

Febeliec answer to the CREG consultation on the request for derogation from Elia on the minimum level of capacity to be made available for cross-zonal trade

Febeliec would like to thank CREG for this consultation on the request for derogation from Elia on the minimum level of capacity to be made available for cross-zonal trade. Febeliec would like to stipulate that it is not at all in favour of derogation on the 70% minRAM requirement, as any derogation leads to lesser cross-zonal trade and as such to less European market integration. However, Febeliec understands that it is important to ensure the integrity of the system and under that premise can accept derogations to the 70% minRAM requirement to the extent that these are only intended to ensure the integrity of the system without any additional margins and after all remedial actions have been applied, and this only as a last resort measure and on a temporary basis until the structural bottlenecks have been taken care of. As such, Febeliec will not oppose the proposal by Elia as this should ensure that as much cross-zonal capacity is given to the market, insofar indeed all available remedial actions have been taken to maximize this cross-zonal capacity. Febeliec also supports that the derogation for 2021 also is limited to only one of the three derogations on the 70% minRAM that were granted in 2020 and this as far as Febeliec is concerned only for non-predictable circumstances on critical grid elements. On the proposed derogation, Febeliec strongly wants to insist that, while it understands the technical rationale for the CREG to approve the request, it is important that any such future requests are treated with the utmost care, in particular as linear action plans in several neighbouring zones should considerably alleviate the need for such derogation over the coming years, and this in order to avoid to unduly limit cross-zonal trade and thus market integration.

Subject: FEBEG's comments on CREG's consultation on the derogation from the minimum available exchange capacity between zones
 Date: 20 November 2020

FEBEG thanks CREG for having the opportunity to answer CREG's Public consultation on the derogation from the minimum available exchange capacity between zones¹.
 The comments and suggestions of FEBEG are not confidential.

Overall remarks

In general, FEBEG can understand the foreseeable ground based on the (sometimes high) level of loop-flows, as presented by Elia. Bidding zones that are not capable of reaching the 70% (and that are applying an Action Plan or Derogation) on their CNECs are either experiencing too high level of loop-flows, either too high level of internal flows or a combination of both. For Belgium, it seems that the first reason is the relevant one.

FEBEG also takes note that the two other foreseeable grounds (unavailability of network elements, and missing tools and processes) presented in the framework of the 2020 derogation are not present anymore. Nevertheless, FEBEG wants to reiterate its proposal to improve the calculation of the capacity reduction. Moreover, FEBEG regrets that the CREG did not come back regarding this proposal as initially planned in the decision B2014.

FEBEG also encourages CREG to have constructive discussions with the neighboring NRAs to make sure that the Action Plans are duly followed and that the Derogations are sufficiently motivated.

Moreover, as mentioned several times in the framework of the CEP, FEBEG, above all cross-border capacity increase (that are beneficial up to a certain point where the cost for providing it outweighs the welfare gain), strives for transparency in terms of cross-border capacity calculation (and restriction) and therefore welcomes any initiative from the CREG or Elia in that direction.

¹ <https://www.creg.be/fr/consultations-publiques/le-projet-de-decision-2136-relative-a-la-demande-dapprobation-formulee-par>
<https://www.creg.be/nl/openbare-raadplegingen/ontwerpbeslissing-2136-over-de-goedkeuringaanvraag-van-de-nv-elia>

Detailed remarks – Capacity reduction calculation

With regards to the calculation of the reduction, FEBEG agrees that a distinction is to be made between internal and XB CNECS.

- FEBEG agrees that the threshold above which the capacity should be decreased, is equal to $(30\% - RM)$ for the cross-border CNECs.
- However, FEBEG regrets that, concerning the internal CNECs, neither the CREG nor Elia have improved the methodology as proposed in the FEBEG answer to the 2020 derogation. As a reminder, FEBEG finds it inefficient to ex-ante determine the threshold for the loop-flows $((30\% - RM)/2)$. The threshold should be function of the Internal flows as explained here under.

As a reminder, here is an extract of FEBEG's answer dated 18/11/2019 to the CREG's consultation on ELIA's request for a derogation on minimal exchange zone capacity to 70%.

