CONSULTATION REPORT

Report on the public consultation regarding Smart Testing

18/12/2020

Contents

1. Introduction

Elia organized a public consultation from 15th September 2020 to 15th October 2020 regarding *Smart Testing Methodology*.

The purpose of this report is to consolidate the feedback received from the public consultation, while at the same time reflecting Elia's position on these reactions.

2. Feedback received

In response to the public consultation, Elia received non-confidential replies from the following parties:

- Centrica Business Solution
- Febeg
- Febeliec
- Flexcity

All responses received haven been appended to this report. These reactions, together with this consultation report, will be made available on Elia's website.

3. Instructions for reading this document

This consultation report is structured as follows:

- Section 1 contains the introductory context,
- Section 2 gives a brief overview of the responses received,
- Section 3 contains instructions for reading this document,
- Section 4 discusses the various comments received during the public consultation and Elia's position on them,
- Section 5 contains the annexes of the consultation report.

This consultation report is not a 'stand-alone' document, but should be read together with the proposal submitted for consultation, the reactions received from the market participants (annexed to this document) and final proposal.

Section 4 of the document is structured as follows with additional information on the content per column below.

Subject/Article/Title	Stakeholder	Comment	Justification
A	B	C	D

A. Subject matter covered by the various responses received.
B. It is indicated who made the comment. In general, the comments are listed alphabetically in the name of the parties concerned.
C. This document contains an overview of the main, but also specific comments on the document submitted for consultation.
    - In doing so, an attempt was made to list/consolidate all comments received and to argue whether or not they should be taken into account.
    - In order to maintain authenticity, the comments have been copied as much as possible in this document. However, the comments have sometimes been shortened and term have been uniformed to make them easier to read.
    - For clarification purposes, it is recommended to always include the original comment of the stakeholder concerned, as included in the appendix to this report.
D. This column contains Elia's arguments as to why a comment was or was not included in the final proposal. However, this column does not contain the final text. For this purpose, the final proposal must be consulted.

4. Comments received during the public consultation

4.1 General comments received during the public consultation

This section provides an overview of the general reactions and concerns of market players that Elia received to the document submitted for consultation.

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
General	*Centrica Business Solution*	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.	*Elia appreciates the support of the stakeholder for the proposed Smart Testing methodology.* *In section 4.2, Elia provides more explanations on the actual reduction of the number of tests.*
		CBS therefore points out that the proposed framework will likely not significantly reduce (if at all) the contractual risk for the BSPs.	*As the stakeholder states, the objective of Smart Testing is to reduce the number of availability test for a given level of reliability.*

		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.	*In the Smart Testing methodology, activation control is used as a complement to availability tests in order to determine the reliability of the BSPs in the provisions of their obligations. Additionally, for the BSPs that demonstrated a sufficient reliability the 2nd Test Regime is clearly an improvement compared to the current design, as the maximum number and volume of tests under this regime are lower than the maximum number and volume of tests allowed today.* *Therefore, Elia disagrees with the comment of the stakeholder. The stated objective is fulfilled by the proposed methodology, regardless of the timing of implementation of the methodology or the data it requires.*
General	*FEBEG*	**FEBEG supports the key objective of smart testing** (for a given level of reliability, to reduce the number of availability tests) and agrees with the guiding principles for the methodology (test any part of the BSP's portfolio; unpredictability; non-discriminatory between BSPs nor technologies).	*Elia appreciates the support of the stakeholder for the proposed methodology.*
General	*Febeliec*	Febeliec would like to thank Elia for this consultation on smart testing, a subject that is important for Febeliec as it should allow for less frequent testing, which could reduce the overall cost of testing incurred by providers of balancing services (which can add up to very sizable portions of the overall balancing offers), which should in the end be reflected in a lower cost for the reservation of balancing capacity by Elia, which is paid for by the consumers. Febeliec thus appreciates the work done by Elia to strive towards the lowest possible cost of the system. However, Febeliec still has some comments and questions. Febeliec appreciates that the proposed methodology takes into account actual activations performance, and not considering the tests as a disconnected activity, which should already allow for a cost reduction.	*Elia appreciates the support of the stakeholder for the proposed methodology.* *In section 4.2, Elia expects to answer the comments and questions of the stakeholder.*
General	*Flexcity*	Flexcity would like to thank Elia for giving the opportunity to participate in the consultation. We also greatly appreciate that ELIA did, as promised, follow the feedback on the mFRR consultation by keeping the number of activation tests reasonable and by proposing a testing logic, which does take into account successful activations.	*Elia appreciates the support of the stakeholder for the proposed methodology.*

