

Subject: Elia consultation on the implementation plan 'Evolution towards a daily procurement of mFRR'
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Introduction

On the 9th of November, 2018 Elia launched a public consultation on its implementation plan 'Evolution towards a daily procurement of mFRR'. The deadline for this consultation is the 5th of December, 2018.

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

FEBEG regrets that Elia proposes to keep the mFRR flex

FEBEG pleads for standardization

In order to foster market functioning and market integration, **FEBEG strongly favors the implementation of one standardized European balancing product**. FEBEG therefore believes that keeping mFRR flex goes against the spirit of this standardized balancing product complicating further European market integration, e.g. MARI.

FEBEG has already at several occasions raised its doubts and concerns on the design of mFRR flex¹.

FEBEG has several comments with regard to the concrete proposals for mFRR flex

Article 4.1.1. - neutralization time

FEBEG is of the opinion that Elia should focus on identifying the system needs as well assessing the physical reality, and on translating these parameters into standard products. It is then **up to the market parties to organize themselves to comply with the requirements and constraints of these standard products**. Elia is now proposing to integrate the full complexity of the mFRR flex constraints – neutralization time – into the market design while in fact the market design with 4 hour products allows very well for market participants to manage these constraints themselves, e.g. by not offering all blocks within one day.

FEBEG does not believe that it is the role of Elia to implement complex solutions such as a neutralization time. The implementation of the neutralization time can simply be avoided by only contracting the missing volume when the dynamic dimensioning methodology foresees, for example, a certain level of mFRR to be contracted for three neighboring 4-hour blocks.

¹ Most recently: 'Elia study on the evolution towards a daily procurement of mFRR', FEBEG, 15th of June 2018.

Article 4.2. – full divisibility

Elia is disregarding the physical reality of thermal power plants by implementing full divisibility.

Full divisibility will lead to infeasibilities with regard to the PMin of the power plants. **Elia needs to integrate the technical constraints of assets into the market design to avoid excluding certain assets.** Even for some non-CIPU units, full divisibility on the capacity bid implies that the costs associated with the curtailment of industrial processes will have to be applied onto a 1 MW bid. This cost could be, for example in case of a process only able to shut-down on an on/off way, the production loss associated with the total process electrical capacity. This approach will significantly increase the reservation/activation price of that asset. Bid divisibility should therefore be applied by process relevant MW steps, for example DPR3max, DPR3cd, ... per EAN.

Article 4.3.2. – level playing field

mFRR standard is proposed to be put, for a part, in full competition with mFRR flex. As a result, mFRR standard will be pushed out of the market at the advantage of the volumes of mFRR flex. **Elia is – in this context – completely disregarding the higher quality of mFRR standard.** Elia is thus not aiming a level playing field between mFRR standard and mFRR flex, but is clearly favoring mFRR flex.

Article 4.3.2. – merit order activation

From the implementation plan it is not clear if mFRR flex will be completely integrated in the merit order. **Could Elia please confirm that mFRR flex will not be artificially kept at the end of the activation merit order, but fully integrated in this merit order.** This is already a long standing wish of FEBEG² with the objective to create a fully integrated merit order: a fully integrated merit order will, on the one hand, improve the efficiency of the balancing and the quality of the imbalance price signal, and will, on the other hand, avoid gaming opportunities.

Article 4.3.2. – incentive

Elia states that it will provide an incentive for market parties to offer mFRR standard. Unfortunately, the **implementation plan fails to detail how this incentive will be implemented.** How will market parties be incentivized to offer mFRR standard? Over which period of time will this be done? The lack of details and a planning creates a lot of uncertainty.

Other – tender timeframe

At several occasions FEBEG³ also proposed to **contract one single standard mFRR product in different timeframes**, e.g. monthly/weekly and daily: this would allow to combine baseload mFRR being contracted on a longer term while variable needs – identified on a day-ahead basis – are procured on a daily basis.

FEBEG regrets the **lack of a cost-benefit-analysis or a justification** demonstrating that such approach is not feasible.

FEBEG urges for a clearly defined transition period for mFRR flex

Elia mentions – at several occasions – that mFRR flex will phase-out and that mFRR is only maintained in a transition period.

² Most recently: ‘Public consultation of the CREG on the balancing rules’, FEBEG, 6th of September, 2018.

³ Most recently: ‘Elia study on the evolution towards a daily procurement of mFRR’, FEBEG, 15th of June 2018.

FEBEG is of the opinion that Elia should communicate as early as possible on the market depth of mFRR flex as it will significantly impact contract renewal of the contracting of new volumes for this product. In this respect, **FEBEG would like to see the ‘transition period’ for mFRR flex clearly defined and explicitly mentioned (e.g. max one year).**

FEBEG has some suggestions for the implementation of daily procurement

FEBEG prefers to directly implement Elia’s long term vision on the organization of daily procurement in day-ahead

Elia opposes – for several reasons – an intermediate solution for the procurement of aFRR in a daily procurement cycle, i.e. organizing the aFRR procurement in D-2 afternoon.

In order to reduce implementations and associated costs, **FEBEG prefers to directly implement Elia long term vision on the organization of daily procurement in day-ahead without passing through D-2 tenders.**

FEBEG suggests to further tune the proposed planning

FEBEG notices that Elia plans operational implementation – including IT implementation – in parallel with the market design being finalized – leaving very little time at the end.

FEBEG therefore urges Elia to **foresee sufficient time:**

- for CREG, to be able to consult and make amendments to the proposed design;
- for market participants, to assess the necessary investments to be able to continue to participate and to prepare the full implementation; 6 months implementation time is considered as a minimum.

FEBEG would also like to suggest to investigate **going live with the daily tendering outside the winter months.**
