Nico Schoutteet

From: Dieter Jong <dieter.jong@eiya.be>
Sent: 15 February 2019 14:34
To: consult.1905; Alain Marien
Subject: reactie op consultatie

https://www.creg.be/sites/default/files/assets/Consult/2019/1905/PRD1905AnnexNL.pdf

Beste heren,

Ik lees dat Elia zelf geen toegang tot de markt gaat vragen. Maar ook dat ze niet via een actieve partij op de Belgische markt gaat kunnen handelen, vanwege een mogelijks machtmisbruik (maar ook concurrentieel voordeel bij informatie overdracht?).

Dus stel ik mij de vraag: gaat er dan 1 assetless ARP toegestaan worden op de Belgische markt, specifiek voor dit probleem?
En hoe gaat dat dan juridisch een onderscheid vormen met de vraag voor assetless trading/virtual bidding die wij momenteel bij jullie hebben lopen?

Ik geef een hypothetische case mee:
- een assetless trader registreert zich als ARP op de Belgische markt, met het doel om deze dienstverlening aan Elia te kunnen aanbieden. Daarom activeert hij ook zijn intraday membership op Epex (anders kan hij de dienst niet aanbieden)
- de assetless trader wint de offerte van Elia, en gaat actief met de onbalans aan de slag van Nemo. In welk juridisch opzicht is dit verschillend van een assetless trader die op de day-ahead een positie inneemt, en die vervolgens op de intradaymarkt tracht weg te werken?

Volgens mij zijn beide vragen gelinked, en kan Elia niet dit voorstellen, en tegelijk de deur voor virtual bidding toe houden. Althans, vanuit een juridisch, niet-discrimerend standpunt.

Mvg,

Dieter

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Eiya Consult

Dieter Jong
Eiya Consult SPRL
Chemin de la Traverse 10
1320 Nodebais
tel: +32 486 11 04 22
mail: dieter.jong@eiya.be
www.eiyaconsult.be
BTW: BE0700.995.244

Nico Schoutteet

From: Van Bossuyt M. <MVanBossuyt@febeliec.be>
Sent: 07 March 2019 22:54
To: consult.1905; Andreas Tirez
Cc: FEBELIEC
Subject: Febeliec answer to the CREG consultation on the proposal for functioning rules for access to the intraday market in the frame of congestion management

Beste Andres, Nico,

Gelieve hieronder het Febeliec antwoord op de CREG openbare raadpleging over de aanvraag tot goedkeuring van het voorstel van de NV ELIA SYSTEM OPERATOR voor werkingsregels voor de toegang tot de intraday elektriciteitsmarkt in het kader van congestiebeheer terug te vinden.

Aarzel niet ons te contacteren bij vragen.

Vriendelijke groeten,

Michaël

Febeliec answer to the CREG consultation on the proposal for functioning rules for access to the intraday market in the frame of congestion management

Febeliec would like to thank CREG for this consultation on the proposal for functioning rules for access to the intraday market in the frame of congestion management. Febeliec has in general no objections against optimization of costs, in order to reduce the total system cost. Nevertheless, Febeliec urges the CREG to remain vigilant towards the allocation of costs to different market actors and towards impact on other markets. While Febeliec understands the merit of the proposed approach, it remains a precedent where Elia will start to become an active trading market actor on the energy markets and will thus, albeit maybe non-significantly in this case, actively influence market outcomes. Febeliec thus welcomes the approach of the CREG to apply this proposal only for test period of one year, after which an evaluation will occur. The above element should according to Febeliec be a major element of such evaluation. Moreover, it seem Febeliec useful that in case of prolongation of the (test) period into a more permanent scheme, this should be consulted again towards the market actors, with an overview of the outcome of the test period and the potential modifications.

Febeliec also has a comment or rather question with respect tot the proposed order of the acquisition of compensation volumes, where in first instance the intraday market would be used to source these volumes and only in second instance the CIPU ID-procedure. While Febeliec understands the reasoning behind such approach, the question of total cost efficiency as well as impact on the market arises here. In case the proposed approach is extended to more instances (e.g. more interconnectors) or would occur more frequently, the impact on the (ID) markets would become more pronounced; alternatively, by first/only sourcing on the ID market, total (system) costs might increase. Febeliec does not oppose the proposed approach for this test period, but this element should be taken into account for the evaluation of the proposed approach.