Implementation	*FEBEG*	Concerning the implementation of the Smart Testing, **FEBEG agrees with the step-wise implementation starting with mFRR**, which allows to have a return on experience before implementing the Smart Testing on aFRR and FCR (as shown above, some extra development of the methodology seems needed for these products).	*Elia appreciates the support of the stakeholder for the proposed step-wise implementation. As agreed in the context of the WG Balancing during the discussions on the roadmap 2021-2022, Smart testing is not considered by stakeholders as a priority topic compared to other evolutions to be delivered over this period. Elia intends therefore to start the implementation of Smart Testing in 2023 with the mFRR product.*
Implementation	*Febeliec*	Febeliec asks that this exercise on smart testing is repeated regularly, in order to continuously check if the testing regime cannot be improved in order to enable additional overall cost reductions.	*Elia appreciates the request of the stakeholder. Changes in Test Regimes will require amendments of the T&C for BSPs, for each product. Therefore, any change related to the maximum number of tests or maximum volume of tests needs to be considered in the broader changes of the T&Cs.*
Implementation	*Flexcity*	As indicated earlier in this document, a methodology to verify the quality of the service provided is welcomed, but the proposed Smart Testing Logic project is very complex. It might require a considerable investment of ELIA's and market players' resources to put into production. Seen the many open and to-be launched ELIA projects Flexcity suggest to well align the prioritization of the different projects with the market players. This especially if the implementation of the Smart Testing logic will have its repercussions on the timeline of other projects due to shared ELIA implementation staff.	*Elia appreciates the support of the stakeholder for the proposed methodology. As agreed in the context of the WG Balancing during the discussions on the roadmap 2021-2022, Smart testing is not considered by stakeholders as a priority topic compared to other evolutions to be delivered over this period. Elia intends therefore to start the implementation of Smart Testing in 2023.*
Implementation	*Flexcity*	Therefore, we would like to request ELIA to: Foresee a parallel run period with the opportunity for the market players to formulate feedback after this but before formal go-live. This parallel run would entail that the scores are already calculated and shared with the BSP's but not yet acted upon by ELIA. This could give Flexcity more relevant insights on whether the score is really an accurate representation of the need to test a CCTU or bid. Seen the complexity of the formulas, this is something that is today difficult to assess.	*A parallel run will be foreseen for Elia to calibrate the methodology.* *The scores may be calculated by the BSPs themselves and Elia does not intend for the time being to share the scores with the BSPs. Elia reminds that it remains at its discretion to act upon the scores and to decide on whether there is a need to test a specific CCTU or a specific bid.*

4.2 Specific comments received during the public consultation

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
Scoring System	*Flexcity*	Flexcity understands the relevance of the different scores (Activation Control, Availability Test & Margin Analyses). However, due to the complexity of the formulas, the absence of the weights and the unclarity on the relationship between low scores and the triggering of a test it is very difficult for Flexcity to assess what would be the consequences of this smart testing logic and whether the derived scores would be a good representation of the reliability of the service and/or a good indication of the need to test a CCTU or bid. Therefore we would like to request ELIA to: Remain transparent throughout the further process meaning, amongst other things, to give insight in the determination of the weights.	*The weights for the scoring systems are subject to fine-tuning in the implementation phase and will be made available.* *With regards to the triggering of a test, this remains at the discretion of Elia as it is today. Elia does not intend to disclose to the BSP when a test will be performed, nor to let the BSP determine with certainty when it will take place (nor on which bid(s)). Smart Testing does not change this principle and it does not affect the BSP in its obligations.* *Smart Testing only provides additional information to Elia on the selection of the CCTU and the bid(s) to be tested, to give Elia a sufficient comfort on the availability of the bids while reducing the number of tests.* *Elia will further clarify this aspect in the final report.*
Scoring System - Activation Control	*FEBEG*	Concerning the 2 scoring systems, FEBEG agrees with the general principles but **expresses its reservation on their concrete application as the note is not fully clear on the calculation methods**: • some formulas seem not to be correct or the description of the parameters is not clear enough: o Freshness Factor: should the weighting factors (4, 3, 2 or 1) or the score itself not be divided by 30 ? o In the formula of the Failure Factor, should the 'max(1; ….) ' not be replaced by 'min(1; …)' ? o For the Failure Factor, "an activation control is considered failed as defined in the T&C of the relevant product" : this concept is not defined for aFRR.	*On the Freshness Factor, the stakeholder is correct. The score is to be divided by 30 (as it was correctly done in the examples). The final report will provide more clarity on this point.* *On the Failure Factor, the stakeholder is also correct. A "min" should replace the "max". The formula will be amended in the final report.* *On applicability of the Scoring System for aFRR, Elia agrees that success or failure in aFRR activation control is not defined per se in the T&C BSP aFRR. Based on the current design and*

