

Minutes of Meeting

Taskforce: “Implementation of Strategic Reserve” July 8th, 2020

MEETING LOCATION: ELIA’s offices, Emperor Boulevard 20, 1000 Brussels / SKYPE MEETING
MEETING DATE: JULY 8, 2020 - 14H00 UNTIL 16H00

LIST OF PARTICIPANTS

Last Name	First Name	Organization
Matthys-Donnadieu	James	Elia – chairman
Jadoul	François	Elia – secretary
Buijs	Patrik	Elia
Feito-Kiczak	Rafael	Elia
Motté	Arno	Elia
Pirlot	Yunus	Elia
Verelst	Martine	Elia
Brasseur	François	FPS Economy
Catrycke	Mathilde	FEPEG
Jourdain	Sigrid	FPS Economy
Etienne	Jan	E-CUBE
Putz	Patrick	E-CUBE
Van Bossuyt	Michael	Febeliec
Verrydt	Eric	BASF

Agenda

- Overview of the answers to the Public Consultation on methodology (including the volume of Market Response)
- Assessment of the volume of Market Response for 2020 : E-CUBE

Introduction

The chairperson (Mr. James Matthys-Donnadieu) opened and presented the agenda of the meeting. No comments or remarks were received on the agenda.

Overview of the answers to the Public Consultation on methodology (including the volume of Market Response)

ELIA provided an overview of the answers received in the framework of the Public Consultation on the methodology used for Strategic Reserve purpose which took place from the 3rd of June 2020 until the 1st of July 2020. Moreover, ELIA added that it is foreseen to publish a Public Consultation report with detailed answers for the inputs received by the beginning of August.

Febeliec asked whether confidential answers have been provided for the Public Consultation or whether it was restricted to 2 answers. ELIA answered that it was restricted to 2 answers.

On the use of the data, Febeliec pointed out that, when looking at other consultation reports and work from ELIA, on the MOG II system integration study, DTU had data including the year 2018 meaning that such data exist and is already used but not in any of the Adequacy studies performed by ELIA. Febeliec raised therefore the fact that this triggered worries that the data needed existed and was not used whereas it was the most recent. ELIA answered that the PECD data used are managed by ENTSO-E and are composed of data from several providers but that it was currently not consolidated yet beyond 2016.

Regarding the clarification provided by ELIA on the outage of interconnectors, Febeliec pointed out that a statement from the note according to which *'this value includes both unexpected outages of HVDC lines as well as planned outages of interconnectors'* was wrong. ELIA confirmed that this was an error. Febeliec added that the percentage in the note only included forced outages and raised the fact that it seemed rather high given that it covered forced (unplanned) outages only and especially since it covered new equipment. Febeliec added that the question remained why it was so high. ELIA answered that this value was assessed every year by ENTSO-E and that it will be part of the data to be consulted upon.

On the double LOLE criteria, Febeliec made the remark that it seemed weird to apply a double criterion since if you were fulfilling the less than 3 hours criterion then you would by definition fulfill the less than 20 hours criterion. ELIA answered that there exists a need to comply with both criteria when assessing a given scenario. Febeliec answered that it seemed curious since it meant that for every year, you would have to be compliant with P95 and that once in every 20 years, you would be allowed to face a 20 hours curtailment. However according to ELIA, both criteria should be considered for a given scenario (which consists of a large amount of Monte Carlo years).