Febeliec also takes note that Elia will not develop itself the means necessary for this (ID) trading during the test period. The use of a neutral actor, not involved on the Belgian market, is admirable (presumably 50Hz trading desks?), but in any case because of market coupling, all actors are to some extent active on the Belgian market or at least influence it. Again, Febeliec does not oppose this approach for the test period, but this point should also be taken into account when developing a more permanent scheme and any presumption of market impact or even worse manipulation should be avoided.

Michaël Van Bossuyt

Senior Energy & Policy Advisor
Federation of Belgian Industrial Energy Consumers
BluePoint Brussels
Bld A. Reyers, 80
B-1030 BRUSSELS
☎ +32 473 88 55 83
mvanbossuyt@febeliec.be
www.febeliec.be

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

POSITION

Subject:	CREG consultation on the request for approval of the NV Elia System Operator regarding the functioning rules for the access to the intraday electricity market within the framework of congestion management
Date:	8 March 2019

Contact:	Steven Harlem
Phone:	+32 479 49 98 30
Mail:	steven.harlem@febeg.be

Introduction

CREG has launched a public consultation on the request for approval of the NV Elia System Operator regarding the functioning rules for the access to the intraday electricity market within the framework of congestion management. This consultation is open until the 8th of March, 2019.

FEBEG would like to thank CREG for organizing this consultation and for creating the opportunity for stakeholders to submit their comments and suggestions with regard to the proposals for functioning rules for access to the intraday electricity market. The comments and suggestions of FEBEG are not confidential.

Disclaimer

FEBEG takes note of the fact that the functioning rules for the access to the intraday market are only implemented for a test period of one year. FEBEG considers it important that the relevant regulatory framework stipulates a clear end date so that the functioning rules cannot automatically be applicable – without a new consultation and decision of the CREG – for a longer period of time.

FEBEG also wants to emphasize that its detailed comments and suggestions on the proposed functioning rules for the access to the intraday market cannot at all be interpreted as a consent with the proposed concept of access to the intraday market nor with the objective to enlarge the scope of the functioning rules after the testing period. FEBEG also wants to remind that it has already in previous position papers[1] raised questions with regard to the proposal to access the day-ahead or intraday market to compensate local congestions, especially because the rules and criteria for access to those markets are not clear.

Comments and concerns with regard to the Elia proposal

Role of the TSO in the electricity market

Efficient functioning of the European internal electricity markets is not possible without the guarantee of fair competition and non-discriminatory access in the wholesale and retail markets. The strict respect of unbundling rules via a clear separation and institutionalized independence of the TSO is one of the most important conditions to safeguard these principles. The independence of TSO's ranks high among the prerequisites required from a new market participant's perspective.

[1] Position paper 'Elia consultation with regard to the design note on the coordination of assets for system operations and market procedures (iCAROS)', *EDORA, FEBEG and ODE*, 15th of January, 2018.

In order to ensure independence of a TSO, it is important to prevent situations where it may face a conflict of interests and/or incentives. Separation of activities proves to be the most efficient way of solving the problem of entanglement of generation and supply (as activities susceptible to competition) on the one hand, with transmission and distribution functions (which tend to be natural monopolies) on the other, within vertically integrated energy entities.

In particular, **a TSO should not have direct access to the electricity market** for congestion management or for any other reasons. On the contrary, only market parties should have access to the market. **Having market parties competing with TSO's in the market would create discrimination and unfair competition.** TSO's should let market participants transact freely between themselves and adjust their positions until close to real time, while TSOs have the responsibility of balancing the system in real-time and guaranteeing transmission system security. To this end, TSO's can contract services from market participants whereby TSO's express their needs.

On the needs and advantages of Elia having access to ID market

First of all, FEBEG understands from the consultation document that Elia has concerns on higher volume of countertrading. FEBEG would like to recall that high volumes of countertrading are not bad as such as long as they don't undermine the social welfare created by trades over considered interconnectors. Anyhow, the costly remedial actions are currently not taken into account when allocating the cross-border capacity. The result is that the impact of the costs related to remedial actions applied after the cross-border allocation can only be observed ex-post and cannot be concomitantly optimized with the cross-border capacity allocation. **Therefore - in order for Elia to decrease the risk of being exposed to high countertrading volumes - FEBEG insists on the correct calculation of the flow-based domain** by better forecasting net positions, HVDC flows and offshore wind production.

