

Minutes of Meeting TF “Implementation Strategic Reserves” 22 October 2014

Meeting location: Elia, Keizerslaan 20, 1000 Brussels

Meeting date: 22 October 2014, 14h00-17h00

List of participants

The following persons were present at the meeting of 22/10/2014:

Name	First name	Affiliation
Arbeille	Jacques	Energy Pool
Bécret	Jean-Pierre	Solvay
Breidenbaugh	Aaron	EnerNOC
Claes	Peter	Febeliec
De Jonghe	Cedric	Actility
De Waele	Bart	CREG
De Wispelaere	Bram	EDF Luminus
Debrigode	Patricia	CREG
Debroux	Bernard	GDF Suez
Flamm	Andreas	EnerNOC
Gabriels	Senne	FOD Economie
Gheury	Jacques	CREG
Gouverneur	Bruno	Synergrid
Harlem	Steven	FEPEG
Lauwers	Mark	Twinerg
Leroux	Amandine	Resa
Lhomme	Raphaël	Air Liquide
Massin	Bart	GDF Suez
Mermans	Pieter-Jan	Restore
Meynckens	Geert	Ineos
Nihant	Pierre	EDF Luminus
Platbrood	Ludovic	Eni
Roselli	Pasquale	Enel
Schell	Peter	Restore
Van Gijzeghem	Francies	ODE
Verrydt	Eric	BASF
Verwimp	Sven	Nyrstar
Wyverkens	Herman	E.ON Benelux
Williame	Jean-François	E.ON Benelux
Degrote	Lieven	Eandis
Dexters	Annick	Infrac
Spire	Emeline	Elia (president)
Ottevaere	Liesa	Elia (secretary)

Tsiokanos	Anna	Elia (speaker)
De Clercq	Bernard	Elia
Thüngen	Carl-Stephan	Elia
De Wilde	Vanessa	Elia

The following persons were not present but showed interest in the task force and are included in the direct mailing list:

Adams	Claude	FOD Economie
Alboort	Philippe	ArcelorMittal
Antoons	Eric	Parkwind
Baudson	Patrick	ArcelorMittal
Cervi	Raymond	Sotel
Clement	Marc	Tessengerlo Group
Curvers	Daan	COGEN Vlaanderen
De Coster	Nicolas	Cabinet Wathelet
De Laet	Peter	Total
De Waal	Theo	Essent
De Waele	Dirk	Agfa
Deheegher	Tine	VOKA
Demaret	Frederik	EDF Luminus
Detollenaere	Alice	ODE
Doin	Benoit	Enel
Eeckeloo	Noel	Evonik
Endicott	Brendan	EnerNOC
Gerard	Frank	Edora
Godts	Annemarie	Electrabel
Gommeren	Ward	Power Alstom
Hajjam	Mehdi	Actility
Harte	Patrick	E.ON Benelux
Hensmans	Jan	FOD Economie
Jong	Dieter	Anode
Josse	Alain	CBR
Jourdain	Sigrid	FOD Economie
Laumont	Noémie	Edora
Lenaerts	Stijn	Greenfever
Loos	Rob	APX Endex
Matevosyan	Anna	T-Power
Michiels	Gregory	EDF Luminus
Paquot	Remy	Arcelor Mittal
Pierreux	Nicolas	Belpex
Renaud	Jeff	EnerNOC
Scholtes	Emilie	Energy Pool
Sellier	Bertrand	Valoris-energie
Soens	Joris	Eandis
Thonet	Bertrand	Duferco
Van Den Berg	Jasper	Powerhouse
Van Der Maren	Olivier	VBO-FEB

Vande Velde	Lut	BOP
Verbeeck	Wouter	Greenfever
Verbruggen	Pierre	Actility
Verlinden	Pieter	Eni
Vermeiren	Christian	T-Power
Vinck	Kurt	Borealis
Voet	Peter	Total
Zaman	Rolph	Febeliec

Agenda

1. Introduction (15 minutes)
 - General introduction
 - Scope TF iSR for winter 2015-2016
 - Internal rules & practical arrangements TF ISR
2. Planning (15 minutes)
3. Implementation SR (30 minutes)
 - Wrap up: short overview design winter 2014-2015
 - Experience feedback & first overview tracks for reflection for winter 2015-2016

(Coffee break, 15 minutes)
4. Stakeholder feedback and view on ISR (1 hour 45 minutes)
 - FEBEG
 - Febeliec
 - Independent Aggregators

There was no comment on the agenda.

