centrica
Business Solutions

proposal for amendment to Elia's LFC block operational agreement
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Centrica Business Solutions (CBS) response to the consultation

16th June 2022

Executive summary

- CBS understands the rationale behind the proposal of Elia to lower the volume of aFRR procured, but cannot comment the relevance of the proposal as it does not contain any quantitative elements nor cost benefit analysis
- CBS considers that this lower volume procured will have uncertain impact both on procurement and activation costs of aFRR
- CBS considers that other alternatives could be considered in order to reduce the risk of high aFRR prices this summer and beyond

Detailed consultation response

CBS understands the rationale behind the proposal of Elia to lower the volume of aFRR procured, but cannot comment the relevance of the proposal as it does not contain any quantitative elements nor cost benefit analysis

Considering the amount of imbalance netting while assessing the amount of aFRR that Elia needs to procure in order to maintain a sufficient quality of LFC block imbalance variations coverage seems like a sound proposal that CBS supports.

However, CBS points out that the consultation document does not come with any data allowing the respondents to have an opinion on whether the proposal to reduce the volume to 117MW is sufficiently backed, and to what extent it is watertight against future evolutions of the market conditions. In particular, CBS underlines the key aspect of the remaining ATC that is needed to proceed to a netting of aFRR needs, and that there is no figure provided on the past and foreseen amount of such residual capacity. The % of the time where Elia will have some residual import capacity as well as the number of remaining MWs will be a pre-requisite to ensure the projected volumes of imbalance netting can still happen. In particular, considering the uncertain impact of the PICASSO go-live on these volumes added to the already 250MW that are "reserved" for mFRR sharing agreements, CBS considers that the proposal should be further backed and discussed quantitively, and in the meantime cannot be subject to a relevant comment.

CBS considers that this lower volume procured will have uncertain impact both on procurement and activation costs of aFRR

CBS points out that it is not certain that buying less aFRR volumes will lead to lower procurement and activation prices for aFRR in Belgium, given the complexity of the design in place and the means able to deliver aFRR in Belgium.

Firstly, on the procurement side the lower volumes could lead to less MWs being provided by DPsu like CCGTs, that will still have to recover however the same amount of fix start-up and must-run costs. If this is the case and the DPpg still sell the same volume on the other hand, this could even lead to a higher procurement cost overall.

Secondly, on the activation side, it is likely that the 28 MW that Elia will not buy anymore will be MWs at the lowest part of the merit order, especially if they are CCGT MWs. Therefore, it is likely that DPpg will get activated more often as they will be hit 28MW earlier, and that among these units the LERs will see their activation increase. Indeed, if the aFRR activation signal is more saturated, the LERs will need to rely more often on EMS to maintain their SoC, EMS that will likely increase the activations costs.

Overall, CBS underlines the high level of uncertainty regarding the impact of the proposal on the total aFRR costs, and the medium term impact on the LER assets delivering aFRR currently.

CBS considers that other alternatives could be considered to reduce the risk of high aFRR prices this summer and beyond

CBS considers that other solutions could be considered to include the benefits of more imbalance netting, without getting the risks identified above on the total costs of the aFRR procurement and activation. In particular, to avoid a higher saturation of the aFRR signal, CBS considers that Elia could foresee putting a cap on the amount of aFRR activated by the controller: instead of buying 28MW less to include the expected contribution of imbalance netting without jeopardizing the required quality of service, Elia could stop the controller at a fix amount of 117 MW. This would avoid activating some aFRR beyond what is needed to reach the quality-of-service requirements detailed by Elia in the proposal, thereby reducing the pressure and number of activations on LER: activation costs of aFRR could significantly go down, while the procurement costs would remain the same, without the uncertainty coming with the proposal of Elia linked to a lower of MWs procured.