

Response by BSTOR SA/NV on the public consultation organized by ELIA on the Elia proposal with regards to the key elements of foreseen evolutions included in the tariff proposal for the period 2024-2027.

0 Key Messages from BSTOR's contribution are as follows

1. BSTOR supports Elia's proposed investments plan. Next to the need for a grid with sufficient capacity to cater the anticipated large additional load, production and storage to the grid, additional resources are clearly needed for Elia to deliver connection offers (including orientation and detail studies), and then the connections themselves once a connection contract is signed, in due time. Those steps are indeed on the critical path prior to investment decision and to project operation: any delay on these Elia tracks (even in the first preliminary steps) delays the delivery of the assets that are needed to successfully achieve the energy transition.
2. BSTOR requires that the tariffs strictly comply with the ban on discrimination of storage against production. The whole tariff structure is flawed to this respect: tariffs are defined only for injections and off-take, and apply "by default" in both directions to storage, except for specific exemptions, which is precisely a definition of "double charge" causing discrimination of storage against production. Next to off-take and injection, a third "tariff class" should therefore be defined for storage (with a dedicated access point), enabling a true reflection about the fair (and non-discriminative versus production) share that storage should bear in the grid costs. This exercise has been pending for way too long now: it's been since 2017 that electricity storage has been defined in the Belgian Law. Storage has been in the meantime fully acknowledged as a 3rd, full fledged, "kind" of grid user next to production and demand in the Electricity Guideline and the Electricity Regulation, and was furthermore recently included as a Net-Zero Strategic Technology in European Commission's Net-Zero Industrial Act published on 16/03/2023. It is time to move from words to acts when it comes to fostering development of the storage capacities which are recognized at European and Belgian level as key to ensure a successful transition (or just to comply with the provision of the Clean Energy Package).
3. Such definition of a dedicated tariff class would allow to correct the inconsistencies in the computation of the grid tariffs whereby on the one hand off-take and injection from storage is not taken into account in total demand/production defining the base for dividing regulated costs into grid tariffs but where on the other hand, in reality, grid tariffs apply to such off-take and injection (except for specific exemptions).
4. BSTOR firmly rejects Elia's proposal to impose flexible PPAD schemes to storage. Such provision would obviously constitute a major infringement to the provisions of the Electricity Regulation preventing discrimination of storage against production.
5. BSTOR supports the idea of a dynamic component in the tariffs, but believes that the proposed scheme by Elia is not appropriate but would gain in simplicity, clarity (and adoption level) if such dynamic component would consist in a (budget neutral) add-on on the tariffs once the spot price exceed a certain strike price (possibly with some granularity).

1 BSTOR

BSTOR is the origination, development, financing and operation vehicle for battery storage assets in Belgium of the Ackermans & van Haaren group, SRIW Environnement and Bruno Vanderschueren.

BSTOR owns 75% of the company ESTOR-LUX, the "Special Purpose Vehicle" holding the first battery park connected to the Belgian transmission network, the ESTOR-LUX project in Bastogne (10MW / 20MWh).

BSTOR aims to develop a pipeline of at least 150 MW of storage battery capacity, established on several sites, with the objective of concluding the financial close by 2024 and ensuring its commissioning by 2025-2026.

2 Consultation feedback

BSTOR SA/NV ("BSTOR") welcomes the opportunity given by Elia to provide feedback and would like to thank Elia for their efforts to provide clarity and transparency on the key elements and key evolutions included in the tariff proposal for the regulatory period 2024-2027.

Please find below BSTOR contribution to the consultation..

1. *BSTOR supports investments in grid development and in resources*

BSTOR understands and supports ELIA's needs to scale up investments in the context of the energy transition. Both in terms of **resources** and in terms of **grid development**.

