

WG Balancing of 22th November 2021

Online meeting

22/11/2021

For a smooth teleconference with 30+ people ... Some rules apply

- Please put yourself on mute at any time that you are not speaking to avoid background noise.
- If you receive a call, please ensure that you do not put this meeting **on hold**.
 - You can quit and reconnect later on.
 - You will be muted or kicked out of the session, if necessary.
- You will be requested to hold your questions for the end of each presentation.
 - Should you have a question, please notify via Teams or speak out if you are only via phone.
 - Share your question (with slide number) in advance so all participants may follow
 - Before you share your question, please announce yourself.
- If you have a poor internet connection, please dial-in.
- Finally, please be courteous and let people finish their sentences.
 - It is practically impossible to follow when 2 people are speaking at the same time in a teleconference.



Agenda

15:30 – 15:40: Introduction and minutes

15:40 – 16:40: aFRR go-live scenarios

16:40 – 16:50 – Coffee Break

16:50 – 17:10 – Updated roadmap 2021-2022

AOB

Minutes of Meeting for approval

Minutes of Meeting of WG Balancing 15th September 2021:

- No comments received from the stakeholders.

Minutes of Meeting of Workshop on Imbalance cost 11th October 2021:

- No comments received from the stakeholders.

Minutes of Meeting of WG Balancing 28th October

- No comments received from the stakeholders.



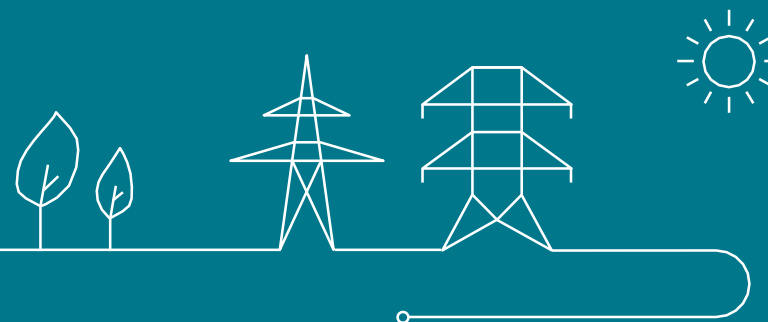
Objective of the workshop

- As announced in the WG Balancing on the 28th of October, the German, Austrian and French TSOs have delayed their accession to PICASSO
 - ➔ Elia has analyzed the impact of this updated accession roadmap and has consequently defined a proposed go-live scenario for aFRR
- During the same WG Balancing, Elia presented 2 scenarios for the Roadmap update proposal. It was agreed to reconfirm the retained scenario after the discussion on the aFRR planning during the ad hoc WG Balancing
 - ➔ Based on the proposed aFRR go-live scenario and further precisions, Elia has a final proposal for the Roadmap update proposal
- ➔ The workshop includes 2 parts:
 - aFRR go-live scenarios
 - Updated roadmap 2021-2022



aFRR Go-live scenarios

Presented by Philippe Magnant



Context

- Until recently, Elia was planned in the 2nd wave of TSOs connecting to PICASSO
 - RTE, APG and German TSOs planned to connect in 02/2022
 - Elia planned to connect in 04/2022, shortly before Swissgrid, CEPS and ELES
- APG and German TSOs announced they now plan to connect beginning of 05/2022 and RTE announced they plan to connect in Q4 2022. With the current go-live planning:
 - There will be no “observation round” for Elia
 - We will not have access to liquidity in France
- Reminder: EBGL deadline for connecting to PICASSO: 07/2022
- Content of the presentation:
 - Impact of the delays announced by the TSOs of the 1st wave
 - Go-live scenarios considered
 - Next steps



Impact of connecting to PICASSO in the 1st wave

- In a context of switch to marginal price, increase of the price cap and potentially limited liquidity, there is an increase of the risk of high prices, impacting the imbalance costs. The risk depends on:
 - TSOs connected
 - ATCs available
 - Merit orders, including Elia's merit order
 - In case the risk materializes, withdrawing might not be an option
- ➔ Taking into account the risks to connect in the 1st wave in those conditions, we considered **alternative go-live scenarios**



Main design evolutions / amendments of T&C BSP aFRR

- aFRR capacity auctions design
- Modifications required by PICASSO
 - Remuneration of activated bids at **marginal price**
 - Current 1000€/MWh **price cap** replaced by the value that will be decided by ACER in the Pricing Methodology
 - Fallback scenarios
- Energy bidding structure
- “Small changes” related to energy design: requirements for baseline and baseline control, requirements for assets with limited energy reservoirs, jumps, etc.



