operational risks and to gather stepwise valuable experience from the operation of daily procurement auctions, ELIA must start with the least complex product. It is clear that the proposed capacity procurement and bidding rules for mFRR are much easier to implement and operate than those proposed for aFRR. Therefore, ELIA must start with the go live of mFRR daily procurement.</p> <p>The priority of the opening of the balancing market for the different balancing products is defined in the global roadmap which were presented at the beginning of 2018 in the working group balancing. Both aFRR and mFRR implementation plans are in line with the priorities indicated in the roadmap.</p> <p><b><u>Modification added to the aFRR implementation plan</u></b></p> <p>Elia understands the need to open the aFRR market as soon as possible for all technologies but also want the highlight the complexity of the implementation plan of the new aFRR product design. Elia proposes a go-live of the new aFRR design and the separated procurement for aFRR and FCR products in July 2020.</p> <p>The implementation plan differs from ELIA's initial proposal to consider the feedback of the stakeholders. In this way, the following changes are included:</p> <ul style="list-style-type: none"> <li>- 1 additional month to finalize design discussions with stakeholders and regulator and write the terms and conditions BSP aFRR and FCR;</li> <li>- A optimization of the approval process (consultation report + regulatory approval) to also consider ELIA's work plan on other topics in 2019;</li> </ul>	



## 2. aFRR design with Transfer of Energy

This part of the consultation note discusses the feedback received from stakeholders concerning Elia's recommendation to postpone the choice to implement a Transfer of Energy for the aFRR market and the alternative solution for pass-through contract holders.

Elia notes that all stakeholders agree on the alternative solution for pass-through contract holders and finds the solution viable for both aFRR and mFRR, regardless of the net-injection or net-offtake character of a delivery point.

### 2.1. Transfer of Energy

Stakeholder	Feedback of Stakeholder on Transfer of Energy
<b>Fluvius</b>	De Vlaamse DNB's en hun werkmaatschappij Fluvius behouden zich het recht voor om hun rol van meteroperator en databeheerder in het kader van flexibiliteit op te nemen in het geval van Transfer of Energy.
<b>Febeliec</b>	<p>On the implementation of Transfer of Energy for aFRR, Febeliec would like Elia to specify how expensive such implementation would be, in order to be able to provide its opinion, as it is clearly a chicken-and-egg issue here, where no new players requiring ToE will offer their services as long as no solution is at hand, while Elia seems reticent to implement such solution as long as there are no interested parties. Febeliec wants to point out that in the aFRR non-CIPU study the use of water pumps for aFRR was also analyzed, which would require ToE in a roll-out towards the normal aFRR market. In case a CBA would lead to an unjustified cost for the implementation of ToE for aFRR, Febeliec would ask the transmission system operator as well as the regulator to foresee a regular follow-up of the potential in the market and the possibility of new entrants and the added value they could bring.</p> <p>As discussed during the last TF Balancing prior to the end of this consultation, Febeliec could live with the compromise of postponing the introduction of ToE for aFRR at this point, with an analysis in 2019 of the feasibility and opportunity to implement it. As long as it has not been implemented, a year evaluation process should be maintained.</p>
<b>Next Kraftwerke</b>	<p>The implementation of ToE for aFRR would currently lead to a discrimination against net injection points as the energy in law in Belgium unfortunately does not respect that both generation and consumption should be treated equally. Therefore, a ToE for aFRR does in our opinion only make sense when the law is changed allowing the implementation of ToE for both net injection and net offtake points.</p> <p>As soon as this legal shortcoming is removed, the implementation of the ToE should be considered.</p>
<b>FEBEG</b>	<p>FEBEG regrets the lack of a thorough and balanced assessment of the market potential of the aFRR on other means or technologies in Belgium. In fact, Elia even clarifies in its implementation plan that it didn't received any replies on the aFRR questionnaire in its attempt to assess the expected additional volumes and/or new technologies. For this reason, FEBEG supports the proposal of Elia to make a new assessment of the potential for non-CIPU with transfer of energy in 2020, before rolling out the transfer of energy in the aFRR market 15 months later.</p>

