

Subject: Public consultation on the input data for the dimensioning of the volumes of strategic reserves for winter 2021–2022

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In the framework of the volume determination for the strategic reserve, Elia organized a public consultation in June–July 2020 on the methodology and the different assumptions and data sources that will be used to determine the volume for the winter 2021–2022.

In addition to the consultation on the methodology, Elia is consulting on the raw input data used for the calculation for the dimensioning of the volumes for the strategic reserve for the winter 2021–2022¹.

FEBEG thanks ELIA for having the opportunity to answer ELIA’s Public consultation on the input data. Please find hereafter the comments of FEBEG in the framework of this consultation.

The comments and suggestions of FEBEG are not confidential.

Comments and suggestions

Production park

We note that Elia has updated the estimates for Solar PV and On–shore wind based on the latest updated estimates provided by the regions. First of all, we suggest Elia to provide estimates per region in order for market parties to better assess them. Secondly, FEBEG considers it uttermost important to ensure coherence between the figures used in different contexts (a.o. adequacy studies, MAF, CRM, SR....) to ensure overall consistency between the different assessments. Given the ambitious targets set in terms of RES development at the horizon 2030, it is important to carefully monitor the realization of the different projects to assess the adequacy situation in the next winters. We recommend Elia to carefully assess, on a regular basis, with the relevant authorities if these projections remain realistic in the short and medium term.

Demand

Elia expects the electricity demand to grow by 2.5 TWh between 2021 and 2023. The projections were made using the tool developed by Climact for the strategic reserve study. FEBEG wishes to refer to its answer to the methodology consultation² regarding the pertinency of this tool. Generally speaking, given the uncertainties around the speed of the economic recovery post COVID–19, it is obviously difficult to predict the evolution of the total demand and its main drivers in a precise manner.

¹ https://www.elia.be/en/public-consultation/20200824_strategic-reserve-input-data-for-determining-the-volume-for-winter-2021-2022

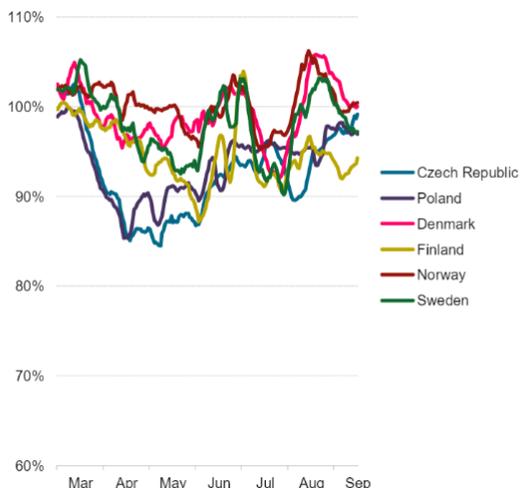
² FEBEG comments on Elia’s public consultation on the methodology, hypotheses and data sources for the dimensioning of the volumes of strategic reserve needed for winter 2021–2022 (dd 01/07/2020)

Nevertheless, FEBEG observes that the load in September has reached normal levels in Belgium and in many other European countries. In fact, in Great Britain, Italy, Denmark, Norway and Sweden, demand was ABOVE normal levels in recent weeks. The graph below published by Bloomberg clearly shows this trend.

Actual load as a fraction of 'no-impact' scenario, 7-day rolling average



Source: BloombergNEF



Source: BloombergNEF

Source: BloombergNEF – September 15th 2020

This clearly shows that the economic recovery is happening at a faster pace than (most experts) expected a few months ago, and that it would be prejudicial to consider a negative impact of COVID-19 in the coming years as basis scenario, based on pessimistic scenarios used in the recent past

We note that, according to the tool, the normalized total demand forecasted for 2021 is reaching a level close to the pre-COVID-19 period in 2019.

In the current context, FEBEG supports a stronger increase of the normalized total demand forecasted for the coming years. Indeed, FEBEG is of the opinion that the opportunities provided at European level in the framework of the relaunch measures will contribute to a further electrification of the system. France and Germany, for instance, have announced relaunch plans including a strong electrification of the vehicles. Also, the Belgian political parties currently negotiating a political agreement have clear ambitions on the development of electrical vehicles at 2026 horizon, especially for company cars. For these reasons, FEBEG proposes to use the demand projections of the NECP that were also integrated in the base-reference scenario of the 2020-30 adequacy study.

Finally, FEBEG regrets that projections on the expected peak demand have not been communicated in the consultation document, as this is crucial information for assessing the adequacy situation of a country. It is very likely that, in the future, the peak demand will increase more than the energy consumption due to, for example, an increasing share of electrical vehicles, heat pumps, etc. while more extreme weather conditions cannot be excluded.

Overall, it seems very risky to claim, today, that peak demand would be lower than expected in the coming years, given the fact that the correlation between peak demand and total yearly demand has not always been clear in the past, and, on top of this there is a limited visibility on the evolution on overall demand at the moment.

Market response

Elia proposes to apply a growth rate of 7% in market response for the determination of the Strategic Reserve need for 2021–22 (which is line with the 7% growth used in the Strategic Study need for 2020–21), considering that the growth rate was of 6% based on observation of the last three years and of 8% based on observation of the whole data set (since winter 2015/2016)).

While we acknowledge the strong dynamism around market response in Belgium in the last years, to which most of its members contribute, we question to which extent the same growth rate will be sustained in the medium term – pending the full roll-out of smart meters – and therefore invites to a cautious approach. For this reason, FEBEG supports Elia with the proposition to use an annual growth rate of 6% based on the observation of the last three years but recommends Elia to clearly highlight in the report the uncertainties around these projections.