Go-live scenarios: important aspects to consider

- Connecting as only TSO is not an option (risks without benefits)
- aFRR capacity can not be delayed
 - Even if further delays of other TSOs on PICASSO are announced → implementation plan needs to be robust against possible additional delays
- Public consultation of T&C BSP aFRR should cover both energy and capacity
 - Only 1 version of the T&C BSP aFRR through the approval process at the same time
- The sooner aFRR is finished, the sooner BSPs can focus on mFRR → delaying aFRR implies a risk on the MARI planning
- A market party has explicitly expressed a preference for having the aFRR capacity go-live together with the main changes of the local energy design
- Elia's implementation teams are also willing not to delay the go-live of the new local tools



Go-live scenarios: important aspects to consider

- The switch to marginal price and the increase of the price cap potentially have a strong impact on the prices paid for aFRR activations, which will be reflected in the imbalance costs
 - ➔ Interest of an “**observation round**” before connecting to PICASSO. The observation round would be mostly market related. Prices on the Platform will be published and we will be able to perform simulations on a few weeks of data
 - ➔ Final decision to connect to PICASSO would be taken with a better view on the impact on welfare, including imbalance costs
 - ➔ For the sake of clarity, the target remains to connect to PICASSO before EBGL deadline, after a short observation round



Go-live scenarios

- Based on the elements listed above, the following scenario has been evaluated
 - Go-live of aFRR capacity and “aFRR energy local” end of April
 - Connection to PICASSO planned 2nd half of June, allowing 6 weeks “observation round”
- This would mean that we would be in “fallback mode” between the 2 go-lives, with a marginal price remuneration (and with the current 1000€/MWh price cap, still allowed as we would not be connected to PICASSO)
- A switch to marginal price without the PICASSO liquidity is expected to have a high impact on the imbalance costs in the downwards direction
 - Increase of imbalance costs
 - Switch to marginal price will be done → if prices on the platform are unreasonably high, we could be stuck between 2 bad options

→ Scenario not retained

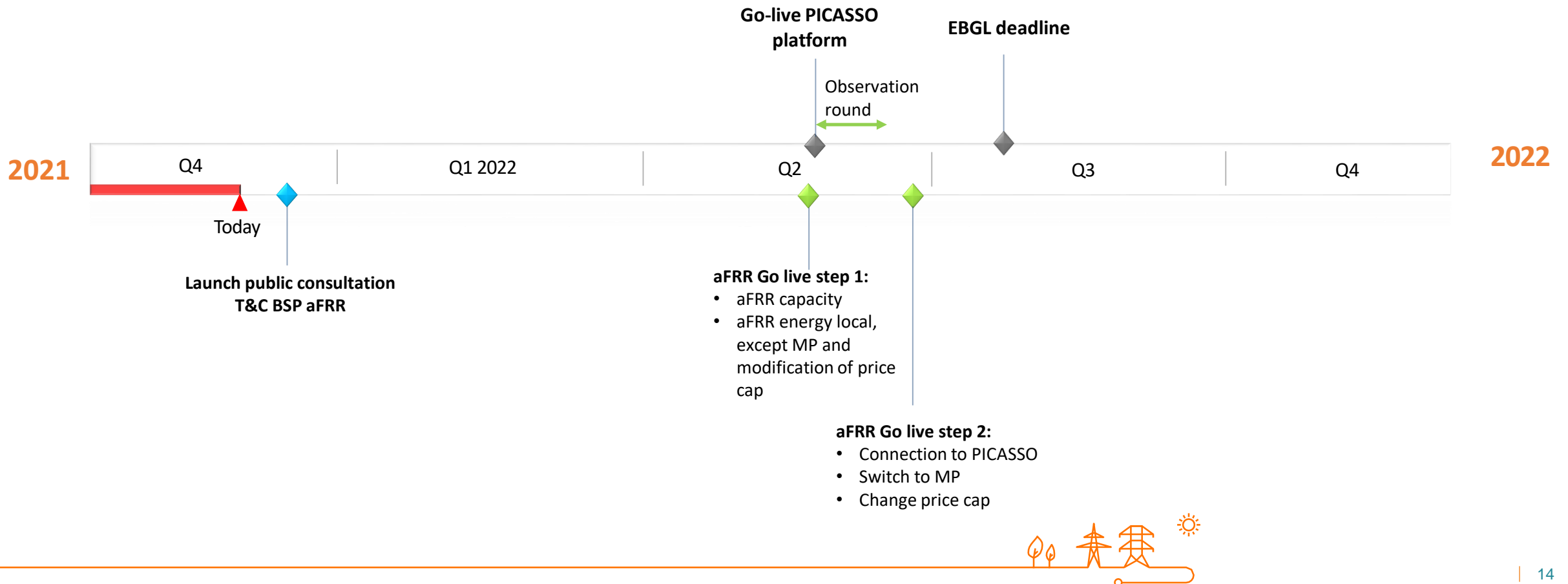


Go-live scenarios

- This leads to the following go-live scenario:
 - Go-live of aFRR capacity and “aFRR energy local”, except marginal price, end of April
 - Switch to marginal price and connection to PICASSO 2nd half of June, allowing 6 weeks “observation round”
- Advantages:
 - Risks are mitigated
 - From an implementation point of view for Elia and for the BSPs, the main modifications are maintained as planned
- The temporary situation defined has impact on contract drafting and on implementation, in particular on settlement and publications. The preliminary analysis indicates that this impact is reasonable, however this still needs to be confirmed
- Should this scenario lead to significant increase in costs / complexity, we will consider having only the capacity design going live in April, postponing all energy-related changes to the 2nd half of June