	<p>In this context FEBEG also wants to share the following considerations:</p> <ul style="list-style-type: none"> <li>• As mentioned during the meeting of the Elia Working Group 'Balancing' on the 29th of November, 2018, the implementation costs on Elia side are significant, i.e. estimated at 700 kEUR. Elia – or possibly the CREG - should also consider the overall system costs of the transfer of energy implementation, e.g. costs at the suppliers, at the DSO's, at regulators', ... when making cost-benefit analysis.</li> <li>• Generally speaking, FEBEG encourages Elia to make a general assessment of the current transfer of energy processes - associated operational costs - before further implementing it in other markets.</li> </ul>
<p><b>Restore</b></p>	<p><b>Implementation of ToE for net offtakers (demand response) in aFRR</b></p> <p>REstore notes that at this stage, Elia considers the balance to assess the value of implementing a ToE process for demand assets in aFRR is highly in favor of not doing it at this stage: Elia states that on the one hand an overall development cost estimates at 800k€ will be needed to put this framework in place, while on the other hand Elia has not received any elements demonstrating a real potential for demand to participate in aFRR.</p> <p>Following this statement, REstore would like to bring further arguments to Elia on the potential of demand assets to aFRR. A detailed confidential annex to this response brings to Elia the elements showing the identified potential of net offtakers to participate in aFRR, including looking at examples in France and Germany.</p> <p>REstore judges that these elements demonstrate a true potential for demand assets to play a role in aFRR as of 2020, and asks that the decision to implement ToE already from the start for those assets includes these elements.</p> <p><b>Application of ToE for tests in aFRR and mFRR (prequalification or availability)</b></p> <p>As raised during the last Working Group Balancing and in its response to the first new aFRR product design note, REstore challenges the proposal of Elia to apply the ToE in aFRR and mFRR for any kind of test that would not be remunerated to the BSPs. REstore insists that this issue is to be dissociated from the larger discussion on whether tests should be paid or not: ToE has been designed to organize the transfer of energy between two market parties, at a certain price and following a given process.</p> <p>In the context of tests for which the BSP receives no remuneration (neither directly nor through positive imbalance price), REstore considers the BSP cannot be forced to buy this energy as it leads to the BSP providing free energy to the Belgian grid, which is never the case under any other mechanism.</p> <p>In FCR for example, when such tests are organized (in particular the energy tests), the BSP is not paid (as underlined above we also contest</p>

	<p>this but believe it is a different issue) for the energy provided, but the BRP supplier is not corrected for this energy, which is therefore paid in the form of positive imbalance. For aFRR and mFRR, where ToE requires Elia to correct the BSP perimeters, the energy provided by the BSP does not get paid at all.</p> <p>REstore therefore asks Elia to find a solution to this issue, either by overall solving the issue of tests remuneration, or by not applying ToE for such tests, applying the same approach as for FCR where BRPs are not corrected and the provided energy is taking into account in the imbalances of the BRPs.</p>
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### Elia's answer

Elia takes note of the remark of the Flemish regional distribution operator (Fluvius) and will respect the roles and responsibilities appointed to parties by the competent federal and or regional authorities and fixed in relevant legislation and regulation.

Elia refers to the minutes of meeting of WG BAL on 28<sup>th</sup> of November<sup>1</sup> for the cost-estimation of the implementation of ToE-specific elements in the context of aFRR. Elia estimated a cost of between 700 and 900 k€ for the implementation of ToE for aFRR. Elia acknowledges that indeed water-pumps were used throughout the R2 non-CIPU pilot project, but recalls that via the public consultation of the aFRR design note stakeholders indicated a clear need to find a solution to facilitate the participation of net-injection units to the market of aFRR. Considering the current legal framework (ToE only applicable for net-offtake) Elia recommends to postpone the choice to implement a ToE for the aFRR market and provide an alternative solution for pass-through contract holders, which has the potential to meet with stakeholders demands to facilitate the entrance for units with an average net-injection on a yearly basis, which will be applicable for the majority of delivery points with an **average net-offtake character** as well.

- Indeed, Elia's vision is that the alternative solution for pass-through contract holders can have a **considerable facilitating effect** for participation of both net-injection and net-offtake in the aFRR market. Therefore the alternative solution for pass-through contract holders should be prioritized as such, for both net-injection and net-offtake assets (technology neutrality) as also requested by Restore.

Elia takes note of Febeliec's comment and accepts to perform a re-assessment in 2019 for ToE in the aFRR market.