Resources: In our experience as a battery project developer and investor, securing access to the grid is the first step to project development, furthermore, implementation of the grid connection by Elia is on the critical path of the project construction. It is therefore key that Elia has the necessary resources to deliver orientation studies, detailed studies and connection/access contracts in due time and afterwards to carry out the works in the agreed timing. Those steps are on the critical path of storage development so it is key for not delaying delivery of those assets. It is also a matter of investor confidence.

Grid reinforcements: BSTOR wants to avoid situations whereby investors/project developers/industrials can no longer connect to the grid and is in favor of the proposed incentives around the timely commissioning of all minor and major infrastructure projects. BSTOR furthermore would like to stress that such grid development exercises should anticipate not only the increase of the connected load production capacity but also the increase of the storage capacity connected to the grid, with assumptions in line with the flexibility needs identified as part of the adequacy studies.

2. *No double charge and a need for a dedicated tariff for storage*

Electricity storage is now fully defined in the Belgian and European legislation, which provides for a ban on discrimination of storage (and demand side) against production in terms of access to grids and markets, and a ban on double charge in terms of grid tariffs. In its Net-Zero Industrial Act published on 16/03/2023, the European Commission includes energy storage as a Net-Zero Strategic Technology.

BSTOR strongly regrets that the importance of storage and of avoiding discrimination is not already taken into account in the tariff proposal: tariffs are defined in either off-take tariffs, meant to be applied to end users, or injection tariffs, meant to be applied to producers. No particular provisions apply to storage. Hence except for specific exemptions, storage is by default charged in both directions, which is the exact definition of double charge that should be banned because causing discrimination with production.

Although BSTOR recognizes that Elia must “navigate” between the boundary conditions of the validated tariff methodology, BSTOR calls upon Elia to make maximal use of its space of initiative (as it did with the proposal to introduce a dynamic component) to consider storage (with a dedicated access point) as a full fledged component of the system, with a dedicated tariff class, next to off-take and injections, and to make sure that such tariff exposes storage to grid tariffs that are not higher than production units.

As for the tariff methodology and the tariff proposal, BSTOR would like to repeat the messages given to CREG during their consultation (PRD)1109/11 launched on 24 March 2022. In our response to that consultation, we asked the CREG to modify the proposed tariff methodology concerning electricity storage in general, and battery energy storage systems (“BESS”) in particular, to bring it into line with the Belgian and European legal framework. The exemption from the access tariffs for BESS put into service after 2018 must be unlimited in time. A methodology imposing double pricing on BESS, even from the 11th year, is clearly contrary to the Belgian legal framework, the European Green Deal and the Clean Energy Package as well as the objectives of the energy transition. Moreover, for the same reasons, BESS should also be exempted from other transmission tariffs applied to consumption.

In particular, the tariffs for public service obligations (OSP tariffs), surcharges and taxes cannot be applied to the electricity taken from a BESS with a dedicated access point because this is by definition intended to be reinjected, except for yield losses, and is therefore not supplied to an end customer (cfr. Definition in the Electricity Law). In addition, the Energy Taxation Directive quite explicitly imposes the exemption of this electricity from any surcharge or taxation.

A business model for BESS is based on two pillars:

1. participation to the wholesale energy markets (spot, intraday): To balance a positive residual load, market participants can plan to use the flexible plants in their portfolio, or place an “Ask” energy bid on the trading platform (an Ask bid is defined by the requested volume and the maximum price the “asker” is willing to pay for it). Negative residual loads and available capacities on flexible generation assets can be offered as a “Bid” energy bid on the spot market (defined likewise as the bidding volume and minimum price at which the “bidder” is willing to enter a deal/start to produce).
2. supply of reserve capacity and balancing energy (intraday as the gate closure time approaches, reactive balancing or active balancing in the context of reserve markets and free bids). Here, the battery performs “time-shifting” of energy of shorter duration by making the link between successive imbalances in opposite directions within the perimeter of the BRPs or in the Belgian control zone (or even European once PICASSO is released).