The first three agenda items were supported by a presentation prepared by Elia. The last agenda item was supported by presentations prepared by FEBEG, Febeliec and a joint presentation by Actility, Anode, Energy Pool, EnerNOC and REstore. These slides serve as a background for these minutes and are provided in annex.

1. Introduction

General Introduction Scope TF iSR for winter 2015-2016

Elia clarified the scope of the TF iSR task force, in preparation of the winter 2015-2016:

- Elia emphasized that the scope of the task force is limited to discussions concerning the product, market and tendering design for strategic reserves for the winter 2015-2016 as a preparation of the procedure and functioning rules. This means that topics concerning the scarcity risks for winter 2014-2015 or the emergency plan are covered in other groups, unless these can serve as an experience feedback for the design of the winter 2015-2016.
- A short reference was made to the results of the tendering of strategic reserves for the winter 2014-2015 and an additional remark was made that for one offer, the regulator considered the price unreasonable and as a result the provision of strategic reserves, volume and price conditions are imposed by a royal decree.

- Elia explained that there will be no consultation in this TF regarding the estimated volume of strategic reserves needed for the winter 2015-2016. As stipulated by the law of 26th March 2014 Elia performs a probabilistic analysis of the needs; based on this the General Direction of Energy provides its advice regarding a need and a volume of Strategic Reserve to the minister who can instruct Elia to constitute a volume of Strategic Reserve. The probabilistic analysis, the advice and the ministerial decision are published on the website of the General Direction of Energy.
- Furthermore, Elia referred to the law of the 26th of March 2014 as a given basis for this task force and not as a topic for discussion during the task force.

The following remarks and questions were made by the stakeholders:

- *Question by Ineos:* What does the planning for the implementation of strategic reserves for the winter 2015-2016 looks like?
Answer by Elia: This question is dealt with in a later part of the presentation relating to the planning.

Internal rules & practical arrangements

Elia proposed internal rules and practical arrangements for this task force (incl. elements such as language use and transparency):

- The use of the English language for discussions, supporting documents and minutes was proposed.
- TF participants are encouraged to actively contribute to the TF, during the meetings and/or in writing in between meeting.
- It was highlighted that stakeholder contributions will be made public unless the confidentiality of certain contributions is explicitly mentioned.

No questions or remarks were raised on the internal rules and practical arrangements and all participants agreed on these arrangements.

2. Planning

Elia presented the planning for implementation of strategic reserves 2015-2016 based on legal deadlines and the minimum time needed for public consultation on the Procedure of Constitution, public consultation on the Functioning Rules and the European tendering. Elia emphasized that although there is more time between the tendering and the start of the winter period 2015-2016, the timing remains very tight:

- In order to be able to start the call for candidates prior to its legal deadline and to maximize the certification and prequalification period, Elia proposes to organize the consultation on the Procedure of Constitution between the 25th of December, after the 3rd task force, and the 16th of January. In parallel with this consultation, Elia requests the stakeholders to provide their final remarks on the design by the 16th of January, so that a last design proposal will be presented during the last task force (23rd of January). This gives Elia the possibility to consider all stakeholder remarks for the design and to be able to submit the functioning rules to the regulator on time (28th of January).
- Elia and the regulator have agreed to reduce, compared to what is foreseen by the law, the time for selection and report on the offers by Elia and the advice from the regulator on the reasonability of the prices, in order to allow the regulator to provide its advice before July to be ready before the holiday period.

Elia and the DSOs will collaborate to open up SDR to assets connected to the distribution grid. Elia proposes to discuss the topics that specifically concern the distribution grid (such as baseline, pre-qualification, contract between SDR-provider and DSO...) in the existing Expert Working Group (which will therefore report to TF Balancing and TF ISR depending on the topics) and report to the task force about the outcomes.

The following remarks and questions were made by the stakeholders:

- *Question by FEBEG:* This planning gives the impression that the feedback that was given concerning the limited time for investments is not considered?