			available inputs, Elia believes however that the activation control scoring may be computed, in line with the proposed methodology. The implementation details will be sorted out during the implementation phase of the aFRR product.
Scoring System - Activation Control	*Febeliec*	On the formula for the failure factor in the document, Febeliec wonders whether the formula should not read "min" instead of "max", as "Failed activation control will always result in a lowering of the scoring of the concerned CCTU" and in order to have a Score activation(CCTU) that is as high as possible, the Failure factor should be as high as possible (best case equal to 1 based on the Score activation formula). With the current proposed formula for the Failure factor, a situation with no failed volumes according to activation control the Failure factor would be equal to [1-max(1;0)] = 1 – 1 = 0, which would also result in an activation score of 0, which seems to Febeliec opposed to the intention. Febeliec asks that Elia clarifies the situation in order to avoid providing a wrong incentive.	*On the Failure Factor, the stakeholder is correct. A "min" should replace the "max". The formula will be amended in the final report.*
Scoring System - Availability test	*FEBEG*	Concerning the 2 scoring systems, FEBEG agrees with the general principles but **expresses its reservation on their concrete application as the note is not fully clear on the calculation methods**: As regards the availability test, why a score of 50 is attributed to the Score ref Availability (CCTU, M) if no availability test occurred? What could be the impact on the final score especially for the CCTU's which are rarely requested for tests (20:00-00:00h; 00:00-4:00; 4:00-8:00)?	*Regarding the scoring system for availability test, a score of 50 has been chosen to differentiate the situation where there are no test performed and failed tests. A failed test will impact more negatively the score than no test. The weights are then used to calibrate and achieve a balanced effect of each component on the final score. The final report will clarify this aspect.*
Scoring System - Margin Analysis	*FEBEG*	Concerning the 2 scoring systems, FEBEG agrees with the general principles but **expresses its reservation on their concrete application as the note is not fully clear on the calculation methods**: o The formula ScorerefMargin (CCTU, D) is not the same in the consultation document as in the presentation made during the workshop. o In the formula of Activation Ratio, what is the difference between "# of QH of activation (dp)" and "total # of QH of activation (dp)" ?	*On the* $Score_{refMargin}$*, Elia thanks the stakeholders for its remarks. While formulated differently both formulae are correct and provide the same results. The score is impacted proportionally to the volume of all the bids for which there is a negative margin. The formula in the report shall remain.* *On the activation Ratio,* "# of QH of activation(dp)" represents the number of QH where a certain delivery point is actually used by the BSP while " total # of QH of activation (dp)" represents the number of QH where a certain delivery point was in an activated bid and could have been used by the BSP..

			This aspect will be clarified in the final report.
Scoring System - Margin Analysis	*FEBEG*	The margin analysis, as described in the note, seems only applicable for mFRR, but not for FCR nor aFRR (symmetrical or down). How is the score computed when a DP is part of bid that is continuously activated ?	*For downward product, the reference to be used for a generation unit will be the P_{min} instead of P_{max}. For DSM, the maximum measured off-take can be taken as a proxy to calculate the margin.* *For symmetrical product, 2 margins are calculated, one for each direction.* *Based on the current designs and available inputs, Elia believes that the margin analysis scoring may be computed for aFRR and FCR, in line with the proposed methodology. The implementation details will be sorted out during the implementation phase of the relevant product.* *The final report will contain these additional clarifications.*
Scoring System – Margin Analysis	*Flexcity*	From the supplied materials it does not seem clear how ELIA is planning to identify the Unsheddable Margin (UM). Which period of time will be used to determine UM? Will it be based on the lowest quarter hour consumption or lowest average consumption over a certain time ?	*The Unsheddable Margin (UM) is based on the lowest offtake (consumption) value (*lowest quarter hour consumption in case of mFRR and lower granularity for aFRR and FCR) *for the considered 12 months rolling window. Elia is aware the underlying hypothesis regarding maintenance, which drops the UM to zero consumption. The calculation of the UM may be improved with later phases of iCAROS project with the data on outage planning.*
Scoring System – Margin Analysis	*Flexcity*	With Margin Analysis it is very difficult to be technology neutral between Demand Side Management technology and 'traditional' suppliers of flexibility. There will never be a Negative Margin for the mFRR flexibility delivered by stand-by thermal plants (OCGT operated gas fired power plants, Turbojets, large diesel generators). However it is well known that these plants do have an important 'Forced Outage Rate' and corresponding statistical failure risk at	*Smart Testing is technology neutral. However, based upon objective data, the methodology may naturally yield score results which may be technology dependent.* *As indicated in the context of the WG Balancing , Elia does not intend to amend the Margin Analysis Score for the Go-Live.*