In meantime, in case stakeholders acquire additional insights or provide elements that support or oppose a ToE in the aFRR market, Elia invites stakeholders to share all insights via the discussion platform of the Working Group Balancing which takes place on a regular basis.

Elia takes also note of Next Kraftwerke's remark and reminds that Elia has not the competence to change the Electricity Law. Nevertheless as explained above Elia

<sup>1</sup> Once approved upon, the meeting of minutes can be consulted via Elia's website: [http://www.elia.be/en/users-group/Working-Group\\_Balancing/Agenda-ad-hoc-werkgroep-balancing](http://www.elia.be/en/users-group/Working-Group_Balancing/Agenda-ad-hoc-werkgroep-balancing)

proposes an alternative design that allows delivery points with a net-injection to participate even with the existing legal framework.

- **Application of ToE for tests in aFRR and mFRR (prequalification or availability)**

Elia reminds that the ToE-regime for simulation and availability testing is out of scope of this public consultation on the proposal for the implementation of aFRR.

**Conclusion: Elia’s position on the implementation of ToE in the aFRR market**

Elia proposes to start as from July 2019 with the opening of aFRR to non-CIPU units with the following options: delivery points can participate either through Implicit Opt-out (= BSP and BRPsource are the same entity), either through Explicit Op-out (BRPsource(s), supplier(s), BSP and BRPBSP have a specific agreement) or via the alternative pass-through design as described in annex 2 of the aFRR implementation plan. By this range of options Elia estimates that most of the delivery points willing to provide aFRR-non CIPU in the short and mid-term will be able to participate.

The proposal of the implementation plan is amended accordingly.

## 2.2. Alternative Solution for pass-through contract holders

Stakeholder	Feedback of Stakeholder on baseline methodology
<b>Febeliec</b>	Febeliec has also taken note of the alternative solution presented during that same TF Balancing and approves of it as a pragmatic approach to solve the issue for certain market players. However, Febeliec strongly wants to point out that this is not a solution for all market players and thus cannot replace the eventual implementation of ToE for aFRR. Febeliec also asks Elia to see whether this solution can also be implemented for all other ancillary service products as well as Strategic Reserve.
<b>Next Kraftwerke</b>	Next Kraftwerke welcomes the solution proposed by Elia to allow the participation in aFRR. The solution proposed is clear, efficient and straight-forward. Flexible assets with pass-through contracts typically are already flexibly operated on the market and represent one of the most significant potentials for aFRR – both from consuming and generating assets. From Elia’s explanation we even understand that it can be implemented at comparably low costs. Finally, we think that this approach creates a level playing field between demand/offtake and generation/injection. An implementation of the ToE would have discriminated net-injection points.
<b>FEBEG</b>	FEBEG fully supports the alternative proposition made by Elia for the pass-through contracts, which – according to FEBEG – should be fairly easy to be implemented. In this respect, FEBEG would also like to put forward the following recommendations: <ul style="list-style-type: none"> <li>• FEBEG would like to invite Elia to investigate the application of this alternative proposal to other products as well.</li> </ul>

	<ul style="list-style-type: none"> <li>Regarding the pass-through contracts, and more specifically for the transfer of energy on mFRR, FEBEG would welcome a quicker communication of the flexibility data in order to properly bill those customers and avoid extra financial risk on suppliers' side.</li> </ul>
<b>REstore</b>	<p>REstore supports the proposal made by Elia to bring forward an alternative model in order to apply ToE for net injectors under pass through contracts, despite the absence of legal framework. Even though this solution is not perfect, it is pragmatic and will widen the scope of potential participants to aFRR from 2020.</p> <p>Also, REstore underlines that if the decision is taken to not implement ToE for demand assets as of 2020, this alternative model can apply to demand as well. This would allow that despite the decision to postpone ToE, some demand assets would still be able to participate in fair conditions. REstore does want to highlight that providers that currently have a pass-through contract can always switch to a non-pass through contract. In the light of the increased imbalance price cap to 13.5k€/MWh as well as a certain number of suppliers that withdrew from the Belgian market, we believe this a consideration that needs to be taken into account. It also creates a risk for the portfolio of an aggregator that he suddenly loses capacity. Given the time it takes to schedule projects on the roadmap of Elia and to execute the ToE project, the risk is that this capacity cannot be used for a long time.</p> <p>We also note that this alternative model could represent an interesting solution for net injection of mFRR as well, and ask Elia that it is analyzed.</p> <p>-&gt; REstore supports the proposal and asks that it is applied also for demand assets, should the decision be taken not to start with ToE for demand for the launch of the new aFRR product. Also, REstore believes the implementation of this model for net injectors should be assessed for implementation in mFRR.</p>
<b>Actility</b>	<p>Actility supports the alternative approach which has been presented and is currently already implementing this for mFRR.</p>
<p><b>Elia's answer</b></p>	
<p>Elia notes that Febeliec, Next Kraftwerke, FEBEG, Restore and Actility support Elia's proposal regarding the alternative solution for pass-through contract holders. Elia is of the opinion that the proposed solution is technology and product neutral; Elia aims to foresee this solution in both the aFRR and mFRR market, regardless of the injection or offtake character of the delivery point in question. Elia aims to foresee this alternative solution for the mFRR market in parallel with the first upcoming consultation of T&amp;C BSP mFRR in 2019.</p> <p>Elia reminds stakeholders that this solution has not yet been approved by CREG.</p>	