Answer by Elia: We understand the question but this planning is based on deadlines fixed by the law. Moreover Art. 7 quinquies determines which power plants are obliged to participate in the tender and based on our reading they need to prepare to be able to participate. For any questions regarding these aspects, the relevant authority should be contacted. With this planning, Elia tries to maximize the available time as much as possible given the legal deadlines.

Answer by FOD Economie: The question is noted and will be transferred to the right person within FOD Economie.

3. Implementation SR

First, Elia presented a wrap-up of the current market and product design (for details, please refer to the functioning rules). The tendering design was not presented as this topic will be treated during a later task force. Secondly, Elia presented some tracks for reflection for the product and market design based on remarks received from the stakeholders prior to this task force.

Wrap-up: short overview design winter 2014/2015

Elia highlighted the importance of a certain design aspect of Strategic Demand Reserve (SDR), namely the absence of a fixed capacity obligation. The contracted SDR capacity is subject to a certification based on the historical consumption profile. If the contracted capacity is not reached at all times, no penalty is charged in order to not give the incentive to consume, as this could enforce the adequacy problem.

Elia clarified that the volume of SDR is not taken into account for the SR total volume available for Belpex in case of economic trigger because Elia does not yet dispose of the load nominations when the market clears. This does not mean that SDR cannot be activated following an economic trigger since the decision of which resource will be activated is only taken at the notification step.

The market players will be informed of all the important steps during the activation process of strategic reserves. Information will be available on the Elia website (Elia.be > Grid Data > Strategic Reserves and Elia.be > Grid Data > Balancing) starting from November and market players can subscribe to the RSS feed.

The following remarks and questions were made by the stakeholders:

SDR:

- *Question by EnerNOC:* If Elia would request the SDR supplier to reduce its consumption below the Shedding Limit (SL) but the consumption would already be below the SL, the availability is 0 MW? In that case, is the consumer remunerated for his availability and activation?

Answer by Elia: If the SDR supplier's nomination is equal to or below the SL, he will not be remunerated for its availability but will not be penalized either. In this case, he cannot be activated.

Economic trigger and imbalance price at 4500€/MWh:

- *Question by EnerNOC:* What is the link between the price of 3000€/MWh that is often mentioned and the proxy of a normal imbalance price? If there is an economic trigger, an imbalance price of 4500€/MWh can be expected unless the activation of strategic reserves seemed not to be needed in real time?

Answer by Elia: If the supply is not able to cover the demand, the price on the Belgian power exchange is 3000€/MWh. In that case, strategic reserves are activated in order to cover or decrease the gap between supply and demand (economic trigger). The 4500€/MWh imbalance price was designed as significantly higher than 3000€ in order to give the incentive to market participants to solve the problem in the Day-Ahead Market (by buying energy at 3000€/MWh) and not to rely on Elia's efforts in real time.

- *Question by BASF:* What if there is not enough volume of strategic reserves to cover the gap between supply and demand in day-ahead? In that case, the BRP has a programmed imbalance. This could be a big issue for a small BRP.

Answer by Elia: The obligation to send balanced nominations remains. The BRP is responsible to balance his portfolio and in such a case as described should use other means (e.g. flexibility) in its portfolio to balance its position. The risk that the imbalance prices could reach 4500€/MWh gives an incentive for this. As a last resort, if the imbalance cannot be resolved by the market, the emergency plan is activated.

Remark by GDF Suez: The size of the BRPs portfolio is irrelevant; every BRP is responsible to secure his supply.

- *Question by Ineos:* How will you avoid incentivizing BRPs to offer less capacity in day-ahead to be on the safe side in real time?

Answer by Elia: There should not be an incentive to reduce the amount of capacity that is offered in day-ahead. There is a risk of an imbalance price at 4500€/MWh, this is not a certainty.

Remark by CREG: The regulator could consider this as anti-competitive behaviour, based on Art. 23bis of the federal Electricity Law, so BRPs should be careful with this.

- *Question by REstore:* Is the volume of the strategic reserves not dimensioned in such a way that, if the dimensioning is correct, the demand in day-ahead should be covered at all times? But actually we need 1200 MW while only 850 MW has been contracted?

Answer by Elia: The analysis of the needs of strategic reserves is based on a probabilistic assessment; the goal is to cover most cases. The mentioned volume is indeed the result of the tendering but a range of additional measures are being foreseen

- *Question by Air Liquide:* Why is SDR not considered during the economic trigger?