ELIA answered that these results were based on statistical analysis and that they were provided per year. Moreover, ELIA commented that the P95 or the average of 3 hours was calculated based on a set of Monte-Carlo years (for a given scenario). Indeed, it must be looked at the average obtained from the Monte-Carlo set for a specific scenario: you have a large set of Monte-Carlo years which has to be compliant with the 3 hours criterion and the P95 results obtained from the same Monte-Carlo dataset must be compliant, at the same time, with the criterion of 20 hours. ELIA raised as well the fact that, in past studies, it was sometimes the P95 criterion which was more binding than the average whereas in any case – following the legally set reliability standard - both criteria had to be looked at on the Monte-Carlo dataset which included climate years, forced outages, ... Febeliec answered that you would then end up with a double calculation by still including the Hilo scenario since you would be testing the base case scenario and the Hilo scenario for both the 3 hours and the 20 hours criteria's. ELIA answered that it was not the case given that the scenario was a different parameter here: when looking for a specific scenario, you look at all your Monte-Carlo years and simulate them. Whenever changing the scenario, you have to make a new simulation involving this new scenario for your Monte-Carlo years; this means that eventually you end up for each scenario with a calculated volume to be compliant with both criteria. For instance, if another scenario had been considered like a 'Coal phase-out' scenario in Germany, Monte-Carlo years should have been simulated as well for this new scenario and a volume would have been calculated as well: this volume must be compliant again with both criteria.

Still, Febeliec was of the opinion that if you were compliant with both criteria for the Hilo scenario then you would comply with the requirements of the Base Case scenario. ELIA answered that these calculations have been done from the start of Strategic Reserve in the same way as also approved by the European Commission. The Reliability Standard of Belgium set by law is double (as mentioned at the beginning of this presentation) and it has been approved by the EC that this double standard must therefore be applied on a Hilo case. Given this legally set context and the EC approval ELIA has applied and continues to apply the reliability standard in this way.

Febeliec asked how ELIA would take into consideration the impact of the additional sensitivity linked to Covid-19 which is a scenario with a very high impact and a very high probability. ELIA reminded that it would be part of the scenario definition: the consumption data which will be used for the analysis will be put in the public consultation. Then again, for this scenario and the analysis to be performed, ELIA would look at both criteria of the Reliability Standard. Febeliec asked whether it would be part of the Base Case scenario or whether it would be considered as a sensitivity. ELIA answered that what would be put as input for the Public Consultation would be the best estimate of the consumption based on the latest data available at that moment. Febeliec answered that they were looking forward to seeing what the results linked to COVID would look like. ELIA further clarified that there was one scenario, including quite some numbers used, for the analysis and that the Hilo case, similarly to earlier studies, would be applied on this scenario. As a conclusion, ELIA added that the philosophy behind the Hilo principle did not change. Febeliec answered that they would like to avoid that Covid-19 is not being used for Strategic Reserve calculation purposes. ELIA confirmed that Covid-19 will be part of the scenario setting by using public sources and will be part of the inputs of Public Consultation taking into account for example the latest report from the Federal Plan Bureau. The Public Consultation will be launched in August.

On the methodology applied, Febeliec reminded that they did not approve the methodology used for Strategic Reserve purposes then and still does not approve it now despite of the analysis performed.

On the request to clarify the limiting element when presenting the energy and the interconnection capacity, Febeliec stated that since there was a commitment to achieve a minimum of 70% objective of min RAM by January 1st of 2026, they would like to know to what extent in the past it was already interconnection capacity and to what extent it will still be the case in the future. Indeed, Febeliec added that the 3 next winters were already covered meaning that this analysis was already going quite far towards the 2026 roadmap and that there was a willingness to see what the impact would be on the limiting CNECs for example and the effects of derogation (or the absence of derogation) in the future. ELIA answered that it was well noted.

