

Minutes of Meeting TF “Implementation Strategic Reserves” 16 April 2014

Meeting location: Elia, Keizerslaan 20, 1000 Brussels

Meeting date: 16 April 2014, 9h00-13h00

1. List of participants

The following persons were present at meeting of 16/04/2014:

Name	First name	Affiliation
Adams	Claude	SPF-Energie
Arbeille	Jacques	Energy Pool
Bécret	Jean-Pierre	Solvay
Clement	Marc	Tessengerlo Group
De Jonghe	Cedric	Actility
De Waele	Bart	CREG
De Wispelaere	Bram	EDF Luminus
Debrigode	Patricia	CREG
Debroux	Bernard	Electrabel
Harlem	Steven	FEBEG
Harte	Patrick	E.ON-Benelux
Loos	Rob	APX Endex
Massin	Bart	Electrabel
Mermans	Pieter-Jan	Restore
Meynckens	Geert	Ineos
Nihant	Pierre	EDF Luminus
Roselli	Pasquale	ENEL
Scholtes	Emilie	Energy Pool
Van Gijzeghem	Francies	ODE
Vandevelde	Lut	BOP
Verrydt	Eric	BASF
Wyverkens	Herman	EON-Benelux
Spire	Emeline	Elia (President)
Buijs	Patrik	Elia (Secretary)
Carton	Filip	Elia (Speaker)
Tsiokanos	Anna	Elia (Speaker)
De Clercq	Bernard	Elia

The following persons showed interest in the task force and are included in the direct mailing list:

Alboort	Philippe	ArcelorMittal Belgium Gent
Antoons	Eric	Parkwind
Breidenbaugh	Aaron	EnerNOC
Claes	Peter	Febeliec
Curvers	Daan	Cogen Vlaanderen
De Coster	Nicolas	Cabinet Wathelet
Deheegher	Tine	VOKA
Demaret	Frederik	EDF Luminus
Detollenaere	Alice	ODE
De Waal	Theo	Essent
Doin	Benoit	ENEL
Endicott	Brendan	EnerNOC
Godt	Annemie	Electrabel
Gerard	Frank	Edora
Gheury	Jacques	CREG
Gommeren	Ward	Power Alstom
Hajjam	Mehdi	Actility
Hensmans	Jan	FOD Economie
Jong	Dieter	Anode
Jourdain	Sigrid	SPF Energie
Laumont	Noémie	Edora
Lhomme	Raphaël	Air Liquide
Lenaerts	Stijn	Greenfever
Matevosyan	Anna	T-Power
Michiels	Grégory	EDF Luminus
Pierreux	Nicolas	Belpex
Renaud	Jeff	EnerNOC
Soens	Joris	Eandis
Van den Berg	Jasper	Powerhouse
Van der Maren	Olivier	VBO/FEB
Van Nuffel	Luc	ELECTRABEL
Verbruggen	Pierre	Actility
Verbeeck	Wouter	Greenfever
Vermeiren	Christian	T-Power
Verwimp	Sven	Nyrstar
Zaman	Rolph	Febeliec

2. Agenda

1. Approval of draft minutes TF ISR 19/3/2014 (10 minutes)
2. Status and planning update (10 minutes)
3. Procedure to constitute the reserve (2 hours 20 minutes)
 - a) Parameter calibration
 - b) Overview of the procedure (30 minutes)

(coffee break, 15 minutes)

4. Market design (50 minutes)
5. Next steps (10 minutes)

It was indicated on the agenda that market design relates to the functioning rules.

There was no comment on the agenda.

All participants are invited to raise all questions and comments during the presentations in order to have a fruitful discussion. Participants were also reminded and encouraged that they can provide reactions in writing in between task force meetings

All agenda items were supported by presentations prepared by Elia for agenda items. These slides serve as background for these minutes and are provided in annex.

Referring to the agenda FEBEG asked whether a consultation is foreseen for the functioning rules. It was explained that functioning rules are to be approved by CREG and it is CREG's decision process that will determine the need for a consultation on the functioning rules. Nevertheless, during this and previous task force meetings crucial elements of the functioning rules have been already presented and discussed with the stakeholders. Feedbacks received during and in between these meetings will already be taken into account in Elia's proposal to CREG.

It was indicated that although the consultation period for the procedure lasts until 25/4/2014 it would be very useful to receive already prior to this deadline any comments linking to elements also being part of the functioning rules as the latter document has to be formally submitted by Elia to CREG by 25/4/2014.

3. Approval of draft minutes TF ISR 19/3/2014

The draft minutes of the previous meeting of this task force (19/3/2014) were distributed by e-mail prior to this meeting. No reactions on the minutes were received.

The minutes are approved by the task force and will be published on the website of the task force.

4. Status and planning update

Implementation and consultation planning:

- Elia informed the task force of the publication of the law in the 'Belgisch Staatsblad / Moniteur Belge'.