Answer by Elia: Firstly, prior to the Belgian power exchange (Belpex) clearing, Elia provides the available profile of strategic reserves that can be used to close (part of) the gap between supply and demand, if this would occur. The Belpex clears at 14h, this is too early to include SDR since load nominations are only submitted around 18h. Secondly, SDR has no capacity obligation and as a result, might have a lower availability. Because of those two reasons, the SDR volume is not taken into account in the estimation of the SR volume available for the economic trigger. SDR could still be selected to deliver the volume that was used for the economic trigger since the selection of the SR suppliers only happens later on, at the notification step.

- *Question by EnerNOC:* What is the price to buy strategic reserves on Belpex?

Answer by Elia: Strategic reserves is sold at the clearing price which will be 3000€/MWh during an economic trigger.

Tracks for reflection

Elia informed the task force that these tracks for reflection are mainly focussed on SDR since this is a relatively new market and the need for evolution of this product was already identified during the implementation of strategic reserves for 2014-2015. A recurrent remark that was received by the stakeholders are the limitations of the SDR product based on a fixed SL to valorise the available flexibility. Therefore, Elia proposes to allow both SDR with a fixed SL and SDR with a variable SL (DeltaP). Elia emphasized that the importance of not incentivizing the SDR suppliers to increase their consumption remains and therefore, a certification is needed. Furthermore, Elia will further investigate the certification methodology, the possibility of sub-metering and SDR from load connected to the distribution grid.

The SGR product will evolve to fit some aspects to the existing as well as to new potential SGR units. It is the purpose to limit as much as possible the exclusion of power plants that are legally obliged to participate in the tendering because of design characteristics.

The following remarks and questions were made by the stakeholders:

Level playing field between SGR and SDR:

- *Question by GDF Suez:* Since we are talking about strategic reserves, we want a guarantee of availability so it is important to apply the same rules to SGR and SDR and to create a level playing field. If we allow an SDR to be unavailable sometimes, why can we not align the SGR product with this and give the BRP the option to use SGR units for its own purpose and if it is not activated by the BRP, to give this opportunity to Elia?

Remark by CREG: SGR is by principle out of the market so this is not at the disposal of the BRP.

Reaction by Febeliec: This would mean that SDR can only participate to strategic reserves if they are out of the market, hence shutdown.

Reaction by Gabe: SDR and SGR are completely different. You cannot create a level playing field between SDR and SGR, which is out of the market. You cannot interrupt the consumption of an industrial site if it is out of the market and therefore not consuming.

Answer by Elia: In the framework of strategic reserves, not consuming is not a problem. This should not be compared to the other reserve products that have a different purpose from a system's point of view. The goal is indeed to provide a level playing field for SGR and SDR but the products cannot be exactly the same due the technical differences.

- *Question by EDF Luminus:* A certain capacity is put available for SDR but this flexibility can already be used in the BRPs portfolio to mitigate the 4500€/MWh. Today, you do not have information if this will occur. How does Elia assure that the same volume of SDR is not paid twice?

Answer by Elia: This is the role of certification.

Remark by REstore: In our experience, not a lot of industrial consumers are traders. They have to produce an end product. So SDR might be a good choice for them.

- *Question by Ineos:* Would it be possible to receive an indication of the prices of SDR/SGR in order to create a level playing field between suppliers. If this is not allowed due to confidentiality, could CREG or the minister present a cut off price?

Answer by Elia: Elia will not publish the prices, this is to be decided by CREG / minister. Either way, no individual prices or even SGR average price alone can be published due to the limited amount of suppliers.

Answer by CREG: This is a difficult question. It does not seem feasible to define a maximum bid price because this might not be a fair way of tendering. Also, you cannot determine on beforehand what could be a reasonable price.

Economic trigger:

- *Question by E.ON:* During an economic trigger, will all available strategic reserves capacity be offered on Belpex or will some be kept for real-time?

Answer by Elia: We will offer the available SGR capacity. If the problem can be resolved in day-ahead, we will certainly not retain capacity.

