

# Minutes of Meeting Taskforce: “Implementation of Strategic Reserve” December 2<sup>nd</sup>, 2019

MEETING LOCATION: ELIA, KEIZERSLAAN 20, 1000 BRUSSELS

MEETING DATE: DECEMBER 2, 2019 - 10H00 UNTIL 12H00

## LIST OF PARTICIPANTS

LAST NAME	FIRST NAME	ORGANIZATION
Matthys-Donnadieu	James	Elia - Chairman
Buijs	Patrik	Elia
Van Thielen	Elmo	Elia - secretary
Verelst	Martine	Elia
Vander Mynsbrugge	Jorrit	Elia
Pirlot	Yunus	Elia
Debrigode	Patricia	CREG
De Waele	Bart	CREG
Van Bossuyt	Michaël	Febeliec
Waignier	Jean-François	FEBEG
Willemot	Guy	EMGB
Benquey	Romain	Centrica Business Solutions

## Agenda

- *Feedback on input data public consultation*
- *Presentation of Volume Assessment Winter 2020-21*
- *Modifications to Procedure for Tendering*

## Introduction

*The chairperson (Mr. James Matthys-Donnadieu) opened and presented the agenda of the meeting.*

## Feedback on input data public consultation

*Elia (Mr. Jorrit Vander Mynsbrugge) presented the feedback to the reactions received on the public consultation on the Strategic Reserve volume assessment for winter 2020-2021.*

Febeliec commented that for decentralized generation assumptions, should always be compared with the potential gain of 13.500 €/MWh. Elia responded that the cost (which is uncertain) needs to be compared to the benefit multiplied with a probability of it occurring from a market investor's

perspective. Elia does not possess the information to make such assessments on how this probability is valued. Febeliec argued that previous winter showed that if probability increases, it attracts more sources of generation. Elia replied they do not possess the information to do such analysis on the economics of possible increased generation capacity in the winter of 2018-2019 and if this would repeat itself in the future. Febeliec repeated that the economic perspective was disproven last winter. They can find themselves in the issues with technical feasibility, but disagrees with economic argument. Elia affirmed that their analysis uses the best available data for the volume assessment. Febeliec commented that, in their view, Elia overestimates the need for strategic reserves in this way.

Febeliec stated that they disagree that historical load factor is not being available for 2018. Elia clarified that preliminary values for 2018 at the moment of compiling the model showed irregularities requiring further checks. Elia always prefers to work on the most robust set of assumptions available at that moment. Febeliec stated that Synergrid already published information on this, so they don't understand why Elia wouldn't have a value.

Febeliec asked what the specific impact of the introduction in ALEGrO on Belgian adequacy is. Elia stated that the impact of one specific grid element is out of scope of the Strategic Reserves volume assessment. Additionally, the computational time to do such a sensitivity is such that it would have compromised delivering the volume report in accordance with Elia's legal obligation. This does not mean that it has no impact on adequacy, it is just implicitly present in the result of the model. Febeliec requested to add such a study to the scope in the interest of other interconnector studies. Elia urged not to confuse 2 things: this is a study for Strategic Reserves and is not meant as information for studies for future interconnector investments, such as the development plans. Elia ended in stating that insights on the domain and how this domain is expanded by ALEGrO are presented in the study, so qualitative statements are possible. There is, however, no quantitative information.

### **Volume Assessment Winter 2020-2021**

*Elia (Mr. Jorrit Vander Mynsbrugge) presented the results of the Strategic Reserve volume assessment, published on Elia's website and of which physical copies were distributed at the start of the Task Force.*

Febeliec asked for a status update on the new model for load forecasting, presented during a previous Task Force. Elia replied that this project is still ongoing, and they are coordinating the study with Climact. Elia stated that they would share an update with the user's group after the TaskForce and confirmed the project would finish over the course of next year. Elia confirms that its intentions for having a workshop on the topic with the stakeholders remain unchanged. Febeliec stated they are concerned with IHS and in favor of a new model.