## Part 2: Proposition for the implementation plan for the separated procurement of FCR and aFRR

### 3. Implementation plan for the separated procurement of FCR and aFRR

Stakeholder	Feedback of Stakeholder on Split procurement of FCR and aFRR
<p><b>RESTORE</b></p>	<p>REstore expressed already several times its claim to implement as soon as possible a split procurement between FCR and aFRR in order to increase the transparency in the local FCR auction. Following the discussions that took place, in particular during the workshop on transparency held by Elia on 28 November, there appears to be no consensus on this topic and on the benefits it would bring.</p> <p>However, REstore renews its claim for an urgent need to increase the transparency in the local FCR auction, and asks Elia to study all possible ways to achieve this in the current joint procurement scheme if a split procurement cannot be implemented. Currently, the opacity comes in particular from the asymmetry of information between BSPs offering capacities only FCR, and the ones offering both in FCR and aFRR. The latter are able to spread must-run costs of their units between FCR and aFRR bids in a way that can create a high level of uncertainty on the prices offered in FCR. With a pay-as-bid scheme, this forces BSPs to take additional safety margin to be able to take part to the local auction. This could be partly solved by requiring for example that the split of must run and start-up costs is published, and not subject to arbitrages by BSPs.</p> <p>-&gt; REstore renews its request to not wait until 2020 for the split procurement of FCR and aFRR. Would this not be done, REstore asks Elia to at least consider alternative measures to solve as soon as possible the issue of lack of transparency caused by the joint procurement of FCR and aFRR.</p>
<p><b>Elia's answer</b></p>	
<p>Elia understands that there are certain drivers to implement as soon as possible a split of the procurement between FCR and aFRR products. Elia explained these drivers in chapter 3.1.1 of "<u>study on separate procurement of FCR and aFRR products</u>" that has been publicly consulted. However, as mentioned in chapter 3.1.4 of the same study, certain conditions need to be fulfilled before making the split in order to have the expected benefits and at the same time avoid possible inflation of short-term procurement costs.</p> <p>Regarding the request of Restore to publish the split of must run and start-up costs, Elia considers it as confidential information related to the bidding strategy of BSPs. The current selection methodology based on cost minimization, gives incentives to BSPs not to take high additional safety margin to be able to take part to the local auction as this behaviour will not make them competitive.</p>	

## 4. General remarks

Stakeholder	Feedback of Stakeholder on FSP-DSO contract
<b>FEPEG</b>	<p>FEPEG wants to repeat that the prequalification process and the FSP-DSO contract is to be considered as a barrier for participation to the FCR and aFRR product while the added value seems to be very limited.</p> <p>As several delivery points on the distribution grid are already delivering ancillary services, the DSO's have been able to learn from this experience and to improve their modelling and grid operations. FEPEG therefore urges Elia and the DSO's to review the prequalification process on the distribution grid and to investigate a simplification or removal of the prequalification and the FSP-DSO contract</p>
<b>Elia's answer</b>	
<p>According to article 182 (4) of the system operation Guidelines, TSOs and DSOs need to cooperate and the current way of working for FCR and mFRR is that a FSP-DSO contract is required. Elia does not see a reason to work in another way for aFRR and therefore, there is no reason to re-open this discussion.</p>	