SDR (fixed SL versus variable SL/DeltaP) – slide 23 (Figure 1):

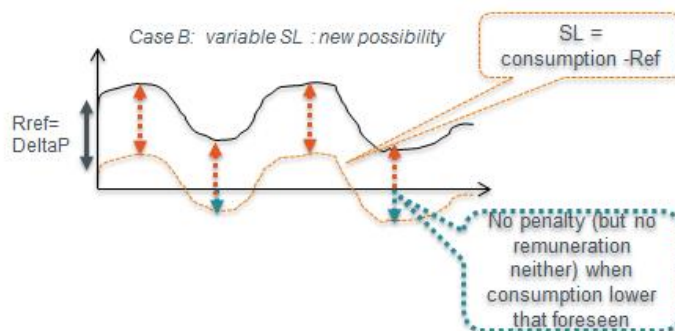


Figure 1: slide 23

- *Question by CREG:* Referring to slide 23 (Figure 1), what is not remunerated for an SDR supplier with DeltaP?

Answer by Elia: This slide concerns the capacity remuneration, not the activation remuneration.

- *Question by EnerNOC:* Does the bottom black line in the lower right graph (Figure 1) represent OMW? Does this not give the incentive to consume more to increase the capacity remuneration?

Answer by Elia: On this slide the black line represents OMW indeed, for simplicity reasons. For another reserve product (R3DP), this can be higher than OMW. This does not give an incentive to consume because no penalty is charged.

Remark by REstore: The Belpex price is at 3000€/MWh so it is unlikely that the higher capacity remuneration when consumption is higher will give an incentive to consume more.

- *Question by Gabe:* Gabe suggests not to use the term 'Shedding Limit' for both solutions (fixed SL and DeltaP) in order to avoid confusion. Why is the SDR with fixed SL remunerated at Rref? Rref is based on historical data and this might not reflect the future.

Question by REstore: So the SDR supplier is paid for the contracted capacity but not penalized for the unavailable capacity?

Answer by Elia: The SDR supplier is not remunerated for the unavailable capacity but not penalized either.

- *Remark by EnerNOC:* Giving the possibility to offer both options (fixed SL and DeltaP: drop to and drop by) is a good evolution if you want to allow more volume.

- *Question by GDF Suez:* Does a good sub-metering solution avoid the need for an SDR with DeltaP?

Answer by Elia: Based on the feedback we have received prior to this meeting, sub-metering is not a solution for all industrial processes to isolate the flexible part (e.g. might not be cost-efficient to install many sub-meters).

Tendering:

- *Remark by Gabe:* Elia mentions in the slides the intention to analyse how to optimize the tendering, for example by aligning tendering calendars. I think it is a rather a problem of delivery periods that are not aligned (yearly period for AS, winter period for SR) rather than the tendering calendars (e.g. an ICH provider for 2014 cannot offer its flexible volume to SDR for winter 2014-15; he will then not participate to the tendering for SDR but for ICH 2015 etc.)
- *Answer by Elia:* Point taken, however the margin is probably limited to change this.

4. Stakeholder feedback and view on iSR

The opportunity was provided to stakeholders to share their views on the implementation of strategic reserves for the winter 2015-2016 with the task force. Presentations were given by Febeliec and FEBEG as well as a joint presentation by Actility, Anode, Energy Pool, EnerNOC and REstore.

Febeliec

Febeliec emphasized the following:

- The goal of a power plant is to produce electricity while the goal of an industrial plant is to deliver goods. Comparing these two is difficult since they are very different. SDR needs to be paid for its loss of production (of good).
- The best way, in terms of competition and security of supply, to bring flexibility in the system is through the market. The residual flexibility could be provided by means of strategic reserves, if the products are appropriate.

Febeliec has distributed a questionnaire among its members to investigate why they did not participate to SDR, about 15 members responded. Based on the results, Febeliec presented some suggestions:

- Febeliec expects that sub-metering would solve a significant amount of problems and would allow more participants.
- The 85% threshold for certification is based on historical data which might not be a guarantee for future reliability.
- The 85% threshold and the 130 hours threshold for the maximum hours of cumulated activation duration pose a problem if the activations are concentrated (e.g. many activations during the same week, which is likely for strategic reserves activations).
- The response time of 6,5h might be too short and Febeliec proposes to extend it to 8h.
- The organisation of the tendering of the products should capture as much flexibility as possible, maybe by using a combined tender.

Febeliec is working on an alternative proposal to be able to provide more flexibility. They suggest presenting their proposal during the next task force and to provide this input to Elia prior to that TF.