*Note: Elia plans to hold a workshop around mid-January, for which interested stakeholders will soon receive an invitation.*

Febeliec asked if Elia will allow the outage planning for winter 2021-2022 with 3 nuclear units out at the same time in case there is another 1.5 GW of nuclear unavailability. Elia replied that they can make a recommendation on the outage planning, but if the asset owner insists on their planning a considerable compensation from Elia would be needed to reschedule the outage. Febeliec commented it is then a matter of who should pay this cost: via maintenance planning or Strategic Reserves. Febeliec remarks that 1.5 GW nuclear out is an overestimation for winter 2022-2023 as the nuclear phase-out is already taking effect. Elia replied that 1.5 GW was chosen because

using a homothetic scaling, 1.25 GW should be taken out of service, which is impossible using the capacities of the available generators. In the absence of any planned outages for winter 2022-23, rounding up to 1.5 does not seem an overestimation at all.

Centrica Business Solutions asked what the actual availability was in the past winters. Elia replied that no numbers are presented today, but commented that last winter it was especially low and very impacting on adequacy. Centrica Business solutions commented that it may be exceptional, but history now shows that it can happen.

EMGB asked if Strategic Reserves still apply in winter 2022-2023. Elia confirmed that the EC approval holds until winter 2021-2022, so anything after that will need a different solution or re-approval.. Febeliec reacted that they can't see the issue, as in case the European Commission would allow a CRM they should allow a different solution to deal with the adequacy issue as well. EMGB stated that it is indeed important to note, as it applies to the near future. Elia replied that two roads are possible: prolongation of Strategic Reserves or an early CRM. Either option requires supporting numbers.

Febeliec disagreed as the Energy Only Market could also provide it. EMGB reacted that 2018-2019 was exceptional as it was difficult to run a power plant this anticipating such events. It is more a risk than potential value. Febeliec stated that high imbalance prices are opportunity which should reflect positively on the business case.

CREG stated that in its interpretation of the definition of LOLE according to the electricity act the average criterion (3hours) should be applied to the base case as they see this as a statistical normal year. CREG stated that 'HiLo' is by definition an extreme situation which should be regarded as a P95 situation (allowing up to 20hrs of LOLE). In addition, CREG stated that both French and Belgian nuclear unavailability could be included statistically. Febeliec commented that the HiLo is a very exceptional situation and exceptional is already in the statistics of the model.

Elia replied that the base case is overly optimistic, as it does not account for prolonged nuclear outages, and hence does not represent a 'normal historical year'. Elia replied that statistical modelling of nuclear availability is limited to the 'normal' forced outages, as opposed to including exceptional forced outages. Elia further refers to section 6.3.1 of the volume report detailing the calibration of exceptional where it is shown that historical nuclear unavailability in P95 is as low as 2.5GW. Hence, statistical modelling of these events may not indicate higher margins as CREG & Febeliec seem to think. Nevertheless, Elia believes insufficient exceptional events are witnessed to perform statistical modelling and hence relies on an 'averaging approach' resulting in 1.5 GW out of service. Consequently, both LOLE and P95 criteria remain valid in both basecase and HiLo.

Elia commented that their proposed dimensioning scenario (HiLo scenario) was approved by the European commission and has been consistently applied in the past. A formal interpretation has therefore been given. Elia refrains from deviating from the approach that was approved by the European commission and consistently applied.

Centrica Business Solutions asked what changed compared to the Adequacy and Flexibility Study, which pointed at a 300 MW need for winter 2022-2023. Elia explained there was a difference in available thermal generation for Belgium. Additionally, the HiLo has a different application between Adequacy and Flexibility Study and Strategic Reserves. As the time horizon for Adequacy and Flexibility spans a time period beyond maintenance planning for nuclear, a constant third of the nuclear generation in Belgium was taken as unavailable. In contrast, Strategic Reserves integrates known data (REMIT) on nuclear unavailability. Elia supports this difference in approach as the

methodology is in line with what was approved by the European Commission and the available data is different for both studies. Centrica Business Solutions commented that it seems strange to have two different methodologies.