Second, Elia listed the following advantages in having direct access to the ID market:

This will increase the available liquidity for the compensation mechanism.
FEBEG is of the opinion that this liquidity is already managed/used by the market itself. Market participants are indeed constantly optimizing their assets (generation, storage, demand response) against available liquidity in the markets (including the intraday market). Should there be at a given moment an additional need (for instance, the need to increase the injection of electricity in the Belgian bidding zone), the TSO should send a signal to the market (see detailed comments below) and the market participants will use all possible means to provide the most economic offer to match the signal sent by the TSO.

There will be a cost optimization of compensation bids due to local and cross-border markets coupling.
FEBEG thinks that this is the exact task of the market parties in a context of portfolio optimization, as is being done today. This tasks should not to be done by the TSO itself.

Reserves obligation for balancing management purpose will be preserved.
FEBEG agrees with Elia that the balancing reserves must be safeguarded and not been put at risk because of congestion issues.

Comments related to legal references

Elia refers to the article 8, §1, 14° of the Electricity Law as legal basis for the introduction of a direct access to the ID market by the TSO (as part of a more general description of the congestion management's methodology).

FEBEG would like to raise some questions and concerns with regard to the legal basis:

- The abovementioned article refers to a 'description générale de la méthode de gestion de la congestion' which does not exist to our knowledge. Globally speaking, FEBEG would welcome such a document explaining precisely the methodology used by Elia for congestion management but finds it unusual to actually present the introduction of a direct access to the ID market by the TSO in this context and as part of the document that would not exist.

- This article also refers to the 'plan général de calcul de capacité d'interconnexion aux différentes échéances'. According to Elia, this plan would be linked to article 35 of the CACM. In reality, it is actually covered by the article 20 of the CACM on the DA/ID CCM.

- Moreover, Elia also refers to the Channel RDCT. This latest is rather vague on the compensation of any RDCT over Channel interconnector.

Comments related to the current proposal

Apart from the abovementioned comments, FEBEG would like to react to the following elements of the consultation:

- The loading on the critical grid elements (Gezelle-Horta) that is mentioned, is not only dependent on the allocated flow on NEMO. The offshore wind generation also feeds in on this 380kV axis. How will Elia choose between countertrading on NEMO and curtailment of wind? If wind curtailment appears to be cheaper and if the upward compensation volume is not available locally, will Elia then deviate from the pure economic merit order and apply countertrading on NEMO in order to be able to source the compensation volume on the ID market? As mentioned above, FEBEG would welcome a document explaining how, generally speaking, Elia is doing congestion management.

- Figure 3 of the consultation document is not clear. From the figure, it seems that Elia plans to use ID market access for the compensation of local redispatching. However, Elia explains that ID market access will not be used for the compensation of internal redispatching where the compensation needs to be precisely localized. So, what rules will Elia apply in case of internal redispatching where the compensation does not need to be precisely localized (e.g. very local congestion issue)?

- Elia seems to make a distinction between a need detected before or after 6.00 pm. How will Elia proceed for a countertrading need detected before the beginning of the ID timeframe (6.00 pm)?

- If the countertrading need is smaller than the CIPU ID volume, Elia proposes to source the volume with a price cap equal to the weighted average price of the CIPU ID free bids. However, the market already does this ID optimization in the framework of its portfolio management. Hence there is no guarantee at all to have better prices.

- Moreover, if the concern of Elia is lacking local resources (because all assets run at full power) for the compensation without endangering the balancing reserves, it is unlikely to have ID ATC different than 0 in the direction of Belgium.

- Elia gives two operational examples on pages 9-10. Does Elia foresee insufficient compensation volumes in both direction (Ibid/Dbid)? According to FEBEG, there is sufficient volume of Dbid if there is no incompressibility issues in Belgium. Is the idea of Elia for having an access to the ID market still justified in that case?

- Transparency considerations:
  - The chapter on transparency should not overrule the REMIT obligation.
  - Elia explains that in case of ID XB capacity increase, this information will be published on JAO. How to understand this assertion in the framework of Elia having direct access to the market?
  - Congestions are not published on QH basis to all market participants. This leads to a market activity with insider knowledge.
  - It is not clear how the conflict of interest is managed within a group with mixed interests (grid operator, market participant/BRP via Nemolink and service provider via 50Hertz trading desk). What is the neutrality of the 3rd party being 50Hz?

Counter-proposal and examples

FEBEG understands Elia's concerns but does not support a direct access for the reasons mentioned previously in this answer. Nevertheless, **FEBEG would like to propose a market-based approach that would fit Elia's requirements without breaching the unbundling principle and allowing at the same full transparency towards the market parties**.