- Elia informed the task force of the publication on the Administration's website of Elia's probabilistic analysis of the security of supply of the country and of the Administration's advice on the need to constitute a strategic reserve.
- Elia informed the task force of the Ministerial Decree constituting a strategic reserve of 800 MW for the next three years and its publication on the Administration's website.
- The next steps have been pointed out, i.e. finalization of the consultation on the procedure for constitution of strategic reserves by 25 April 2014 and the submission by Elia to CREG of the functioning rules of strategic reserves by the same date.
- The remainder of the tendering calendar has been shown.

Volumes decided by the Minister:

- Elia informed the task force of the volumes decided by the Minister and several items in the Ministerial Decree which are relevant for the procedure, such as: eligibility criteria to participate in the strategic reserve, contract duration and the possible impact of the status of Doel 3 & Tihange 2 on the volume and the tender. Regarding to the latter element it was emphasized that no new tender will be organized in such event, but that non-selected offers from the original tender could be contracted.

5. Procedure to constitute the strategic reserve

The draft procedure to constitute the strategic reserve has been distributed prior to the meeting. An overview of the main and new elements in this procedure was given. As requested by several stakeholders in previous meetings and given its relevance for certain elements of the procedure, Elia explained how parameters have been calibrated.

a) Parameter calibration

Elia provided an introduction on the methodology followed for calibration. In particular, it is explained (1) how the parameters for the tender selection formula are derived, (2) how parameters for the SDR product are determined and (3) how the ratio SDR – SGR is set. Specific parameters have been highlighted, such as the total cap of running hours for SDR and the competition factor introduced for SDR in order to determine their equivalence with SGR in the tender.

A number of detailed questions were asked on how the graphs shown have to be understood. In response, Elia further explained these graphs and how the results of the Monte Carlo analyses should be interpreted.

The following remarks and questions were also made by stakeholders:

- *Question by Restore:* From the calibration it is clear that SDR is dimensioned as peak product. How is this linked to the economic merit order for activation?
Answer by Elia: This question is dealt with in a later part of the foreseen presentation on notification and activation rules.
- *Question by Electrabel:* Is also a cap foreseen on the number of hours to be provided by SGR? There might be a significant difference in the pricing of SGR depending on the assumed level of running hours. Without contractual levels of running hours, pricing is likely to be high thereby taking into account worst case scenarios. The risks will be included in the offer price. The reason for such cap is not only linked to fuel availability, but also to the level of maintenance to be foreseen.
Answer by Elia: At his moment no such cap is foreseen, but the concern is well noted and will be addressed before issuing the final procedure.

Remark by E.On: It was added that not only running hours, but also the number of starts (and starts per day) might create a difference in pricing.

- *Comment by Electrabel:* Electrabel also points out that there's a timing issue. Validity of offers is requested until 31/10/2014, which seems to indicate that generators could receive a final go/no go decision at the latest the day before the start of delivery of the strategic reserves services (i.e. 31/10/2014). This is not realistic (preparing the power plant, investments, ...).

- *Question by Ineos:* What is the worst case scenario?

Answer by Elia: This is a very extreme scenario, but in the analyses shown one should not focus too much on a single scenario. In the Monte Carlo analysis 500 years have been (randomly) simulated, together they represent a good dataset.

- *Question by Actility:* Are the SDR SLA4 and SLA12 treated equally in the tender selection?

Answer by Elia: Yes.

- *Question by E.On:* what would be the impact of a continued unavailability of Doel 3 & Tihange 2?

Answer by Elia: Obviously, required volumes to maintain a LOLE = 3 hours are higher, but not necessarily with exact +2000 MW. Exact volumes are however not known at this stage and more clarity on the situation is awaited.

- *Question by E.On:* Is it correct that in Elia's probabilistic analysis 3500 MW as available import is assumed? Is there an impact of flow-based allocation to be expected?

Answer by Elia: Yes, 3500 MW is currently assumed. The impact of flow-based on this level is expected to increase exchange opportunities in day-ahead ; however one should note that the 3500MW is above all linked to the physical limits of the grid – which are independent from the day-ahead allocation method.

b) Overview of the procedure

Elia chronologically browsed through the different chapters of the procedure, highlighting the main and new elements therein. Also the stakeholder feedback was highlighted and how it was taken into account.

With regard to certification it was emphasized that this is a very important step. It should be clear that certification might imply a challenge by Elia of the proposal made.

With regard to Rref for demand, the requirements are still being analysed taking into account feedbacks received by various stakeholders.

Many questions on specific elements of the procedure were asked, they are given below and structured per theme:

Contract duration:

- *Question by Electrabel:* Is SGR contracted for 3 years by default?

Answer by Elia: Yes, as stipulated in the Ministerial Decree.