On the assessment of the Market Response, Febeliec reminded that the methodology would foresee, at the end, a sanity check and some back testing to check for the results. Moreover, Febeliec commented that they remained with concerns for the winter 2018/19 for which the real outcome of Market Response from the market was higher than the one estimated by the current methodology. As a conclusion, Febeliec by raising this question, aimed at making sure that this double check was/would be taken into account and that the results would not deliver, now and nor in the future, lower value(s) than the ones historically recorded. Indeed Febeliec added that this back testing should take place in order to respect fully the methodology discussed in the past, yet not approved by Febeliec. ELIA answered that despite of the fact that Febeliec did not agree for this methodology, it has been retained after a thorough discussion and is considered the best possible approach. ELIA added that there is today no other methodology providing better comfort, although ELIA remains open for other suggestions. On the question for back testing, ELIA commented that, for the recorded volumes in the past, back testing was done via looking each time this analysis is performed at the historical curves observed in the past. Looking at these curves observed in the past follows therefore a certain rationale that is part of the underlying assumption of the methodology. Obviously applying the methodology relies on a certain number of assumptions (eg. on the behaviors of the bidding parties) but again this methodology seems today to remain the best methodology available. As explained earlier and in the documents publicly consulted upon, the set of assumptions is believed to cover the entire market and there is currently no way by which ELIA could assess differently and in an equally objective manner further volumes of Market Response. Additional volumes from complex block orders have been tested and have been highlighted later in the presentation; it is difficult for ELIA to go further than observing thanks to this updated methodology what is happening in terms of Market Response on the market. Febeliec asked whether ELIA stated that some comments publicly released in the press and even in the Parliament Commission by market actors have been incorrect. ELIA replied it is not expected to comment quotes released in the press and to highlight the points of (dis)agreement on these statements. Febeliec insisted on saying that it could be a sign that this methodology was not providing results good enough. Again, ELIA repeated that a lot of efforts had been done to improve the methodology and that there did not seem to be better approaches available. As always, ELIA repeated that other alternatives were still welcome if they were helping in order to reach a better result.

Febeliec reminded that they have never seen the sanity check that was part of the methodology. ELIA answered to Febeliec that if Febeliec wanted to see, when referring to a sanity check, whether the volumes of Market Response in Belgium were comparable in terms of magnitude to the volumes found in France, PJM, It has already been done in the past and it was relevant especially the 1st time. Furthermore, ELIA wondered what a sanity check would actually bring in terms of value added, when comparing the order of magnitude in Belgium with France or PJM. Still, given that the volume of Market Response already observed is still increasing and that Belgium is considered, for example by the SmartEn overview, as a well performing market in terms of providing a framework for Market Response at least across Europe. Febeliec repeated that one thing considered as worrisome for Febeliec was the fact that hundreds of MW extra in Market Response appeared suddenly during the winter 18/19 which did not appear in the calculations made thanks to the modeling. This remains according to Febeliec an issue since it would mean that the market is capable of providing much more volume than estimated by the model implying that Market Response is underestimated and the need for a Strategic Reserve is overestimated. Febeliec concluded that they were every time coming back with this comment since they did not see how it was addressed. ELIA wrote down Febeliec's concern but answered that adequacy assessment should be done based on factual information following a clearly explained and defined methodology and cannot not be done based on press statements. ELIA asked Febeliec whether a sanity check based on France, PJM,... would solve the issue considered by Febeliec, Febeliec answered that it would indeed not address the main issue raised.

On the consideration of flow-based domain and the CEP by ELIA, Febeliec asked whether a derogation would take place beyond the next calendar year. Febeliec added that the submitted action plan, for example for Germany, was for 5 years until January 2026 but that the derogations, which were/should have been/will be submitted, were only covering the calendar year 2021 meaning that the derogations were not taken into account the calendar years 2022 nor 2023 and their related winters. ELIA answered that the non-derogation or action plans would indeed be taken into consideration at the moment of Public Consultation with a realistic proposal on the different parameters that could be expected for future years. For instance, the proposed min RAM used for the calculation of the flow based domain will be integrated to the data shared for Public Consultation.

ELIA informed everyone that the consultation report would be published by ELIA by the end of the first week of August.

Assessment of the volume of Market Response for 2020: ECUBE

E-CUBE presented the updated methodology used for the assessment of the volume of Market Response and the results obtained thanks to this updated methodology.