- o It is true that a choice has to be made on how to split the $(30 - RM)$ between IF and LF in order to determine the LF accept on internal CNEC. The 50/50 key has the merit to be easy and replicable. However, from a theoretical point of view, FEBEG identifies two flaws in the current proposal which might lead to an underutilization of the RAM on one hand and to overutilization of the RAM on the other hand:
 - o In the case where the Loop Flows are above the acceptance ratio but the sum of Loop Flows and Internal Flows is below $(30 - RM)$, there will be an underutilization of the RAM.
 - o In the case where the Internal Flows are above the defined 50/50 split and the LF below it, the operational security seems not to be safeguarded in that case, especially when there is no relevant unavailability impacting the Elia Grid so that D2 cannot be applied, as per its definition.

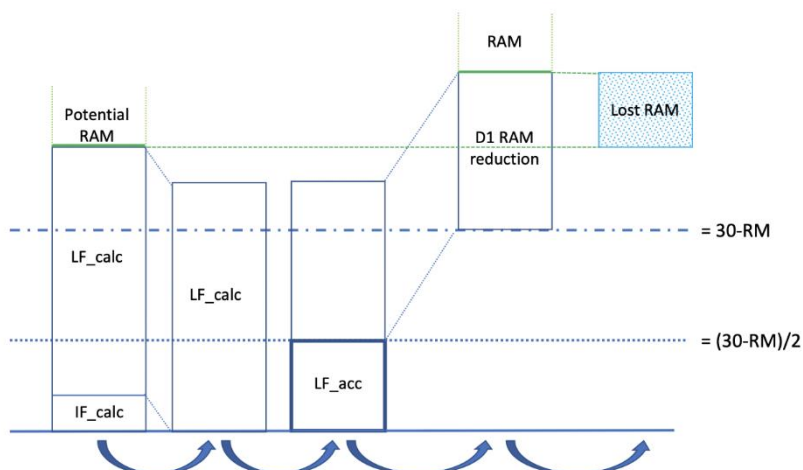
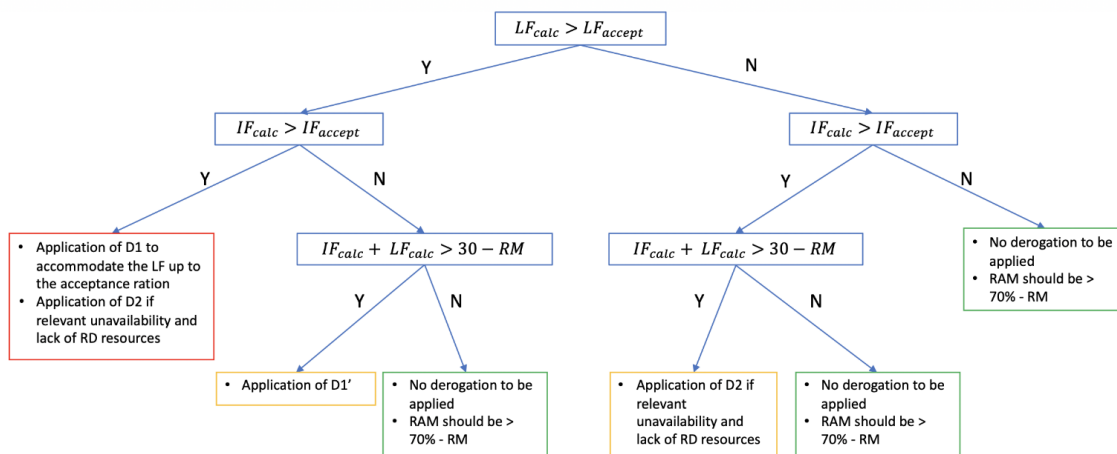


FIGURE 1: THE RAM CAN BE UNDERTUTILIZED IN SPECIFIC CASES

- o FEBEG would like to propose an alternative way of considering D1 and D2 which would tackle the above-mentioned issues. The idea behind this proposal is to be able to apply a robust decision-making process that is as much transparent as possible for market parties and that provides a clear process for Elia.