- *Remark by Actility:* Contracting SGR for 3 years and SDR for only 1 year, blocks the market for SDR.

Answer by Elia: Given the currently available information, the SR volumes are likely to further increase and therefore the market for SDR is not foreclosed. The 1 year contracts for SDR allow the SDR design to be further developed. This is also stipulated in the Ministerial Decree.

Remark by Ineos: Evolving the product design should as such not impede contracting for more than 1 year.

- *Question by Electrabel:* Will it be a 3 times 5 month contract for SGR or a 3 year contract?

- *Answer by Elia:* A 3-year contract for which the service is asked during 5 months. The other months the generation unit clearly remains 'out of market'. Nevertheless, in the tender conditions for out-of-winter activation will be requested. This request should however not raise the offer price in the tender. If out-of-winter activations would ever take place, this is to be negotiated at a later stage. These conditions do not influence the tender selection process.
- *Remark by Elia:* With respect to SDR contract duration, it is still to be checked whether the contract is for 5 or 12 months. Nevertheless, the service requested is in any case only for the 5 winter months.
- *Question by GABE:* Does limiting contracts to the winter fits the needs, e.g. when also taking into account intermittency?
- *Answer by Elia:* Balancing needs should not be confused with adequacy needs. SR only serves for the latter. At this stage no adequacy needs are expected outside the winter period, but conditions for activation of SGR outside this period are asked anyway.
- *EDF Luminus:* Can it be better defined what Elia means with the conditions for activation outside winter?
- *Answer by Elia:* This includes for instance the timings and costs needed to become available for activation.

SGR requirements and eligibility:

- *Remark by E.On:* It is stated that all power plants aren't equal and technical characteristic might differ.
- *Remark by EDF Luminus:* The Ministerial Decree is more precise than the law in its criteria for generation units eligible/obliged to participate in the tender.
Answer by Elia: Elia will apply the Ministerial Decree. Moreover, it is clear that CREG has been given the task by the law to impose fines on producers not respecting an obligation to offer.
- *Question by EDF-Luminus:* Is there a tolerance margin in the activation penalties?
Answer by Elia: This will be further investigated.
- *Question by E.On:* Will Pmin of generation units be respected?
Answer by Elia: Yes.
- *Question by E.On:* Can a prenotification be integrated in the process?
Answer by Elia: No. SR providers should be available for delivery at any time during the winter period. Additionally, as the market is the preferred option, Elia cannot act before Belpex DAM as this would distort the market. Nevertheless, some indicators are available, e.g. the Elia winter dashboard (although very well taking into account the definitions of the different traffic lights)

SDR requirements and eligibility:

- *Remark by Ineos:* It is stressed again that exclusivity per access point for ICH and SDR is difficult to accept. It is pointed out that many (new) volumes might not be eligible by this requirement and that probably only in rare cases there might actually be a problem.
Answer by Elia: This issue and possible solution will be further studied by Elia and CREG with a view to finding a solution.
- *Question by Tessengerlo Group (and similar question by GABE):* Will the tender calendars for ICH and SDR be aligned? Are mutually exclusive ICH – SDR offers possible?
Answer by Elia: No, there is no intention to align the calendars. However, mutually exclusive offers ICH – SDR (and vice versa) are possible. Nevertheless, it is stressed once more that new volumes are aimed for, not a switch from ICH volumes towards SDR.

- *Question by GABE:* For R1 Load and SDR a combination is possible if this can be demonstrated, is a similar approach possible for SDR and ICH?
Answer by Elia: This is being investigated further between Elia and CREG. Submetering, however, is too complex for winter 2014/15.
- *Question by Ineos:* R1 Load can be combined with SDR. What is the frequency of occurrence of both?
Answer by Elia: It should be clear that for R1 Load the 100% availability requirement does not change.
- *Question by Energy Pool:* How should compatibility of R1 Load and SDR be demonstrated?
Answer by Elia: By successful testing.
- *Question by Restore:* Is it possible to receive anonymous feedback on the certification process once the tender is finished?
Elia: Yes, this is a good idea.
- *Question by Actility:* Is the activation duration known at the start of activation?
Answer by Elia: No
- *Question by Energy Pool:* Is there a minimum duration?
Answer by Elia: This can be foreseen, e.g. a 1 hour minimum duration.
- *Question by Ineos:* What if after activation of SDR the consumption does not regain its level?
Answer by Elia: As such this is not a big problem for the system. However, the BRP of that access point will be subject to imbalance penalties as the perimeter correction is no longer in place once the activation period is over.
- *Question by Restore:* Is there a need to differentiate in notification and verification deadlines of SGR and SDR?
Answer by Elia: These deadlines will be aligned as much as possible and probably set at the 'slowest' needs.