On the elements of the dataset from the slide 17 of the presentation, Febeliec asked whether strike days were included in the dataset and considered as Sundays. E-CUBE answered that there were no strike days included in the last dataset. Febeliec explained this question based on what was highlighted about strike days on the slide which is not very clear although it can be perceived as a detail. E-CUBE answered that historical strike days had been removed and that there had not been new strike days since. Febeliec then concluded that any future strike days had been considered as Sundays and that all new ones would not be considered. E-CUBE commented that they would have to check and that the detailed historical methodology was available in appendix but that in any case the goal was not change the methodology. In any case, ELIA added that it would not have an impact on the volume finally retained for the adequacy assessment. E-CUBE confirmed this statement by adding that the dataset considered for the adequacy assessment was restricted to winter weekdays and peak hours. E-CUBE committed to correct this on slide 17 of the presentation.

On the correlation analysis of the dataset on the slide 21 of the presentation, Febeliec asked whether there had been an important amount of hours observed above the Market Response Threshold of 500 €/MWh in order to understand whether there was a statistical effect. E-CUBE answered that the additional amount of hours covered the entire winter 2020. E-CUBE repeated that, so far, the fact that the volatility linked to the Market Response Threshold of 500 €/MWh was increasing due to the restriction of the dataset was just an observation. Additionally, E-CUBE reminded that the trend linked to the 150 €/MWh threshold was in line with the one observed for the past years and that it was the value considered for the adequacy assessment.

On the comparison of the observed volume of Market Response for the low and high bounds on the slide 23 of the presentation, Febeliec asked whether the 2 graphs represented on the lower part of the slide were actually covering the entire dataset from 2015 up to 2020. E-CUBE answered that these graphs highlighted data from 2020 and at the winter only. The reason to show this data from the winter 2020 is explained by the fact that this data has been used to calculate the growth rate of Market Response, which will be used in the end to be applied on the latest value of the latest winter. Then Febeliec asked how to compare the data from 2020 with the data from the last years. E-CUBE answered that it was coming at a later stage in the presentation.

On the slide 23 discussed earlier, Febeliec asked whether the 865 MW highlighted on the lower right graph included the volume highlighted for NordPool Spot. E-CUBE answered that it was not case and reminded thanks to the slide 14 of this presentation according to which the Market Response volume assessed historically based on the volume arising from the aggregated curves from one NEMO only. The upgrade of the methodology, as publicly consulted upon, has allowed to add volumes from other NEMO and additionally from complex block orders as well: this means that the volume coming from NordPool Spot has been added on the top compared to the volume presented on the lower right graph on the slide 23.

On the volume arising from NordPool Spot, FEBEG pointed out the fact that the ratio of the Market Response volume from NordPool Spot compared to the volume traded (in GWh) on this NEMO was rather high compared to the same ratio for EPEX and that it would be interesting to further investigate how this could be explained. ELIA confirmed this observation and confirmed as well that the calculations had been double-checked several times by E-CUBE to see whether they made sense which was the case. ELIA stated as well that the origin of these volumes could not necessarily be checked or explained by ELIA or E-CUBE with the means available as this volume depended on the strategy adopted by market actors. Indeed, E-CUBE was only able to observe, within the limits of anonymity, that some KPI's in NordPool Spot being different than in EPEX. ELIA further added that this kind of analysis should not be expected from ELIA as it relates to market parties' behaviors. Febeliec confirmed that such kind of information relates to market behaviors, which can be considered as sensitive information that would not be shared by NordPool Spot. E-CUBE confirmed that the data had been checked several times.

On the block orders coming from NordPool Spot presented on the slide 30, ELIA added that in case of MW found for (complex) block orders, for example next year, they would be taken into account as well.

