Minutes of Meeting Taskforce: "Implementation of Strategic Reserve" June 2nd, 2020

MEETING LOCATION: SKYPE MEETING
MEETING DATE: JUNE 2, 2020 - 12H30 UNTIL 14H30

LIST OF PARTICIPANTS

LAST NAME	FIRST NAME	ORGANIZATION
Buijs	*Patrik*	*Elia- Chairman*
Van Thielen	*Elmo*	*Elia - secretary*
Verelst	*Martine*	*Elia*
Pirlot	*Yunus*	*Elia*
Hahati	*Bilal*	*Elia*
Feito-Kiczak	*Rafael*	*Elia*
Cornet	*Michel*	*Climact*
Benoît	*Martin*	*Climact*
Catrycke	*Mathilde*	*Engie*
Gusbin	*Dominique*	*Federal Planning Bureau*
Devogelaer	*Danielle*	*Federal Planning Bureau*
Verrydt	*Eric*	*BASF*
Harlem	*Steven*	*EDF*
Waignier	*Jean-François*	*FEBEG*
Anciaux	*Pauline*	*FPS Economy*
Van Bossuyt	*Michaël*	*Febeliec*
Van De Keer	*Lieven*	*T-Power*
Meynckens	*Geert*	*Centrica Business Solutions*

Agenda

- *New Macro Demand Forecasting Tool*

Introduction

The chairperson (Mr. Patrik Buijs) opened and presented the agenda of the meeting.

New Macro Demand Forecasting Tool

Climact (Mr. Martin Benoît) presented the methodology for the new macro demand forecasting, which will be applied on the volume study for Strategic Reserves 2021-2022. Elia further added that the public consultation will include a full report with a detailed description of the methodology for short-term prediction

FEBELIEC asked if this horizon can easily be extended to Y+20 (up to 2040) and how well the tool performs looking far ahead Elia replied that the presentation today clarifies that this project is only for the short-term. It is not yet planned to extend it for now beyond Y+1-Y+3.

FEBELIEC asked if then only very limited changes in the levers are applied and therefore limited change. Elia replied they changed the approach for the short-term levers. It is quite different from what was shown in the past. The presentation elaborates on this.

FEBELIEC asked how well the tool accommodates macro-economic effects, not in the least covid-19, which is not linked to a decarbonisation lever. Elia clarifies the approach is different (as will be explained) and will now take into account such past events (e.g. macro-economic factors). The presentation explains this.

FEBELIEC asked for slide 13 how the methodology links import/export to the macro-economic indicators, in order to retain your national scope, while not losing that aspect and how it copes with (future) shifts in import/export due and thus demand (e.g. based on changing prices of electricity). Elia clarified that this should be present in the report.

Climact further explained that the user has control over the variables in the model, so the link is possible, but not in the first methodology. It does not consider a change in the import-export behaviour in the industry/electricity based on macro-economic projections (instead, it is fixed at historical levels). Febeliec clarifies that for average disposable income, added value…. there are substitution effects (within EU and with the rest of the world). This is especially the case for long-term horizons. Climact clarifies that the model can do it via trade balance modifications in 3 dimensions: food, transport and material demand. It is a simulation model, so the user controls it. But in the current methodology follows a business as usual for this matter.

FEBELIEC asked how the model copes with the impact of covid-19 on the data (linear forecast but lower starting point, other option…). Elia replied that this is explained later on in the presentation.

FEBELIEC asked if the levers are then replaced completely. Elia confirmed that approach has changed and is elaborated during this presentation.

Federal Planning Bureau commented on slide 11 that PRIMES does also rely on the evolution of population, number of households and disposable income. Climact replied that here are not several macro-economic indicators influencing the same variable in the first iteration. It could be improved in the future, but an assessment is needed how it can be done.

Federal Planning Bureau asked on Slide 14 if the linear regression is over 3 years only (2017-2019) and if this is then relevant. Climact replied that there actually is regression from 2000-2017 and used to project 2020-2023.

FEBELIEC asked on Slide 21 whether COVID 19 will be included in the next update. The NBB 2019 study had data until 2017, so the 2020 study would logically only contain data up to 2018. Elia clarified that the forecast is based on what we have today for the input parameters. We plan to include the publication of Planbureau (which will include data on the COVID 19 period). FEBELIEC commented that 2020 was one datapoint in the set of reference data. The size of the reference data (number of years) has a big impact. If it drowns in the complete reference period, it will have little impact. Elia stated they will take 2019 as a starting point and apply the relative change. FEBELIEC stated to understand that, but this period has significantly lower demand and the method seems to act as if COVID 19 never happened, especially since it's linked to GDP.

Federal Planning Bureau confirmed to release their medium term macroeconomic forecasts on the 22nd of June and will include the period of COVID-19 measures. Federal Planning Bureau further commented that 2020 is the projection year, so it's not a statistic. They continued to ask why for the short-term the methodology doesn't use the year-by-year forecasts of the different parameters such as GDP. Climact clarified that the model does, in fact, take yearly rates. Elia further confirmed that the methodology will take 2019 as a starting point, as 2020 is not yet finished, but will integrate estimates by the Federal Planning Bureau to take into account the year-by-year Macro-economic effects. This was the initial purpose of the new methodology. FEBELIEC understands, yet their concern remains. They illustrated this by comparing it to the 2008 vs. 2009 electricity demand. Even in 2019, the electricity demand has not once again risen above the value before the economic crisis. The same could happen post-COVID.

FEBELIEC asked on the back-testing for years 16-17-18 if it is known how well it back-tested for 2008. Climact replied that it is not possible to back-test here, as the same data and granularity is not available for this year. FEBELIEC commented that recent years show a decline in normalized demand in linear regression compared to the last decade, even pre-COVID. Elia replied that the proposal begins with the last year for the forecasting, as this seems the best proposal as well as a step forward overall. Elia noted FEBELIEC"s reservations on the outcome and welcomes reasoned counterproposals in the public consultation. Engie further commented that it is in any case difficult to predict the evolution in the coming months/years. Effects could play in both directions (e.g. measures taken as a consequence of the Green Deal).

Federal Planning Bureau commented that the residential number of households seems to increase faster than population, while average size of HH decreases. They then wondered why the number of hours wouldn't decrease as a consequence. Climact replied that the model relates the duration to income, but recognizes that an improvement may be possible to make the link with household size as well. The suggestion has been noted.

Federal Planning Bureau asked to confirm if the data is only for Y+1-Y+3 timeframe. Elia confirmed that indeed it is only for the public consultation for Strategic Reserves (and so only three years ahead).

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