Rather than placing anonymous orders on the ID market via a third-party, **FEBEG proposes a mechanism where Elia launches a 'Call for I/D bid' equal to its countertrading compensation needs towards the market parties**. It will be then up to the market parties to (potentially via the ID market) offer an answer to Elia's need. This process does not require the TSO to have (probably expensive) access to the market as it will be the market parties themselves that have access via their existing processes. Moreover, this proposal offers full transparency to all BRP's active in Belgium.

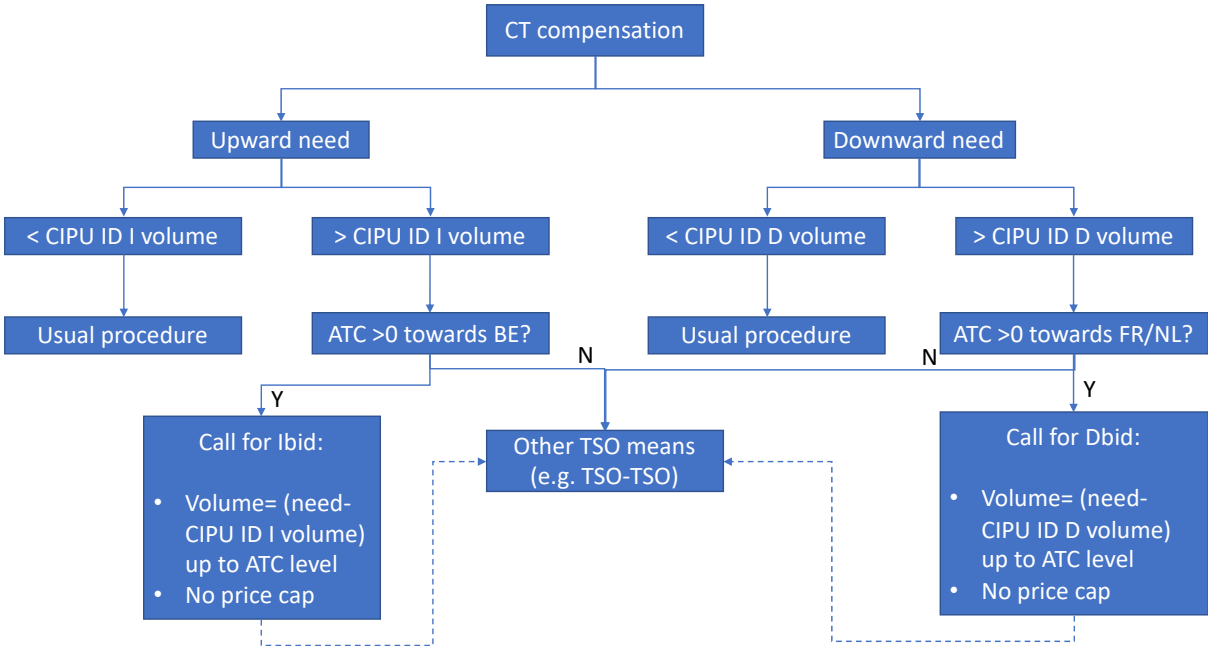
In intraday, market parties already capture the XB opportunities/liquidities as they do in the day-ahead market by optimizing their positions. Prices offered as free bids in Belgium are already optimized with the XB ID market.

In practice, the FEBEG proposal comes down to the two following cases:

RDCT compensation need < BE free bids (=business as usual)
There is no reason to deviate from the current set up as this case is not considered by Elia to be the critical one: there is sufficient liquidity preventing Elia to use reserved balancing product for other purposes than balancing. Moreover, as explained above, the cost optimization between local and XB bid is already done by market parties as part of their business processes. Elia would then activate CIPU ID bids.

RDCT compensation need > BE free bids
Elia launches a call for bid so that BRPs can answer this need by trading on the ID market or by re-optimizing their portfolio. The call for bid includes the following information:

- the countertrading compensation need [MW];
- the period to be covered [hh-hh] - hourly granularity;
- deadline for submitting the bids [hh-mm].


CT compensation
Upward need
Downward need
< CIPU ID I volume
> CIPU ID I volume
< CIPU ID D volume
> CIPU ID D volume
Usual procedure
ATC >0 towards BE?
Usual procedure
ATC >0 towards FR/NL?
N
N
Y
Y
Call for Ibid:
• Volume= (need-CIPU ID I volume) up to ATC level
• No price cap
Other TSO means (e.g. TSO-TSO)
Call for Dbid:
• Volume= (need-CIPU ID D volume) up to ATC level
• No price cap