The following remarks and questions were made:

- *Remark by Elia:* You mention a penalty for unavailability but in the current design there is no penalty for unavailability.
Answer by Febeliec: This concerns the activation penalty for not reaching the SL.
Remark Ineos: This issue might be related to having to incorporate the risk on penalties in the costs for SDR but this increases the risk of not being selected.
- *Question by REstore:* Could you tell us something more about your alternative proposal?

Answer Febeliec: In a first proposal, we mainly stick to the current product but we might suggest reducing the amount of hours of activation during the same week or another reaction time. In a second proposal, we are thinking about an alternative product because our members cannot commit on a long term basis and this product will be more flexible. Elia has traditionally been looking at reserves from generation. Since demand is different, the goal is to create a product that is much more flexible and is developed from the perspective of an industrial client.

FEBEG

FEBEG emphasizes that:

- It should be avoided that SDR is rewarded twice so there should be an 'out of market' verification.
- The impact of a changing product design, and consequently changing functioning rules, on the existing contracts should be avoided.

FEBEG also calls for:

- More transparency on the selection of the SR suppliers and the prices since the risks linked to prices that are determined by a royal decree are high.
- A simple product design, a maximum degree of standardization and no specific conditions for each unit.
- A simpler manner to notify the BRP.

FEBEG agrees to put sub-metering on the agenda as well as pre-qualification.

The following remarks and questions were made:

- Febeliec emphasizes that if flexibility is not in the market today, it means that it is not interesting. The BRPs can try to bring this flexibility to the market.
- FEBEG emphasizes that a careful market design is important.

Activity, Anode, Energy Pool, EnerNOC and REstore

The aggregators emphasize the importance to increase the volume for SDR.

With respect to SDR DSO, they propose a baseline solution, based on an existing method and that is easy to understand. They are convinced that this method avoids gaming since the baseline is based on a rolling window. This method could be used for both TSO and DSO consumers, and the differences between the two types of consumers (TSO versus DSO) should be reduced to a minimum.

In the context of DSO pre-qualification, the aggregators raised a specific question to the regulator: Does the priority dispatch of renewable injection goes as far as to limit the access of other net users and force them to consume at times? The aggregators emphasize that 99,9% of the time, a congestion problem is caused by a low load and a high renewable energy injection. Since SDR will typically be activated at times of high load and low injection, the risk of congestion should not block consumers to participate to SDR.

The following remarks and questions were made:

- *Remark by CREG on slide 6:* CREG clarifies that it did not comment but asked a question.
- *Question by Elia:* What is the experience in the US?

Answer by EnerNOC: These proposals reflect the best practices in the US in terms of baseline. Giving the possibility to the aggregator to install a meter does not pose many problems, and most problems are due to accidents and not due to gaming. I did not experience any congestion problems with pre-qualification because the load reduces under these circumstances, but apparently here there is an issue with distributed generation. A suggestion might be to let the DSOs assess which sites should not be activated, when they are informed that strategic reserves will be activated, but treat them as having met their obligation.

Remark by Synergrid: Indeed, distributed generation in Belgium is everywhere, therefore it is not easy to publish a list of specific zones where there is a potential congestion issue. Nevertheless, experience shows that for R3DP, the number of sites that are not pre-qualified for congestion reasons (NFS) are very limited. We agree that it is a good idea to progressively evolve the process which takes time.

Remark by Elia: when SR would not be available for activation, an alternative is needed.

Closing

The president of the task force thanks all stakeholders for their participation and constructive proposals and invites the stakeholders to share their proposals on beforehand, one week before the next Task Force at the latest, in order that we can discuss them during the next Task Force.

Meeting calendar

The next task force meetings are organized on the following dates:

Date	Time	Location
20th of November 2014	9h30-12h30	Elia – Keizerslaan 20, Brussels
11th of December 2014	9h30-12h30	Elia – Keizerslaan 20, Brussels
23th of January 2015	9h30-12h30	Elia – Keizerslaan 20, Brussels

Annex: presentations

The presentations will shortly be available [online](#) on the website of the task force.





IMPLEMENTATION STRATEGIC RESERVES

Elia Task Force on 22.10.2014

Elia TF Strategic Reserves 22/10/14
Independent Aggregator POV



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