

Implementation plan for a new aFRR design and a separated procurement of FCR and aFRR products

--

REstore contribution

Key points

- REstore is highly concerned by the proposal of Elia to require a secured real time communication of several information (availability, baseline...) directly from a Delivery point of a providing unit or group to Elia. Such information should only be sent through the BSP (and already are in real time), which is contractually responsible towards Elia for the provision of the balancing service. We therefore ask Elia to withdraw this proposal.
- REstore welcomes the pragmatic approach regarding metering accuracy requirements, especially in the light of the development of residential flexibility and asks Elia that a similar approach is studied for implementation on mFRR in the coming months.
- REstore believes the potential of Demand in aFRR is demonstrated and justifies the implementation of ToE for net offtakers from the beginning of the new aFRR product in 2020.
- REstore supports the alternative approach proposed for net injectors with pass through contracts, that can partially solve the absence of legal framework for such sites and ease their entrance on the market. Also, REstore believes the implementation of this model for net injectors should be assessed for implementation in mFRR.
- More generally, REstore asks Elia that ToE is not applied for all tests organized in aFRR or mFRR (prequalification or availability)
- 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.
- REstore points to Elia that allowing 24-hour symmetric blocks will create a major barrier for new capacities that will offer aFRR either on <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.
- REstore asks Elia to increase the price cap for energy bids of aFRR, as some assets identified as of today already show an activation price higher than the current 1500€/MWh cap proposed.
- REstore asks Elia to remove the limitation regarding combo activations between aFRR and mFRR for a given delivery point.

Real time communication

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”*.

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.

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.

-> REstore asks Elia to withdraw this proposal, and that real-time information (including the baseline) is sent in real time and ex post by the BSP and only the BSP (as already foreseen) and not by each DP participating to the group.

Metering requirements

REstore welcomes the proposal to copy/paste the approach taken for FCR regarding the use of the existing metering devices and accuracy of the metering chain in aFRR, based on an accuracy target set by Elia coupled with a tolerance for lower standard through a de-rating of the prequalified power in the latter case.

This is a pragmatic approach that will naturally set the balance for each case, either pushing to invest in the required equipment when possible and not too costly, or accepting a de-rating of the capacity prequalified when the standard cannot be met for whatever reason.

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.

-> REstore supports this proposal, and, in line with previous responses to consultations, asks that a similar approach is implemented for mFRR (where the application of ToE can require alternative solutions to tackle lower accuracy levels because of ToE, for example by putting the inaccuracy at charge of the BSP in the ToE to be paid by the BSP to the Supplier).

Implementation of ToE for net offtakers (demand response) in aFRR

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.

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.

-> 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.

Alternative ToE model proposed for net injectors with pass through contracts

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.

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.

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.

-> 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.

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

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.

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.

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 this but believe it is a different issue) for the energy provided, but the BRPsupplier 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.

-> 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.

Split procurement of FCR and aFRR

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.

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.

-> 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.

24-hour blocks for capacity tender

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.

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.

-> REstore points to Elia that allowing 24-hour symmetric blocks will create a major barrier for new capacities that will offer aFRR either on <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.

Price cap

REstore understands the concerns expressed by Elia for the early stages of the new aFRR product regarding the activation prices. However, the proposal to implement a cap on the activation price, and especially at a price of 1500€/MWh is not acceptable.

In its process of identifying potential assets to engage in aFRR, REstore has identified assets with a opportunity cost that is known to be higher than the proposed 1500€/MWh. Keeping this value would therefore force such an asset to participate without having its cost covered.

REstore proposes not put a price cap on the aFRR bid price but in order to provide a gradual transition to market parties that are concerned by the possible effect on imbalance prices a cap on the imbalance price in case the imbalance price is set by an aFRR bid that would surpass a certain threshold (eg. 1500 €/MWh). This way Elia does not exclude certain capacities and can monitor the evolution and the need of this price cap on the imbalance price.

Alternatively, would a cap still be validated, we believe that 5000€/MWh is more relevant, as more likely to effectively cover the activation cost of the capacities offered.



-> REstore asks Elia to increase the price cap for energy bids of aFRR, as some assets identified as of today already show an activation price higher than the current 1500€/MWh cap proposed.

Combo aFRR/mFRR from the beginning

REstore understands the proposal of Elia to only allow a delivery point to be part, for a given 15min period, of only one bid in aFRR or mFRR. However, we believe this will lead to limit the potential of aFRR capacities: in aFRR, long activations are a possibility, even for several hours long, and delivery points with non-used flexibility in mFRR could be used to build stronger pools in aFRR able to cope with such long activations. With the limitation proposed by Elia, this possibility will be limited.

-> REstore asks Elia to remove the limitation regarding combo activations between aFRR and mFRR for a given delivery point.