On the volume of Market Response for the 150 €/MWh threshold highlighted on the slide 33, FEBEG asked whether considering such Market Response threshold could still include other technologies. Moreover, FEBEG added that it could be a bit misleading to mention it that way: E-CUBE confirmed that, when processing the analysis of the aggregated curves in 2017, there was a very high inflexion point at 150 €/MWh but that another threshold was considered as well at a level of 500 €/MWh because it was assumed at that time that there was no generation unit above that price. There have thus always been 2 points : the one at 150 €/MWh being a very high inflexion point and the one at 500 €/MWh above which it has been

assumed that there was nothing left in terms of generation above that threshold. E-CUBE then concluded that it was decided in the past to take the 150€/MWh as high bound in the adequacy assessment. ELIA added that in theory it could be possible to observe generation reacting above this Market Response threshold of 150 €/MWh but that a voluntarist assumption had been taken towards the adequacy assessment in terms of Market Response whereas going for the low bound of 500 €/MWh would have been a far more conservative assumption. Finally, E-CUBE stated that, regarding adequacy, the volumes above 150 €/MWh only were taken into account here to be coherent. FEBEG answered that they understood the point although the way it has been written could be misleading.

On the same slide regarding the volume calculated, Febeliec pointed that the volume of Market Response calculated amounted to 1001 MW for NordPool and EPEX together, which is less than the 1041 MW highlighted on slide 32. Febeliec asked therefore whether it was because on the slide 33, the volume targeted was covering all days into account including the weekend. ECUBE confirmed that to calculate the volume restricted here, to include the Ancillary Services, the only restriction applied was the one linked to winter months since it represented the best way to calculate a growth rate over the years. E-CUBE reminded that the goal was to apply afterwards this growth rate to the volume of 1041 MW calculated. Febeliec asked then how E-CUBE obtained the volume of 407 MW for the winter 2019/20 for the Ancillary Services to cover Market Response and not Demand Response only and wondered how it was done. ELIA answered that such calculation was based on a set of assumptions, which are detailed in the last slide in annex. Moreover, ELIA added that these assumptions were, for most of them, the same as the ones from the past years and explained that these assumptions were used to analyze, for each of the AS products, which part of the volume could be considered as Market Response from the volumes contracted. ELIA confirmed that the assumptions taken were rather at the optimistic side in terms of market response volume. Febeliec observed a drop from the winter 2018/19 to the winter 2019/20 in the volume observed for Ancillary Services compared to the volumes observed 3 to 4 years ago and asked how it could be explained. ELIA answered that one element which could explain this could be product evolutions, aside from market dynamics. These evolutions made it therefore not always easy to observe the exact same volume of Demand Response from the various Ancillary Services products.

