

Febeliec answer to the CREG consultation on the proposal of Elia System Operator with respect to the functioning rules for the strategic reserve for winter 2020-2021

Febeliec would like to thank the CREG for this consultation on the proposal of Elia System Operator with respect to the functioning rules for the strategic reserve for winter 2020-2021. Even though at this point, Minister Marghem has put the volume for the strategic reserve for winter 2020-2021 at OMW, it is still possible to revise this volume upward and as such it is important to ensure a correct and complete set of functioning rules. 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 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.

Febeliec takes note from the project of decision of the CREG to reject the proposed functioning rules. Taking into account the arguments provided by the CREG concerning the non-compliance of Elia with respect to the requested modifications of the functioning rules for the strategic reserve for winter 2019-2020 imposed by the CREG during its decision in 2019 on those functioning rules, Febeliec can understand this decision. However, Febeliec hopes that Elia will rectify these elements and will propose a set of functioning rules taking into account the already previously requested modifications by CREG.

Febeliec would also like to make following comments to the proposed functioning rules for winter 2020-2021, some of which have already been made in previous years.

For Febeliec, in order to increase competition and thus lower the total cost for the system, this requires tackling at least following points: the possibility for the Minister to unilaterally impose conditions on candidates for participation in the SR if the CREG assesses their bids as “manifestly unreasonable¹” and the incompatibility applied by the CREG between participation in (price-sensitive) market products (day-ahead, intraday, balancing) and Strategic Reserves (e.g. side numbers 33, 36).

With respect to article 5.2.3 of the proposed functioning rules, Febeliec wonders why the maximum number of activations respectively duration of activation are substantially increased from 9 to 19 and from 45 to 97 in this proposal for winter 2020-2021 and would to receive a full justification. Elia refers to its adequacy study “The need for a strategic reserve for winter 2020-2021” of November 2019 for Belgium as justification. Febeliec however has formally not accepted this study and has categorically opposed the application of the proposed high impact low probability scenario of Elia. Febeliec considers the proposed scenario as non-representative and overconservative, creating an artificial

¹ Febeliec urges CREG to publish guidelines with respect to its methodology on this aspect, in order to create upfront transparency towards potential candidates, even though the volume for the strategic reserve for winter 2020-2021 is currently put at OMW.

sense of urgency with respect to adequacy in Belgium, while the base case scenario for winter 2020-2021 shows a margin of well over 2000MW (not even taking into account balancing reserves nor additional measures from the TSO). Even the over-extreme (and not formally accepted and even heavily contested by many stakeholders, including the regulator) scenario applied by Elia still shows a margin of 100MW, yet Elia considers these values the relevant values to include in the functioning rules, thus (very likely) artificially and unduly increasing the cost of a (potential) strategic reserve for winter 2020-2021 (if the volume would be revised upward). Febeliec cannot approve the proposed modifications by Elia without any in-depth further justification.

Febeliec takes note of the removal of the economic trigger from the functioning rules for the strategic reserve 2020-2021, and hopes that this will not have a negative impact on the capability of the TSO to avoid partial curtailment in Belgium with a strategic reserve in place (in case the volume would be positive), as it would be difficult to justify curtailment with a non-used strategic reserve due to insufficient triggers.