- o For that purpose, FEBEG proposes to add an equation to D1 which is denominated as D1' and tackle the issue presented under Fig 1.



$$D1 \Rightarrow \min RAM = 70\% - \max(0; LF_{calc} - LF_{accept})$$

$$D1' \Rightarrow \min RAM = 70\% - (LF_{calc} + IF_{calc} - 30\% - RM)$$

In relation to the point reminded and explained hereabove, FEBEG fails to understand CREG's position in their decision B2014:

"2.4.1) La CREG relève que la distinction entre flux internes et flux de bouclage, calculée comme 30 % moins la marge de fiabilité divisé par deux, est en effet arbitraire. La distinction entre flux internes et flux de bouclage n'est pertinente que pour le contrôle de la réduction de la marge sous les 70 %, mais n'a aucune incidence sur la marge finalement mise à la disposition des échanges transfrontaliers. Il est vrai qu'il peut y avoir des écarts entre les flux internes et les flux de bouclage sur les éléments internes de réseau, tels qu'ils sont calculés selon la demande de dérogation et tels qu'ils existent dans la réalité, mais la CREG estime que la facilité d'utilisation de cette règle dépasse les éventuels inconvénients théoriques."

To our understanding, it does have an impact on the RAM as the level of accepted loop flows is determined by a fixed ex-ante percentage.

This is confirmed under paragraph 25 of the 2020 derogation request, decision project n° 2136²:

"Lorsque les flux de bouclage calculés sont supérieurs aux flux de bouclage acceptables, la marge disponible de 70 % sera réduite d'un volume correspondant à la différence entre les flux de bouclage calculés et acceptables"

² Projet de décision relative à la demande d'approbation, formulée par la SA ELIA TRANSMISSION BELGIUM, de dérogation à l'article 16, huitième alinéa du règlement (UE) 2019/943, portant sur une capacité disponible minimale d'échange entre zones

Moreover FEBEG fails to understand the rationale supporting the paragraph 26 of the decision B2014:

“Cette approche méthodologique pour la réduction de la marge disponible par la différence entre les flux de bouclage calculés et les flux de bouclage acceptables garantit que la marge finale disponible pour les échanges entre zones est à un niveau optimal, compte tenu des flux de bouclage des zones de dépôt des offres voisines”.

As explained, this is not true for internal CNEC as the acceptable level is determined ex-ante (read: before that the IF level are calculated). However, IF and LF are both falling under the (30-RM) pot.

Therefore, FEBEG wants to reiterate its proposal to differently compute the capacity reduction when this is deemed necessary for network security.

Detailed remark – 2020 derogation follow-up

FEBEG also regrets that CREG did not come back (as planned – see hereunder) towards FEBEG to further assess the decision tree presented in FEBEG’s answer to CREG’s consultation regarding the 2020 derogation. This one remains relevant for the 2021 derogation.

*“2.4.n) La proposition de la FEBEG présente l’avantage de pouvoir calculer, de manière claire et structurée, la capacité disponible et de déterminer les raisons pour lesquelles la règle des 70 % peut ou non être utilisée par Elia. La CREG comprend, d’après l’arbre de décision, qu’une distinction est établie entre les dérogations pour flux de bouclage (D1), combinées ou non à une dérogation pour indisponibilités prévues (D2), et une situation où les flux de bouclage et les flux internes sont supérieurs à un niveau acceptable (D1’). La CREG est d’avis qu’une telle méthode lui permettrait, de manière pratique, d’organiser le contrôle du respect de la règle des 70 % et des dérogations à celle-ci. **A cette fin, la CREG prendra contact avec la FEBEG pour discuter en détail de la proposition et voir comment elle peut être intégrée dans un processus de contrôle efficace.***

*3.6 – 46 Afin de contrôler de manière structurée, transparente et déterministe l’application de la règle des 70 % et ses écarts conformément aux motifs D1, D2 et D3, **la CREG prendra contact avec la FEBEG pour demander des précisions sur la méthode utilisée dans sa réponse à la consultation publique (décrite au numéro 26, n).** En concertation avec les parties concernées (dont la FEBEG, Elia, les autorités de régulation au niveau européen et régional, l’ACER), cette méthode sera affinée au cours des premiers mois de 2020 dans le but de définir un processus de contrôle opérationnel. Le contexte européen et régional, en particulier les discussions entre les autorités de régulation concernées et l’ACER, et la recommandation de l’ACER ne seront pas négligés.”*