On the growth rate observed for the volume of Market Response, Febeliec asked which percentage was taken last year. ELIA answered that it was 7%, the upper bound proposed, which was confirmed by E-CUBE. ELIA furthermore asked for an opinion from the parties present for the meeting in order to be able to put a number for the launch of the Public Consultation. There was a large consensus to discard the 1% option. FEBEG reminded that FEBEG had always rather been in favor of a more conservative approach because, among others, of the variations (up and down) observed for Market Response and because of the market evolutions of the recent years. Furthermore, FEBEG added that these variations of participation of Demand Response to Ancillary Services depended very much on other aspects linked for example to the economic activity and the market conditions which could have a real influence on the ability of market actors to participate. FEBEG added that it would make more sense, according to them, to go for an average growth percentage to consider here. Febeliec answered that 2 things, according to them, had to be considered to assess the growth rate which had to be applied in this case: firstly, quite some efforts have been realized to improve the flexibility of market actors with IOE at ELIA, the accelerated rollout of smart meters in Flanders and at some point it could be expected that dynamic price contracts, rather for SME's and small industrials than for residential would take place. Finally, the Transfer of Energy in Day-Ahead and Intraday are also expected meaning that as a conclusion additional efforts were realized to achieve higher Market Response Volume. Secondly, the economic climate could result in less flexibility: if a company goes bankrupt and does not consume anything, it doesn't offer flexibility but the consumption itself diminishes as well, there is a double effect here. Both effects should be considered as well in case the load in Belgium was to drop by 20%, there would be less Market Response but less demand as well so it would depend how both elements would be taken into consideration. In any case, Febeliec commented that the growth rate observed was much higher than the growth rate of 3% discussed 3-4 years ago. Moreover, Febeliec said that they were of the opinion that this trend would continue in the future unless there would be a real economic downturn meaning a double dip due to Covid for which the impact would be visible elsewhere as well. Febeliec repeated again that a decreased flexibility would mean demand destroyed as well. FEBEG answered that it should be considered on a broader perimeter, Febeliec repeated his assumption on the link between flexibility and demand and stated that they would support a growth rate of 8%, being the value observed over the longer term considering as well that many new things were being worked on in order to improve the amount of flexibility which could be brought to the market. ELIA asked whether other parties had other views about this growth rate and asked FEBEG what their opinion was. FEBEG answered that they would have to discuss it with other FEBEG members but that they would in any case recommend the 6% growth rate, 'the middle value', considering the possible impact from the economic crisis. ELIA asked whether the 6% growth rate would be perceived as reasonable for Febeliec, Febeliec answered negatively unless it would mean as well that there would be a lot of demand destruction. Indeed, Febeliec added that they would not see why consumers, with their actual level of consumption, would become less flexible than in the past. ELIA agreed with Febeliec but pointed out the fact that there was quite some substantial increase compared to last year and even a growth rate of 8% observed annually since 2015. ELIA added that the growth observed for 2019/20 was tremendous, around 20%, and then raised the question on whether it would keep growing that way or reach a threshold not saying that

it would be the case. Febeliec answered that the increase was indeed 20% year over year meaning that the trend continued and that the growth rate of 8% really was a lower bound. Moreover, Febeliec stated that they could observe during discussions with their members that everybody was looking into more Market Response. ELIA answered that the 6-8% increase was partly explained by the addition of NordPool Spot to the dataset, which will not be the case (as far as ELIA knows) every year. ELIA went on saying that assuming a strong increase would still imply that NordPool Spot would continue significantly the increase it has created in the volumes observed. Indeed the volumes coming from NordPool Spot came more or less on top of what was observed in the past and not in replacement of what was found for EPEX so ELIA wondered whether such increase in volume from NordPool Spot would still be met again. Febeliec answered that only looking at the volume added for EPEX, and not NordPool Spot, the increase was already equal to 200 MW. ELIA answered that it could possibly explain the difference between taking 6 and 8%. FEBEG added that they would rather confirm such an important increase next year before targeting a higher growth rate rather than look only at one year in order to choose between 6 and 8%. Febeliec commented that it could only be looked at the increase for EPEX and not the one observed for NordPool Spot for this year: by doing so, 200 MW only for EPEX were observed which were higher than the 8% growth rate discussed. Febeliec concluded therefore that a growth rate of 6% would be really conservative and added that they understood why FEBEG would favor such growth rate which wouldn't be very realistic. Yet, FEBEG answered that other aspects could be looked at and that looking back at the winters 2016/17 and 2017/18 it could be observed that volumes were going up and down. ELIA concluded on the fact that actors seemed to have made their opinion and added that their opinions would be taken into account while assessing what would be best. Finally, ELIA concluded as well that, undeniably, Market Response had increased over the last years and that it was rather encouraging ELIA in their work to make this happening. ELIA thanked E-CUBE for the presentation.

Regarding the update of the Functioning Rules that ELIA will probably have to submit around December end of 2020 for winter 2021/22, ELIA commented that they were still waiting for CREG's decision on the previous version which had been submitted. ELIA added that from their point of view, no new design aspect was expected for the updated version of the Functioning Rules.

The chairman (Mr. James Matthys-Donnadieu) closed the meeting and thanked the audience. ELIA added that no new date had been foreseen yet for a TF iSR yet but that it would probably be foreseen after the end of the Public Consultation on the input data. ELIA will try to find an efficient date, including other business as well if needed.