

Febeliec answer to the CREG consultation (PRD)1716 with respect to the project of decision on the proposal of Elia on the functioning rules for the Strategic Reserve applicable as of 01/11/2018

Febeliec would like to thank the CREG for the opportunity to give its opinion on the CREG consultation (PRD)1716 with respect to the project of decision on the proposal of Elia on the functioning rules for the Strategic Reserve applicable as of 01/11/2018.

In general, Febeliec would like to re-iterate that a Strategic Reserve, which is a type of Capacity Remuneration Mechanism, is only acceptable as a last resort measure for the TSO to maintain adequacy of the system at moments of extreme stress, and is to be kept out of the market and only to be activated by the TSO based on clear and pre-defined economic or technical triggers. For Febeliec such reserve is only acceptable if following conditions are simultaneously fulfilled: it is created to solve a clear problem of system adequacy, is of temporary nature, is kept out of the market and can only be used as last resort measure, while being technology-neutral in order to minimise the total cost for the system. As compared to the previous years, the Strategic Reserve for winter 2018-2019 does not fulfil simultaneously all these criteria and should as a result thus not have been created in its current form. For Febeliec, technology neutrality in the constitution of the Strategic Reserve is of extreme importance, in order to increase competition and thus lower the total cost for the system. For the last two winters (2016-2017 and 2017-2018), no Strategic Demand Response volumes were contracted. For Febeliec, this needs to be tackled by addressing, a.o., the following issues:

- the exclusion of (emergency) generators on demand sites, given the definition of demand response in the Electricity Law;
- the possibility for the Minister to unilaterally impose conditions on candidates for participation in the SR if the CREG assesses their bids as “manifestly unreasonable”;
- the incompatibility applied by the CREG between participation in (price-sensitive) market products (day-ahead, intraday, balancing) and Strategic Reserves.

Specifically for winter 2018-2019, the Federal Energy Minister unilaterally changed the volume of the Strategic Reserve and the terms of the tender, and contracted only generation units following

- a CREG decision that ALL bids received (generation + demand) were considered manifestly unreasonable, and
- a request by the European Commission to change the procedures and contracts in order to avoid possible conflicts with State Aid Guidelines.

For Febeliec, based on the above, the Strategic reserve as composed for winter 2017-2018 does not fulfil all requirements. Febeliec hopes that for winter 2018-2019 an approach which complies with the criteria will be followed.

With respect to the consultation of the CREG, Febeliec joins the CREG in its regret that the additional analysis for the determination of the volume for Strategic Reserve for winter 2017-2018, which was conducted on request of the Federal Energy Minister, has not been published. For the sake of transparency, all such elements should always be made available to all stakeholders.

With respect to side number 18 of the CREG, Febeliec invites the CREG to explain why it is required that units which have offered to participate to SGR should clarify their potential return explicitly *before* the analysis of the offers and the advice of the CREG on the potential manifest unreasonable nature of these offers. Febeliec supports that such information should be made available as soon as possible, but does not understand why the CREG is adamant that this happens before the analysis of the offers. In general, and as already pointed out in other consultations on the Strategic Reserve, Febeliec regrets no thorough debate has taken place on the option of generation units with an obligation to offer into the SGR and being withdrawn from the Strategic Reserve, to have the possibility to return to the market. For Febeliec, this possibility might distort the market and clearly impacts the investment signal in Belgium. If this option is granted to the concerned generation unit, Febeliec insists on a maximum of transparency on the conditions and terms of the option, among others:

- by publishing a list of generation units having announced their intention to close (temporary or permanent)
- by publishing the decisions of the Minister on these notifications (closure allowed or refused, or decision still pending)
- on the exact conditions against which each generation unit in the SGR, notified for temporary closure, can be allowed to return to the market (units announced for permanent closure can under no circumstance return to the market)

With respect to side number 24, Febeliec is pleased to see that the CREG is open to discuss additional possibilities to allow all available flexible (in specific demand response) capacity which is “not in the market^[1]” to participate to Strategic Reserve products, insofar this can happen on a transparent and controllable way, and Febeliec is willing to contribute to these discussion, for example with respect to delivering services from a same service delivery point to for example both balancing and strategic reserve products, under the above conditions.

On a separate point, for Febeliec it is important that the Relevant System Operator (for example, the CDSO) is not only notified by its grid user(s) on their participation to the Strategic Reserve tender (the Relevant System Operator is notified via the declaration of the grid operator), but also of their potential selection as outcome of this tender. In case no underlying grid user of a Relevant System Operator (such as a CDSO) is selected for participation to the Strategic Reserve (SDR or SGR), the obligation of a cooperation agreement between Elia and the Relevant System Operator (such as a CDSO) should become void, in order to avoid an undue administrative burden.

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Febeliec represents the industrial consumers of electricity and natural gas in Belgium.

^[1] a connotation which does not exist according to Febeliec, as all demand of industrial consumers is always reacting to markets and thus also the response of this demand will be linked to demand in (other) markets