

Febeliec answer to the CREG consultation on the project of decision on the Elia proposal for functioning rules for the strategic reserve, applicable from November 1st 2016

Febeliec would like to thank the CREG for the consultation on the project of decision on the Elia proposal for functioning rules for the strategic reserve, applicable from November 1st 2016.

Febeliec takes note of the final decision of the CREG to approve the proposed adaptations to the functioning rules for the strategic reserve under the condition of a wide range of modifications by Elia.

Febeliec would first like to refer the CREG to all its comments made during the various meetings of the Task Force implementation Strategic Reserve (TF iSR), of which some have been integrated in the Elia proposal, but others have not. As a result, Febeliec will reiterate several of them below.

Febeliec would like to make following comments to the project of decision:

- Febeliec follows the CREG in its observation that, since the strategic reserve has never been activated and presumably, based on analyses from Elia on the need for a strategic reserve the coming winter, will not even be needed for winter 2016-2017, this entire exercise on the functioning rules remains a theoretical reflection, but Febeliec would nevertheless like to stress the importance of this reflection as it could be the basis for many decisions and actions in the Belgian system over the following years. Febeliec would like to ask the CREG, in view of minimizing the system cost, to invite Elia to calculate the estimated cost of the SR for the winter 2016-2017 and compares this with the cost for cancelling the existing contract with the two remaining contracted SGR units; if the latter would be cheaper, this option should definitely be envisaged.
- Febeliec also follows the CREG in its reflection that all modifications to the functioning rules should be presented to the stakeholders and discussed during the meetings of the TF iSR and not merely integrated in a proposal for modification of the functioning rules without in-depth discussion.
- Febeliec takes note of the wish of the CREG to make a (future) strategic reserve as technology-neutral as possible, with no distinction between SGR and SDR, as this should lead to a more competitive SR market and thus lower prices and a lower levy for all the grid users. However, while this effort is fully supported by Febeliec, as long as specific criteria exist for CIPU/generation and non-CIPU/demand units, a distinction between SGR and SDR might be needed. This distinction might also be justified as it might be difficult to compare SGR bids with generally high capacity and low(er) activation costs with SDR bids with generally low(er) capacity and high(er) activation costs (because of opportunity costs).
- With respect to the comment of the CREG (n°31) on the activation of an SR-unit either through the technical or economic trigger or a test, and this either on request of Elia or the SR supplier, Febeliec supports the comment of the CREG towards more clarity. The same applies to comment n°39.
- With respect to the comment of the CREG (n°32) on the metering for delivery points located in a CDS, Febeliec understands the remark of the CREG on transparency on the specifications for the meters and the verification of delivery by Elia, but nevertheless asks for a pragmatic approach in order not to create an extra barrier for participation of such delivery points.
- With respect to the comment of the CREG (n°42) on the costs related to the test of an SGR unit, Febeliec agrees with the approach of the CREG that these should be borne by the SGR supplier.

- With respect to the comment of the CREG (n°44) on the validation by Elia of the activation conditions (activation duration for 1, 2 or 3 year contracts), Febeliec agrees with the CREG that these should correspond with clearly defined and validated needs, based on specific scenarios and not be chosen arbitrarily.
- With respect to the comment of the CREG (n°50), Febeliec wants to stress that since the SR aims at securing system adequacy, it would be speculative to (partly) exclude load sensitive to spot prices. This would mean that Elia assumes that in periods of high prices this demand would be absent from the system, while industrial logic might require operating industrial units (e.g. productions schedules and quota, intergroup arrangement) or prices might be hedged and thus consumers might not react to spot price signals. As the SR is considered an insurance, in order to be sure this load being shedded when needed for adequacy reasons, inclusion in the SDR is needed.
- With respect to the comment of the CREG (n°51), Febeliec agrees with the CREG that a ramp-up cannot be imposed to a Grid User supplying SDR as indeed he could decide to continue the interruption of (a part of) his operation for an extended period, which would in any case not aggravate any potential risk of system adequacy.
- With respect to the comment of the CREG (n°54) on the minimal cost instead of minimal volume, Febeliec totally agrees with the position of the CREG, as indeed the goal should be to minimize the cost for the grid users rather than the contracted SR volume.
- With respect to the comment of the CREG (n°56) on more clarity on the need and use of an average price for SGR and the potential impact on selection of offers, Febeliec agrees with the CREG that this is not clear.
- With respect to the comment of the CREG (n°59) on considering a test successful when reaching Pmin, Febeliec follows the reasoning of the CREG to test whether the SR unit can also reach the offered Pmax, as this is the service that the grid users are paying for.
- With respect to the comment of the CREG (n°62), Febeliec prefers a generic discussion on the issue of transfer of energy as described here in a specific situation. For Febeliec it is important to take a general position on this issue for all timeframes, markets and products, covering all grids.
- With respect to the comment of the CREG (n°63) on the risk of a 3000€/MWh price and thus activation of the SR due to Belpex DAM decoupling, on the premise that the price cap is reached only because of the decoupling and with absence of any indication of real scarcity in the system, Febeliec agrees that it does not necessarily seem opportune to activate the SR in order to supply consumers with electricity at the 3000€/MWh price cap, while there might be ample and sufficient energy available in the intraday timeframe to solve the issues at a much lower cost. Febeliec has, in case all the above assumptions are simultaneously fulfilled, a preference to use the second presented option in order to avoid unneeded and unwarranted costs for the end users. However, Febeliec wants to stress that it is important to be very cautious with this approach, in order to avoid any unnecessary curtailment of consumers because of a too optimistic evaluation of the real scarcity situation. Febeliec wants to stress the very high importance of a correct evaluation of real scarcity and the need for activation of the technical trigger by Elia in such situation.
- With respect to the comment of the CREG (n°66) on the effect of testing upon the initiative of the SR-supplier, Febeliec agrees with the CREG that the SR (and the related tests) should have an as minimal as possible effect on the normal market functioning, and thus also the determination of imbalance prices. Febeliec also supports the request of the CREG (n°67) on more transparency on the methodology for recalculation.

Febeliec also takes note from the request of the CREG towards Elia to have an evolution of the proposal for the functioning rules for the tender in 2017, and is very favourable towards the specific request to create a better level-playing field between demand and generation (keeping in mind that both have different intrinsic characteristics) as well as the correction of the perimeter of BRPs for SDR delivery points keeping in mind the abovementioned comments from Febeliec), but does not understand the proposal for the removal of the economic trigger for the activation of the strategic reserve as this is a clear and distinct signal that BRPs might or will not be able to find their sourcing in the day-ahead market and hopes this will be the topic of discussions within the TF iSR as well as public consultation on the matter before any decision is taken.