POSITION

Subject: Public consultation regarding a study on Transfer of Energy in DA and ID markets

Date: 15 July 2019

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Introduction

Elia launched the 17th of June 2019 a public consultation of the market players regarding a study on the Transfer of Energy (ToE) in Day-ahead (DA) and Intraday (ID) markets. FEBEG already reacted on the survey previously carried on to the redaction of this study.

FEBEG would like to thank Elia for the comprehensive document. For FEBEG, the options are well described and clarified, enabling to a good understanding of the Elia proposal.

General comments

FEBEG reflects on the benefits to the extension of the ToE mechanism to the DA/ID markets. FEBEG notes that suppliers already offer a range of contracts that allow customers to react to prices in the DA and ID timeframe. Extending the ToE mechanism to these timeframes rather, enlarges the scope of potential contractual conflicts between supply contracts with DA and ID flexibility and the ToE process.

As the Day-ahead and Intraday markets differ significantly from the Balancing timeframe in terms of products, counter-parties, geographic scope and market size, a simple copy-paste of the current ToE design elements such as price formula and baseline is not possible.

FEBEG questions why existing Day-Ahead Market and Continuous Intraday Market are not sufficient to foster Demand Side Management:

- If a party is in need of some extra volumes, they can be requested using the usual bidding mechanisms of DAM/CIM.
- In extension of the latter, a “pass-through”-like contract is sufficient to offer extra flexibility in the DAM/CIM. Such users are already willing to shed their offtake whenever spot prices reach a certain level.
- Moreover, the ToE extension towards DA/ID seems to create a non-level-playing field between parties. The mechanism requires the BRP source still having to pay the requested fees for accessing DAM/CIM (fixed + variable costs), while other parties access the same volumes “Over-The-Counter”

without paying such fees. Those fees should be included as part of the compensation formula.

FEBEG therefore reiterates the need for an evaluation of the current ToE framework before a decision on its extension is taken.

FEBEG would like to receive more insights on the case where the FSP needs to be the scheduling agent (cf. iCAROS Proposal) in case of combo activation.

For FEBEG, it is also important to note that if multiple FSP's are active on one DP with different TOE formulas an inherent arbitrage between the compensation formulas is possible (one FSP buys and other one sells same volume on DP and realize spread between formulas).

Detailed comments

- **Page 18, §1**: The sentence seems incomplete and therefore is unclear, even though it covers an important element on the timing of nomination/notification during ID. FEBEG request to clarify, that even if flex nomination in ID can be performed ex-post, the notification has to happen before real-time. It also has to be clarified what happens if a notification is send, but no related nomination has been introduced afterwards.

- **Page 19, footnote 23**: *It is important to remark Elia will calculate only the maximum flexibility for one direction (upwards or downwards) for all impacted BRP sources, which implies all impacted BRP sources receive the maximum upwards flexibility for all the Delivery Points in their perimeter or all impacted BRP sources receive the maximum downwards flexibility for all the Delivery Points in their perimeter. In other words for the same activation it is not possible BRP source A with DP 1 is notified with a maximum upwards flexibility and BRP source B with DP 2 is notified with a maximum downwards flexibility.*

  For FEBEG, this disposition leads to disinformation, as actors are not aware how much of the max capacity will be activated here. FEBEG wonders how a BRP Source is supposed to balance his position if he only has an indication of the Max capacity at 3 min before the activation. If only a fraction is used but the other DP significantly deviate, you have to know if this is your responsibility or not. This set-up is making it very difficult for a BRP source to assess his balancing position.

- **Page 21, 5.2.2.7, Additional rules regarding notifications**: *Any FSP-Notification within the above-mentioned notification process not received by Elia is considered as a missing notification (regardless if it is FSP-Notification 0, FSP-Notification 1 or even FSP-Notification 2). If Elia notices three or more missing* *notifications within a period of 30 calendar days, it will notify the FSPDA/ID and suspend him from the mechanism for a period of 5 calendar days.*

FEBEG considers that the penalties for missing notifications by the FSP seems limited: a suspension of 5 calendar days for a product with very limited activations is not really penalizing.

- **Page 21, 5.2.2.7 Additional rules regarding notifications:** *FSP-Notification 2 will be used for settlement: Delivery Points for which the volume reported by the FSPDA/ID in this Notification 2 is equal to 0 MW are further excluded by Elia for the settlement calculations. If Elia does not receive FSP-Notification 2, FSP-Notification 1 will be used for the settlement. If both FSP-Notification 1 and FSP-Notification 2 are not received by Elia, the activation is considered as not proceeded and no correction of perimeters will be done. In this situation FSPDA/ID will be suspended from the mechanism for a period of 30 calendar days because by doing so he creates an imbalance in the perimeter of BRPsource that Elia cannot neutralize*

  FEBEG notes there is no mention of a financial compensation for the BRP source, even though he is financially impacted. A suspension of the FSP does not alter the fact that the BRP source has been impacted.

