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# PROCUREMENT STRATEGIES FOR A DYNAMIC ALLOCATION OF FRR MEANS

## Minutes of the first stakeholders' workshop

21 April 2022

### 1 Participants

- Kristof De Vos, ELIA
- Nicolas Pierreux, ELIA
- Arno Motté, ELIA
- Amandine Leroux, ELIA
- Charles Verhaeghe, Compass Lexecon
- Fabien Roques, Compass Lexecon
- Michael Van Bossuyt, Febeliec
- Arthur Fieuws, Rentaport
- Pierre Bayart, Rentaport
- Aron Vanneste, Flexcity
- Emiel Maes, Flexcity
- Stephan Spiecker, RWE
- Loïc Donnay De Casteau, Engie
- Marijn Maenhoudt, CREG

### 2 Introduction by ELIA

- 2.1 Kristof De Vos (ELIA) provided an introduction to explain the context of the study, the previous work carried out by ELIA and the objectives of the workshop.
- 2.2 Some parties (Rentaport) asked if optimising the dimensioning of aFRR and mFRR is in scope of the study as well. ELIA answered that the dimensioning of the needs is out of scope: for FRR, this topic was covered by the dynamic dimensioning study ([link](#)) and for aFRR in the dynamic dimensioning study ([link](#)).

### 3 Presentation by Compass Lexecon

- 3.1 Fabien Roques and Charles Verhaeghe (Compass Lexecon) presented their preliminary work on the procurement strategies for a dynamic allocation of FRR means.
- 3.2 As regards the first option that was put forward (no procurement with post-market rescheduling), FEBELIEC raised questions on the implications in terms of operational security and also mentioned to be attentive towards the cost for the grid user as the allocation of re-dispatching (i.e. referred here as post-market rescheduling) costs may be different. FEBELIEC warned also about the risk of gaming in case re-dispatching actions are predictable. FEBELIEC suggested however not to

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discard this option too quickly if it could, at a later stage and provided such re-dispatching actions would then be exceptional, reduce significantly costs for consumers.

3.3 FEBEG asked if available liquidity is taken into account in the analysis. ELIA confirms that this was the scope of the 2021 study and that this will be re-analysed in 2023 and 2024 after having experience on the new market evolutions.

3.4 As regards the intermittent procurement option,

a. Some parties (FEBELIEC) considered that the market power risks should be limited by the introduction of the MARI platform and the induced competition from neighbouring countries. ELIA explained that this is not a given as large uncertainty exists on the additional liquidity accessible through the balancing platforms considering potential limitations on the available cross-border transmission capacity after intra-day.

b. They raised questions on the impact on costs and on the fact that mFRR capacity prices are likely low when free bids' availability is high and mentioned they needed more time to consider this. They suggested not to discard this option too quickly if it could reduce significantly costs for consumers.

c. Market participants such as demand response providers (Flexcity) confirmed that the lack of predictability and the fact that mFRR auctions would not be organised on a systematic basis could alter the functioning of the market and discourage participants. They also mentioned that demand response providers need to cover for their availability costs, and therefore need mFRR capacity remuneration to provide it.

3.5 As regards the partial procurement option,

a. Some parties (FEBELIEC) also considered that the market power risks should be limited by the introduction of the MARI platform and the induced competition from neighbouring countries (cf. remarks and answers while discussing intermittent procurement).

b. The possibility of cross-border balancing and its impact on partial procurement was discussed. ELIA explained that distinction has to be made between sharing of reserves – which could be taken into account, considering available interconnection capacity, to reduce procured capacity and availability of energy bids in the MARI platform, for which the operational experience of the MARI platform is necessary before drawing conclusions. In addition, it is important avoid double counting of volumes.

c. Stakeholders suggested not to discard this option too quickly if it could reduce significantly costs for consumers.

3.6 The overall conclusions of Compass Lexecon were as follows:

a. No procurement based on post market scheduling in the current market context where upward mFRR capacity needs are frequently not covered by the available non contracted balancing means would be a significant reform with uncertain benefits and high operational risks.

b. Partial and intermittent procurement could in theory provide cost savings to grid users, but entail higher operational risks due to the difficulty / impossibility to guarantee the free bids' availability, and leads to a lower level of operational security. In addition, they raise concerns regarding market stability (particularly in case of intermittent procurement), which could in turn have impacts in the longer run.

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- c. When considering partial procurement (and intermittent to a lesser extent), long run impact on investment in or maintaining flexible capacity, and impact on market power need to be duly taken into account.

#### **4 Wrap-up and next steps**

- 4.1 ELIA and Compass Lexecon invited stakeholders to provide written additional by 4<sup>th</sup> May or contact ELIA.
- 4.2 A second workshop will be organised on 10 May. ELIA invited stakeholders to attend physically as much as possible in order to have more interactive discussions.