In these markets, BESS essentially compete with flexible thermal power plants on the one hand and demand side management on the other hand. However, it is clear that the current tariff methodology framework creates a significant competitive disadvantage for BESS compared to their competition, which finds no valid justification and therefore creates obvious discrimination.

Compared to thermal power plants:

- The tariffs applicable to thermal power plants do not include any capacity term, since the tariffs for peak capacity and for power put at disposal do not apply to injection. However, nothing justifies, for example, that a 150 MW battery park pays 3.5 MEUR per year for the capacity term as part of the transmission tariffs (even if it is only from year 11) where a thermal power plant would pay absolutely nothing for a similar power injection. Such tariffs very significantly increase the OPEX structure of a battery fleet and affect their economic model, based as for renewables on a cost structure mainly oriented CAPEX.

- As far as the energy term, thermal power plants currently pay 0.6 EUR/MWh injected. However, there is no justification for a battery fleet to bear for this term tariffs 4 to 9 times higher, or even 27 to 32 times higher if OSP and surcharges are applied to the gross sampled, and not to the net. This is all the less justified and all the more discriminatory in that when the battery fleet is active on the wholesale markets, injection tariffs have already been paid on the energy taken from the network with a view to subsequent reinjection by the battery bank and that when a thermal power plant provides balancing energy, it pays absolutely no network tariff for the energy term as long as the upward and downward activations are symmetrical, where a park battery would pay the OSP tariffs on all the energy drawn, and from year 11 all the transport tariffs in each direction.

Compared to demand side management. The latter essentially consists of load shedding, which saves the user network tariffs (negative cost). In the case of load shifting, the additional cost of network tariffs is zero; the cost is just shifted.

Without a significant change in the tariff methodology, the discrimination against BESS in the current methodology will only increase, with prices, surcharges and taxes set to increase significantly.

3. Inconsistencies with regard to storage in the used methodology for tariff definition?

In that same context, BSTOR suspects that the computation of the tariff proposal is inconsistent with regard to storage. If our interpretation is correct, off-take from existing and future grid connected storage is not taken into account for determining the total off-take (based on load only) and injections (based on production only) on the grid assumed in the methodology. When computing the grid tariffs needed to compensate for the regulated costs, storage is therefor considered as fully exempted, while in reality it isn't, except for the specific exemptions foreseen by the tariff methodology.

With the anticipated increasing storage capacity to be connected to the grid, this will lead to an increasing bias between the grid tariff computation methodology and the reality, that only more stresses the need to define specific tariffs for storage providing for a clear, transparent, fair and non-discriminative contribution to the support of the grid costs that can be considered in the grid tariff computation methodology.

Taking the (fair) share to be borne by storage in the methodology would allow reducing the bias, but also the overall tariffs paid by grid users.

4. No forced flex PPAD for storage.

BSTOR is not against the suggestion by ELIA to develop a separate tariff for power put at disposal for grid users that want to contract capacity under a flexible arrangement. However, in current proposal, BSTOR understands that flex PPAD would not be applicable to production, could be requested by but not imposed to consumers, but would be imposed to storage. This creates an unacceptable discrimination against storage. The same rules must apply to all grid users. BSTOR firmly request Elia to review its position on this point. If Elia wishes to mobilize congestion services from storage, BSTOR is open to discuss about how to do this market based; but such service must be obviously remunerated.

5. Need to review the dynamic component in the tariff

BSTOR is not against Elia's suggestion to implement a dynamic component in the tariff, but however believes that the principle proposed by Elia, with a tariff directly proportional to the spot prices is not pertinent: in most situations, this spot price isn't an indicator of a particular scarcity risk for Belgium but reflects the cross-border demand/supply balance at a much wider (Central West) European level.

If the system would keep on being based on the spot price, a less complex (but also less dynamic) system could consist in a price adder in the tariffs once spot price exceeds a certain strike price indicating a near risk for scarcity for Belgium.
