

Smart Testing

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Public contribution of Centrica Business Solutions to the consultation

15th October 2020

Executive Summary

- CBS welcomes the quality of Elias proposal on how to evolve towards smart testing of balancing reserves and thanks Elia for the thorough work;
- Elias proposal is an important step in the right direction:
 - CBS would however like to point out that the proposed scheme is likely to generate additional complexity and costs to develop and implement;
 - Against this background, CBS would welcome more comfort on the fact that it will effectively lead to a reduction of the number of tests for BSPs performing well;
 - Indeed, the current study does not provide sufficient clarity to the BSPs on the number of tests they are exposed to and the associated risks.
- CBS remains at Elias disposal to improve and clarify the proposal in case of an actual implementation.

CBS welcomes the quality of Elias proposal on how to evolve towards smart testing of balancing reserves and thanks Elia for the thorough work

Availability tests are an efficient tool for Elia to verify the availability of contracted MWs in FCR, aFRR or mFRR, but they also come at a cost to the BSPs. Availability testing materially increases the expected and maximum number of activations per year for flexibility providers beyond what is typically expected in delivering the actual service. Verifying that BSPs can deliver the service can actually become more expensive and more demanding than actually delivering the service. Given the fact that not all technologies bear the same costs when being activated, CBS recalls the importance of ensuring that such unpaid tests are limited to what is necessary, in order to avoid distorting competition in the capacity auctions.

Against this background, CBS welcomes Elia's proposal, as well the quality of the work that has been provided to develop an enhanced mechanism to trigger the availability tests and limit their impact, i.e. the so-called "smart testing" mechanism.

Elia's proposal is an important step in the right direction. CBS would however like to point out that the proposed scheme is likely to generate additional complexity and costs to develop and implement. Against this background, CBS would welcome more comfort on the fact that it will effectively lead to a reduction of the number of tests for BSPs performing well. Indeed, the current study does not provide sufficient clarity to the BSPs on the number of tests they are exposed to and the associated risks.

While analysing Elias study, CBS could not clearly identify the maximum number and volume of tests that a BSP engaged for example in mFRR would be exposed to. CBS could therefore not compare to what extent the proposed smart testing framework would reduce the risk BSPs face regarding unpaid activated volumes.

While Elia clearly exposes the differences between the two test regimes the BSPs would be exposed to, key elements like the threshold to reach the second step or the maximal amount and volume of tests in the first step are not disclosed and keep the level of uncertainty high.

CBS therefore points out that the proposed framework will likely not significantly reduce (if at all) the contractual risk for the BSPs.

This does not appear to fully be in line with the stated objective, i.e. reduce the number of availability tests for given level of reliability. In particular considering that, according to Elia, the proposed smart testing framework would require at least a full year to develop and implement and will also require a significant amount of data and monitoring.

Against this background, CBS would welcome more comfort on the fact that the smart testing will effectively lead to a reduction of the number of tests for BSPs performing well.

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As outlined previously, Elia as well as market parties will have to consider the trade-off between the certainty and importance of the costs to implement smart testing on the one hand, versus the (un)certainly on the effective reduction of the number of tests and the overall risk borne by the BSPs on the other.

For this reason, CBS:

- agrees with Elia's proposal during the Working Group Balancing to properly weigh the costs and benefits of the mechanism to collectively decide on an implementation;
- is of the opinion that, in case of an actual implementation, several key points still need to be clarified.