Centrica Business Solutions commented that the statement in the Adequacy and Flexibility Study misleading, as Elia suggests there is a need of 300 MW, but in Strategic Reserves here it is 0 MW. Elia replied that alternative choices were to either not do two first years of the time scope of the Adequacy and Flexibility Study or the using different methodologies, neither of which were preferable. Furthermore, the Adequacy and Flexibility Study was not a dimensioning study for Strategic Reserves. To further clarify the evolutions in the report, there is a section on accelerated decommissioning, as well as a comparison for last year's Strategic Reserves.

Febeliec asked if it was possible to take the dimensioning for LOLE P95 to 20 hours and check the margin for this case. Elia stated not to have those values. Calculation times put time pressure on the report. Currently, when both legal criteria of average and P95 LOLE are reached, the simulation is stopped.

Febeliec commented that a 3.2 GW is concluded in a base case and that this is the real margin. Elia replied that the dimensioning case is the HiLo, because base case overestimates nuclear availability as it doesn't take into account the revisions. Elia stated that this meets their legal obligation for Strategic Reserves volume assessment.

Both Febeliec and CREG commented that the conclusion reflects the HiLo and not the base case margin. Elia explained that this is in accordance with what was approved by the European Commission and clarifies that Elia makes a recommendation, but the PFS Economy could advise differently and the minister can always decide differently. Febeliec stated that this is influenced by what Elia writes in the recommendation. Elia replied that the minister and the FPS Economy get the full volume assessment for their decision and, respectively, advice and are trusted to diligently review the complete package of information provided by Elia.

Febeliec commented that there is a 100 MW margin, but only 2.5 hours of LOLE and asked if this is this because 100 MW step size. Febeliec reiterates that they have commented multiple times in the past that the step size should be smaller. Elia stated to have explained its choice for a 100MW step size with quantitative elements (notably in the TF in July 2018). Elia reiterates that it is impossible for a statistical analysis to express a result that is both precise in step size and LOLE as a statistical result has a confidence interval. Elia reiterates that a step size of 100MW allows for a robust result in terms of LOLE, whereas a smaller step size does not.

CREG commented on the explanation Elia gave on the difference between last year's and this year's report, that the block size representing the contribution by Belgian generation does not correspond to the sum of the legend. Febeliec consequently agreed that this could not be due to derating only. Elia replied that what is shown in the slide are merely an attempt to decompose the results into elements which can explain the differences with the previous report. The numbers do not result from performing a sensitivity on each of the individual plants' absence/presence. Both last years' and this years' analyses are to be seen as black boxes for which only input & output are known. No one hypothesis change can be directly related to a portion of the margin, as all elements are working together as part of the whole system model. Hence, if the slide were to represent a higher impact from Belgian generation, this would automatically induce a higher impact from foreign decommissioning as well. Febeliec questioned how Elia can back-test their model's accuracy with the past without understanding what drives the difference.

Elia replied that, if anything, this figure shows that in past, more prudence could have been applied with regards to adequacy. This exercise is based on the most recent information and the world changes (for the worse) faster than can be modelled. Despite a positive contribution of power plants returning to the market, the margin has reduced due to worsening conditions in neighboring countries regarding adequacy.

Febeliec commented that three CRM countries are presented, so they should not have an adequacy issue. Elia replied that it's not because they solve their problem that they have solved our problem. Belgium is structurally dependent on import and foreign margins seem to be decreasing. What Elia observes is that abroad decommissioning worsens Belgian possibility for import and thus adequacy.

Centrica Business Solutions asked if Elia knows in what direction the differences between last year's and this year's assessment are impacting adequacy. Elia replied that for some elements this is clear (e.g. more domestic generation increases the margin) whereas for others it is not (e.g. this year's more detailed hydro modelling). Centrica Business Solutions asked if nuclear availability is in line with historical values and further risks of unavailability (e.g. possible decommissioning in France). Elia replied that some French units have an elevated risk of being decommissioned due to the VD4 assessments, but are assumed to be available in the model because this is the formal available information.

### ***Procedure for Tendering***

*Elia (Mr. Arno Motté) presented an overview of the changes to the Procedure for Tendering for a possible tender in 2020.*

*Febeliec asked if the consultation documents would include a “track changes” version as well. Elia confirmed that this is the case.*

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