Go-live scenarios



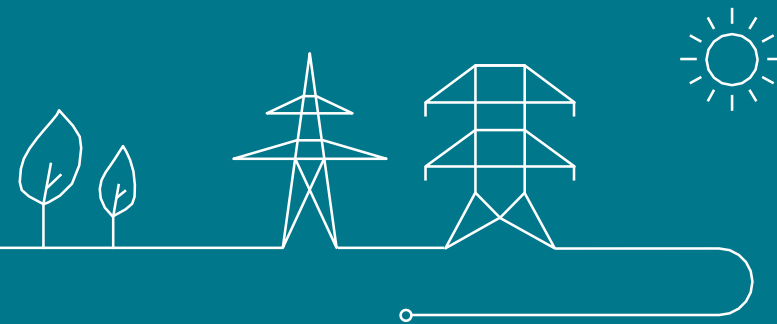
Next steps

- Feedback from stakeholders on the proposal expected by Monday 29/11
- On this basis, Elia will draft the implementation plan in the Proposal for Amendment of the T&C BSP aFRR
- Public consultation of the T&C BSP aFRR is planned to start on the 8th of December and will last until the 18th of January
- Discussions are still ongoing on the content of the balancing rules → the public consultation of the balancing rules will be started on 23/12, in order to have an overlap with consultation of the T&C BSP aFRR



Roadmap 2021-2022: Update

Presented by Cécile Pellegrin





Roadmap update proposal

- As consequence of Readiness check feedbacks and internal assessment, ELIA proposes two possible scenarios :

Scenario 1 (to be reconfirmed in Q1 2022)	Scenario 2 (to keep as stable as possible)
<ul style="list-style-type: none">BSP Testing environment for mFRR and iCAROS phase 1 end Q1 2022<u>Local go live</u> of the new mFRR bidding and iCAROS phase 1 <u>Late Q4 2022</u>Connection to EU mFRR balancing energy platform <u>Q1 2023</u>	<ul style="list-style-type: none">BSP Testing environment for mFRR and iCAROS phase 1 end Q1 2022<u>Local go live</u> of the new mFRR bidding and iCAROS phase 1 <u>Early Q1 2023</u>Connection to EU mFRR balancing energy platform <u>Late Q1 2023/Early Q2 2023</u>



- Resulting planning will be included as target/commitment in the MARI derogation (consultation to be launched mid-November)

⇒ **Scenario to be reconfirmed after the discussion on the aFRR Capacity and PICASSO planning during the ad hoc WG Balancing**



Roadmap update proposal (follow-up)

