

PUBLIC CONSULTATION REGARDING A STUDY ON TRANSFER OF ENERGY IN DA AND ID MARKETS

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Centrica Business Solutions (REstore) comments

July 15th, 2019

Executive Summary

- *Centrica Business Solutions (REstore) confirms it identifies opportunities for demand response to play a role in the ToE for DA and ID, which cannot be compared to ToE for non-reserved mFRR (neither economically or technically)*
- *Centrica Business Solutions (REstore) asks Elia to propose an implementation timeline which ensures a swift and timely entry into force of ToE in DA and ID, at the latest for the beginning of the winter 2020/21*
- *Centrica Business Solutions (REstore) would accept to see asymmetric imbalance adjustment removed, but asks Elia to foresee how to limit additional administrative burden linked to having different regimes*
- *Centrica Business Solutions (REstore) asks Elia to allow for alternative baselines, or at least to foresee changes in the “adjustment” of the High X of Y baseline to make it workable and solve identified risks*

Centrica Business Solutions (REstore) confirms it identifies opportunities for demand response to play a role in the ToE for DA and ID, which cannot be compared to ToE for non-reserved mFRR (neither economically or technically) identified

To complete the results of the survey and the conclusions presented by Elia in June 2019, Centrica Business Solutions (REstore) underlines that ToE for DA and ID does differ significantly from ToE in non-reserved mFRR, both regarding (i) the eligible assets from a technical requirements perspective, and (ii) the economic model and opportunities for these assets:

- First, the technical requirements for DA and ID do differ significantly from mFRR. Some assets which, due to technical reasons or high opportunity costs outside of the activation window only, can't currently take part to mFRR are on the other hand eligible for DA and ID. With the introduction of ToE for DA and ID, the activation is decided by the FSP (and not by Elia) and with sufficient notice (several hours ahead of time vs. 15min in mFRR), to allow slower reacting assets or with a longer cease time to take part to the product, as well as to allow recovering more costs linked to the activation.

- Secondly, the economic model can also be very different than for non-reserved mFRR, with much more options available than the sole €/MWh activation price available for non-reserved mFRR¹.

For those reasons, Centrica Business Solutions (REstore) does believe that one cannot take the conclusion that if limited volumes have been proposed on non-reserved mFRR until now, the same would happen on DA and ID.

Centrica Business Solutions (REstore) asks Elia to propose an implementation timeline which ensures a swift and timely entry into force of the ToE in DA and ID, at the latest for the beginning of winter 2020/21

Centrica Business Solutions (REstore) asks Elia to publish an implementation timeline for the entry into force of the ToE for DA and ID, at the earliest possible. As highlighted by Centrica Business Solutions (REstore) in the survey conducted by Elia, the ToE in DA and ID would have been very useful during the last winter 2018/19: with the DA/ID ToE in place last winter, Centrica Business Solutions (REstore) is of the opinion that it could have brought additional flexibility to the market.

¹ Centrica Business Solutions (REstore) remains at the disposal of Elia to further discuss these options, if needed.

Additionally, looking at the results of the recent 2020-2030 adequacy study of Elia it appears that, following recent decisions taken in Germany to start the coal phase-out, the Belgian market is already at risk for the winter 2020-2021 (as well as the following winters), with a potential negative margin for Elia to fulfil the legal LOLE criteria. Therefore, having the DA/ID ToE available and operational for the start of the winter 2020/2021 period will provide valuable support to the security of the Belgian grid.

Centrica Business Solutions (REstore) would accept to see asymmetric imbalance adjustment removed, but asks Elia to foresee how to limit additional administrative burden linked to having different regimes

Centrica Business Solutions (REstore) understands the concerns raised by some market parties on the fact that the asymmetric imbalance adjustment that was chosen as a solution for the mFRR ToE back in 2016 could appear as not being a relevant design to copy/paste for DA/ID, as it could offer a possibility of arbitrage not justified for the BRPfsp towards the imbalance price in case of over-delivery, which could be detrimental to the BRPsource.

Centrica Business Solutions (REstore) would therefore accept a symmetric imbalance adjustment for ToE in DA or ID, if this was the conclusion taken by ELIA. However, as this creates a market with two different design for FSPs depending if the flexibility is sold in DA/ID or in mFRR, Centrica Business Solutions (REstore) also asks Elia to consider options to mitigate the additional burden this would create for FSPs.

Centrica Business Solutions (REstore) asks Elia to allow for alternative baselines, or to at least to foresee changes in the “adjustment” of the High X of Y baseline to make it workable and solve identified risks

Following previous remarks made on the baseline choice, Centrica Business Solutions (REstore) would like to bring to the table additional elements to help Elia come to a decision and implement a workable solution. Our internal analysis regarding the efficiency of the High X of Y methodology based on existing assets shows that it can come up with good results, but under the assumption that it comes with an adjustment. In case there is no adjustment, the baseline obtained can deviate significantly from the real one and compromise the settlement of the activation. We do however understand that Elia has taken the option to propose for DA and ID ToE a High X of Y without adjustment of the curve.

Centrica Business Solutions (REstore) understands that this proposal aims at avoiding arbitrage, e.g. by artificially increasing the reference point and using the adjustment of a consumption shape to benefit from MWs which are not really activated. However, completely removing the possibility of an adjustment puts at risks the MWs that we analysed. Therefore, we ask Elia to further assess available options to secure a workable design, among which:

- Allowing the use of alternative baselines, in the case the FSP can demonstrate that the High X of Y without adjustment puts at risk the volumes activated;
- Allowing an adjustment of the high X of Y, under the condition that an external factor (not in the hands of the FSP) is added as a pre-condition to do this. Centrica Business Solutions (REstore) believes that if the FSP does not have all the cards in hands, for example not knowing ex-ante if the baseline can be adjusted or not, it reduces significantly the opportunities of arbitrage.

To conclude, Centrica Business Solutions (REstore) asks Elia to further analyse the best solution to secure a workable compromise between a secure baseline on the one hand, not offering obvious arbitrage opportunities to FSPs, and a baseline that will best work for the assets that will participate to DA and ID ToE on the other hand.