

Subject: Elia consultation on the procedure for constitution of strategic reserve
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Introduction

Elia is organizing a public consultation on the 'procedure for constitution of strategic reserve applicable for the tendering 2019 as of the Ministerial Decree to constitute Strategic Reserve for the Winter Period 2019–2020'. The deadline of the consultation is the 25th of January, 2019.

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.

Comments and suggestions

Paragraph 4.1. – Tendering schedule

FEBEG wants to emphasize once more the importance of having a clear and realistic timing for the contracting of the strategic reserves. The uncertainty about the exact timing – increased by the possibility for the Minister to review the volumes until the 1st of September – creates issues for the candidate providers of strategic reserves: on the one hand they want to postpone the simulation tests – that need to be performed before the contracting – as long as possible as they are not remunerated while at the other hand the timeframe between the contracting and the delivery of the service risks to be too short to do the necessary investments.

Paragraph 4.5.2 – Possible revision volumes

The Minister has the right to review – downwards or upwards – the volume of strategic reserves until the 1st of September. This rule also creates some uncertainty. Suppose the Minister has initially instructed no volume of strategic reserves, and hence no tender is being organized, but – due to circumstances – decides to upwards review the volume. Is this possible? What will Elia do?

Paragraph 5 – Delivery points

FEBEG also confirms that the framework for submetering is considered as an entry barrier for grid users wanting to participate in SDR as they have to invest in the installation of meters without any guarantee that they will be effectively contracted to deliver the service and, hence, be able to recover the costs.

Paragraph 7.2.2 – Certification of SDR Reference Power

Due to the integration of 'Emergency Generators' in the strategic reserves, FEBEG would like to repeat its preference for the use of the 'drop by' principle to all market segments and to abolish the 'drop to' principle, for the following reasons:

- Security of supply:

The objective of the SDR is to contribute to the adequacy: activating SDR should therefore have a real impact on the system. This impact can only be guaranteed when the 'drop by' principle is applied: the consumer is obliged to effectively reduce consumption by a number of MW's. Using the 'drop to' principle doesn't guarantee any impact on the system at the moment of the activation as the consumption could already be lower than the shedding limit. On top of that, the risk exists that the consumer is being remunerated without having reacted: he will then in some cases be rewarded for coincidentally not consuming and thus not contributing to the peak load.

- Level playing field:

The use of the 'drop by' principle is also more in line with the objective of ensuring a level playing field between SGR and SDR. As SGR is 'out of market' and in order to ensure a level playing field, SDR should – by principle – be 'out of market' as well. This 'out of market' principle is important to avoid market distortion: putting the SGR and SDR 'out of market' prevents those units of influencing normal market functioning, i.e. impacting the 'balancing merit order' which incentivizes other market operators to contribute to the balance of the system. Applying the 'drop by' implies that a consumer offering SDR should be non-price responsive in that sense that he will continue to manufacture at high prices to be able to lower his consumption by the contracted number of MW's. He will thus to a certain extent behave as if he was 'out of the market'.

FEPEG considers it unacceptable that the 'drop to' principle should be applied to emergency generators: this would mean that an emergency generator – which is also a generation unit – would be treated differently than other generation units.

Paragraph 7.3.3.1 – Bidding principles for SGR Candidates

FEPEG wants to point out that there's a difference between the 'moment of announcement to close' and the 'moment of going out the market'. So, in the sentence 'In the first place, SGR Candidates must be able to offer every possible configuration of the (candidate) SGR Power Plant(s) which was technically possible at the time of going out of the market' it would be better to refer to the announcement to close, like elsewhere in the document.