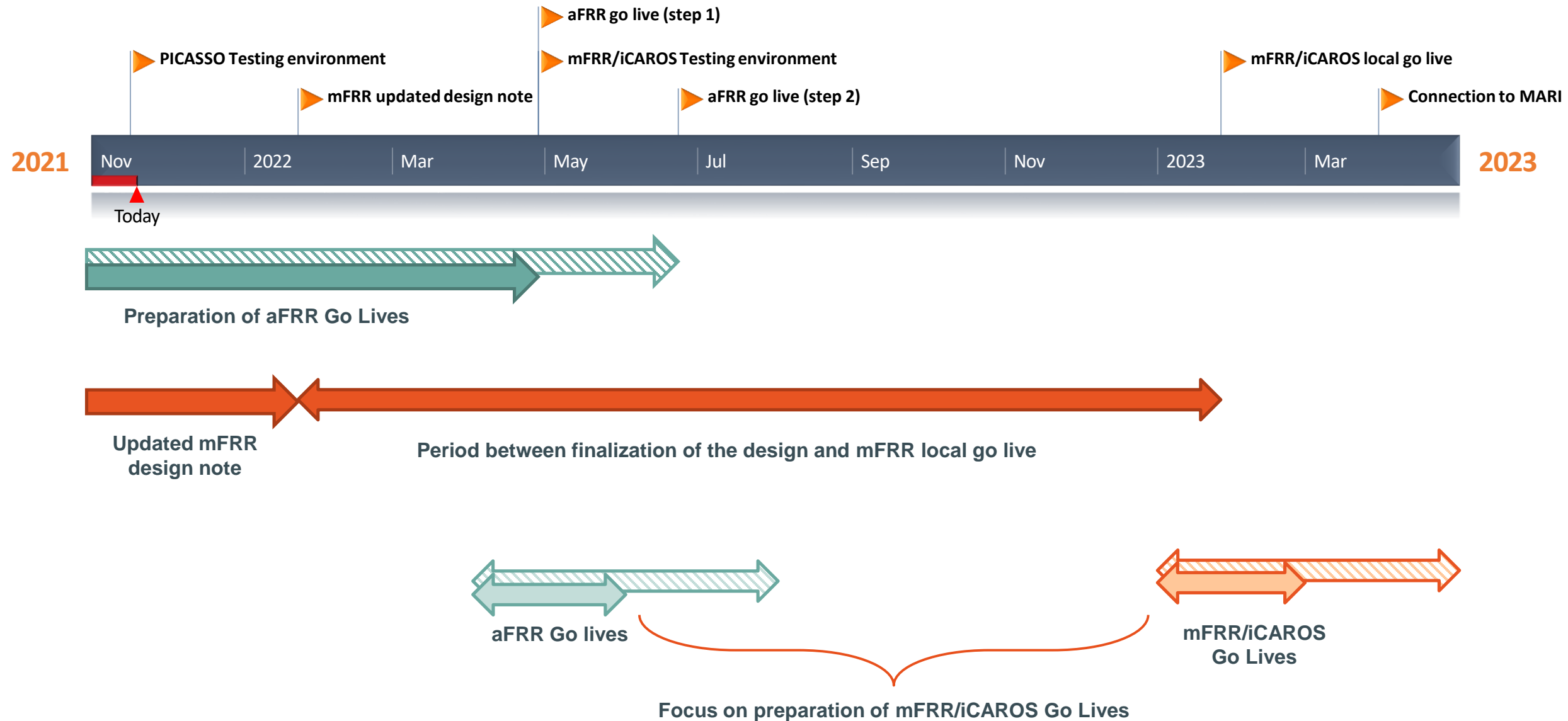
- Since last WG Balancing, following actions were taken :
 - Assess aFRR/PICASSO Roadmap
 - Complementary contacts with market parties
 - Further detail the resulting roadmap
- **Taking into account the following elements**
 - 2 steps approach in aFRR/PICASSO Roadmap (Delaying the connection to PICASSO)
 - Updated mFRR design note to be shared with market parties in January 2022
 - Market parties feedbacks
 - Need of a planning to which all parties could commit with the purpose to keep it fix as much as possible

ELIA proposes to confirm Scenario 2.

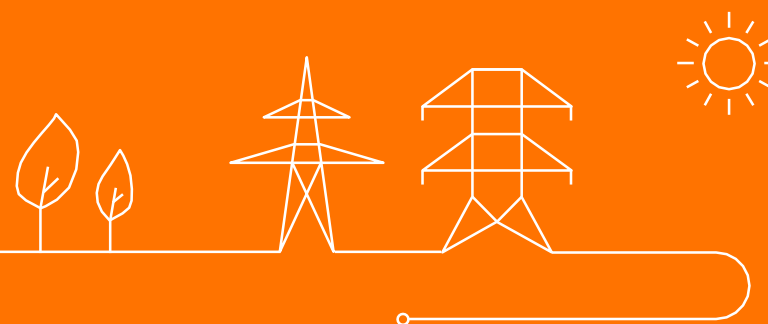
This planning will therefore be included as common target and commitment in the MARI derogation request (consultation to be launched within the next days)



Roadmap update proposal (follow-up)

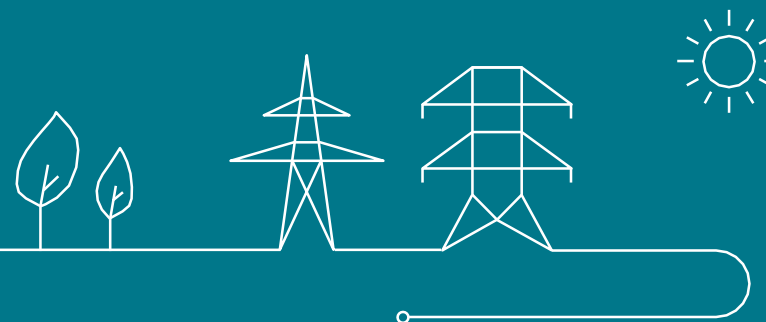


AOB



AOB – Next WG Balacing

Presented by Didier Chim



Next WG Balancing

- WG Balancing - 08/12/2021 – 13:00 – 17:00
- Workshop on the future of Imbalance Price - 13/12/2021 – 9:30 – 12:30

The dates for the WG Balancing of 2022 will be determined in December.