		start-up. In this set-up a 95% reliable standby plant will have better scores then a 95% reliable DSM profile.	*Please note that this should not impact the maximum number and volume of tests that will be performed.*
Scoring System – Margin Analysis	*Flexcity*	From the supplied materials it is not clear to Flexcity how the margin score for a CCTU would be determined based on the Margin QH's of Annex 2. Is one quarter hour with a negative margin in a bid enough to consider the CCTU has a negative margin?	*Elia confirms the understanding of the stakeholder. If during one quarter hour a negative margin is identified, the* $Score_{margin}$ *of the CCTU is negatively impacted. Contracted capacity should be available at any time.* *Elia will clarify this point in the final report.*
Scoring System – Margin Analysis	*Flexcity*	For sites which use 'high X of Y' baselining the margin score might not be very suitable. A negative margin in one QH for a site does not mean that, if the site would have been activated in that quarter hour, the site would not have been able to meet the requirements as put forth in the terms and conditions for mFRR.	*Elia agrees with the stakeholder on the possible impact of the baselining on the* $Score_{refMargin}$*. For the sake of simplicity, Elia proposes to not consider such detail for which the added value is questionable. Elia reminds that all scores are designed to provide an indication to Elia on whether to test certain bid(s) or CCTU. It does not impact the success or failure of an activation control. In this case, the indication may be slightly less accurate than if the choice of baselining was taken into account.* *Elia may consider amendments after a return of experience or based on further clarification from the stakeholder on their concerns.*
Test Regimes	*Centrica Business Solutions*	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.	*The threshold to reach the second step is defined as the average of the maximum daily contracted capacity over the 12 month rolling window adjusted by the Freshness Factor.* *In order to reach this threshold, the BSP must build up Valid Activated Volume (defined per delivery point) from successful availability tests or activation control. For DPpg, the Valid Activated Volume is calculated for each delivery point which has participated in the delivery as their proportional contribution*

			based on their declared volume to the total Valid Activated Volume, which can be calculated by the BSP. *Elia will keep the limitation of 12 tests per rolling window of 12 months for the 1st Test Regime. Therefore, the maximum number of tests of the BSP is unchanged compared to today's practice, if it remains in the 1st Test Regime.*
Test Regimes	*FEBEG*	In Test Regime 1, the number of (successful) Availability Tests per month should also be limited.	*Elia will keep the limitation of 12 tests per rolling window of 12 months for the 1st Test Regime. .*
Test Regimes	*FEBEG*	Concerning the test regimes, FEBEG also agrees with the general principles but expresses its reservation on the concrete application. Successful or failed activation control is not defined for aFRR.	*Elia agrees that success or failure in aFRR activation control is not defined per se in the T&C BSP aFRR. Based on the current design and available inputs, Elia believes however that the activation control scoring may be computed, in line with the proposed methodology. The implementation details will be sorted out during the implementation phase of the aFRR product.*
Test Regimes	*Febeliec*	On the CCTU scoring system, which aims to indicate which moments are more relevant to be tested, Febeliec wonders how the frequency of testing will be determined by the scoring system (as opposed to the moment). In any case, it should be ensure that BSPs with only a very limited number of delivery points would be negatively affected, as this could also lead in the long run to lower competition, which would go against the rationale for smart testing which is to reduce the overall system cost.	*The CCTU scoring system does not determine the frequency of testing.* *Elia reassures the stakeholders that the methodology would not disadvantage a BSP with only a limited number of delivery points. For a positive performance, the BSP with less delivery points is likely to quickly pass to the 2nd Test Regime and have its tested volume reduced.*

Others	*Febeliec*	On the timing of the tests and the unpredictable nature, Febeliec understands the reasoning behind this, yet wants to ensure that Elia will not inappropriately apply tests in order to avoid actual activations for balancing, as this would reduce the revenue for those BSPs and could ultimately result in less competition if some parties would thus not earn sufficient revenues from the balancing markets and would stop offering capacity. This being said, Febeliec of course supports the proposal not to apply tests when the system is under stress, which indeed be unwise to do.	*Elia confirms that the introduction of Smart Testing does not change how tests are performed. The tests are pre-programmed and are therefore uncorrelated with the situation of the grid at the moment of the test. Elia may still decide to cancel a programmed test if the performance of such test may endanger operational security limits.*
Out of scope	*FEBEG*	Elia should again consider the possibility to **send the availability test trigger via the SCADA system instead of XML message**. FEBEG understands the objective of Elia to harmonize the rules to avoid discrimination between BSPs & technologies. However, FEBEG doesn't see an issue in keeping both solutions at the choice of the BSP.	*The comment of the stakeholder is out of scope of this consultation. Elia invites the stakeholder to refer to the answer provided in the public consultation of T&C BSP FCR (March 2020), section 4.6 Availability test, related to the same comment.*

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