- **Page 25:** *Elia sends the 3rd BRP-Notifications to all BRP sources, as soon as FSP-Notification 2 is received, confirming of the volumes aggregated for all their Delivery Points within their perimeter:*
  - *BRP source A Volume = + 10 MW Activation period X*
  - *BRP source B Volume = + 2 MW Activation period X*
  - *BRP source C : Volume = + 1 MW Activation period X*

  The activation volumes can be significant. Therefore, for FEBEG, no option should exist where the BRP source is penalized due to actions of another player. Cost of imbalance in 1 hour can be much higher as the turnover of a FSP DA/ID. FEBEG questions how a BRP source is protected for this situation.

- **Page 32:** *The FSPDA/ID may ask to exclude one (or more) days of the representative days at the following conditions only:...*

  The exclusion of a peak price day if activation day is not peak price day is appropriate for FEBEG, but the other way around should also be considered: a peak price day in the representative days should be foreseen if the activation day (or hour) is a peak price moment. Otherwise, the ToE ID/DA may cannibalize price-sensitive customers from existing contracts with ID/DA exposure contracts.

- **Page 32**: *Peak price day, which is defined as a day with at least one hour with EPEX BE DA price > 150EUR/MWh.*

  FEBEG considers that 150EUR the Peak price becomes irrelevant in tight market situations and should be considered in a relative price indicating a peak versus the ongoing average as you perform reference day identification.

- **Page 46, 6.5 Combo activation between aFRR and DA/ID**

  In case of a Combo activation, the cross-product aggregated volumes will be published to the supplier and FSP. Published volumes will not be split and aggregated per product. For FEBEG, this raises the important question how a detailed compensation – with potentially different compensation per product – is possible if there is no split published.

- **Page 52, 7.1 What is a Multiple FSP activation**

  The given explanation illustrates how complex multiple FSP activations can quickly become, with simultaneous/contractual combinations, different/same services, etc. FEBEG advocates not to pursue the multiple FSP design.

- **Page 67, 8.1 Feedback of market parties** *ToE has an added value by offering an additional channel to Grid Users to valorize their flexibility and increases dynamics of the balancing market*.

  FEBEG is quite surprised that ToE success cannot be measured or seen directly. As Compas Lexicon indicates (see 8.2. §3), there is no measurable impact of the existing ToE on any market. FEBEG considers therefore that the value of ToE should be assessed rather critical, if no effect can be observed.

- **Page 69**: *Low liquidity on bidladder could be explained by the lack of guaranteed revenue and by the fact that mFRR product specifications are stringent*

  The description of ToE (and its extension to ID/DA) as a no-regret solution is questionable for FEBEG, given that there is currently no measurable impact of the ToE in any market, and the implementation/operational costs are in fact very real.

- **Page 76**: *FEBELIEC is not directly concerned, but wants to stress that at market prices above 500, but definitely above 1000 €/MWh, many consumers that are exposed to market price signals and have the possibility to react (either through their contracts or in the future through a.o. ToE) will no longer consume electricity as this price level will start to be higher than the opportunity costs involved in not consuming this electricity. This effect will only continue to increase as prices increase, to the level of VoLL where consumers should be indifferent to consume or not consume. The basic premise is that consumers are however exposed to price signals and that they can react to these, implying the significance of ToE in DA/ID or alternatives.*

  FEBEG do not see the link between customers being exposed to ID/DA prices, and the ToE allowing them to react to that. If today customers are exposed to DA/ID prices, they can generally also react if those prices are high (which is exactly the point of contracts with such exposure). FEBEG questions this argument in favor of extension of ToE to ID/DA.

- **Page 82 9.3 Elia observations and final conclusions**

  FEBEG notes that the positive effects from ToE extension to ID/DA concluded by the study, are not quantified. It also seems to disregard the direct and real implementation costs. Therefore for FEBEG, the conclusion that extension of ToE towards ID/DA makes sense seems to ignore the costs and over-estimate (currently non-existent) benefits.

- **Page 84** *Combo activations add complexity on the proposed design by allowing simultaneous activations in different services on the same Delivery Point.*

  FEBEG reminds its position about combo activation: the more markets a DP can be active, the better.

- **Page 85** *Allowing multiple FSPs to activate simultaneously on a same Delivery Point creates, on top of the Combo design, another additional layer of complexity with constraints for involved parties*

  In accordance with our previous comment (see comment on page 52), FEBEG supports the exclusion of multiple FSPs on one DP.

Pass-through principle

FEBEG positively welcomes that the need for a solution for PT customers is recognized. This should be implemented as soon as possible as it immunizes suppliers to financial impacts and simplifies the administrative burden. At the same time, if the ToE is extended towards ID/DA, a similar arrangement needs to be implemented for customers contractually exposed to the ID/DA (as PT customers are exposed to the imbalance price). Otherwise, such customers/FSP can game the ToE by acquiring energy at regulated price through the ToE on the ID/DA market (by keeping/increasing their purchases through the ID/DA exposed contract) while selling it at possible peak prices on the ID/DA timeframe. FEBEG considers that this parallel between PT-contracts and Belpex-exposed contracts should be reflected in a similar treatment in the ToE BAL vs ToE ID/DA.