Tender selection:

- *Question by Ineos:* Are 1 year SDR and 3 year SGR offers compared in the tender?
Answer by Elia: Yes, but they will be compared on the basis of the first year.
- *Question by Actility:* Does the split between SDR and SGR based on a the 2014/15 case not bias the tender result as the cost structure for SGR for 1 year is likely to be different to the cost structure for 3 years?
Answer by Elia: This might be the case, but this is unavoidable when comparing 1 year and 3 year contracts

Other topics:

- *Question by E.On:* The procedure mentions a clause allowing changing the contract during the contractual period? Will this be further specified or will this remain a general clause.
Answer by Elia: It is likely that this remains a rather general clause
- *Question by Electrabel:* Is there an impact on the CIPU-contract?
Answer by Elia: A new type within the CIPU-contract will be created. The CIPU-process will be replicated as much as possible but obviously fine-tuned to the SR design.
- *Question by Electrabel:* Is it possible to combine SGR and blackstart?
- *Answer by Elia:* A priori this is not possible as SGR is out of market, but whenever needed, the possibility might be further investigated on an ad hoc basis, and with no influence on the SR tender results.

6. Market design

Elia presented more details on a number of selected topics of the market design. These elements are part of the functioning rules.

Injection and balancing: structural shortage and imbalance pricing

Elia explained two topics regarding this chapter, i.e. the criterion for structural shortage and the impact on the imbalance pricing.

The criterion for structural shortage was displayed as a real-time indicator with the formula $SI \leq -I_{bids}$. The contracted ancillary services reserves are not taken into account for this I-bid threshold.

For the impact on the balancing pricing, this is a necessary, but not sufficient criterion. The balance pricing will only be impacted, whenever the technical or economic trigger has been activated (= double condition). As such, it is possible that there are insufficient I-bids in the system in comparison with the system imbalance, but that no impact on the balancing prices occur, as there has been no strategic reserves trigger.

If a strategic reserve trigger has been activated, but the real-time indicator does not show a real-time shortage, then the imbalance prices will be corrected, reflecting the situation without SR injection, based on the ARC (Available Regulation Capacity). If however, the real-time indicator does show a real-time shortage, then the imbalance price will raise to 4500 euro per MWh for the first year, which will in the future go up to 6000 euro per MWh.

- *Question by GABE:* Will informing the market about these topics not lead to panic?
- *Answer by Elia:* Panic is not the right word, should there effectively be a real-time shortage, it is exactly the purpose to warn the market in order to evoke market reactions. In general, it is more an increased awareness towards to market, as is p.e. already the case today with the balancing warnings.
- *Question by Electrabel:* As Elia will do its own forecasting, will there be an indication of the needed number of MW's, is there a current estimation of the number of MW and activation time expected for the coming winter?
- *This question was answered later in the taskforce*
- *Question by Electrabel:* how will Elia select the activated volumes?
- *Answer by Elia:* This is part of the functioning rules to be submitted by Elia for approval by the CREG, the current suggestions are presented later on in the presentation.
- *Question by Electrabel:* Will Elia or the CREG consult on this?
- *Answer by Elia:* It is up to the CREG to decide whether a public consultation is necessary for their decision.

Some additional questions were raised for clarification, mainly related to the real-time character of the indicator and the double condition before there is an impact on the balancing prices.

Several participants raised questions on the impact this pricing might have if the BRP is not in equilibrium and if a certain "deadband" can be tolerated. It was stressed that it is the purpose for the BRP to monitor its equilibrium and that the BRP should strive for this. On top, the potential high prices can also be gained if in positive imbalance and the price to pay is function of the price and the volume, so for small deviation, the impact should not be dramatically.

Electrabel stated that suppliers should not be selling more energy than they can deliver. If they can't meet those obligations, it is normal that the prices to pay are sufficiently high to discourage such a strategy.

- *Question by Restore:* Does such a system not incentivise market actors to withhold capacity for themselves to get high imbalance prices?

- *Answer by Elia:* This is not in line with existing regulation and this is something to be monitored by the regulator, no capacity should be held back.
- *Question by EnergyPool:* How will I-bids be paid?
- *Answer by Elia:* according to current rules, i.e. pay-as-bid.
- *Question by E.On:* Elia seems to be the big beneficiary of such a system?
- *Answer by Elia:* This is clearly not the case, as all net income that Elia will get out of the activation of strategic reserves, will be deducted from the public service obligation. This is even stipulated in the law. Currently, there is no estimation yet what this amount will be, as this will be function of the number and duration of the activations.

Notification: activation rules

Elia explained how a choice will be made between different SDR and SGR providers once a need for SR activation has been detected. The choice to be made will be based on a techno-economic selection mechanism which takes into account the required profile and the available means, incl. their (technical) limitations. In principle, the least-cost solution is sought for, but taking into account technical constraints and limiting the spill-over of residual energy on the balancing market.

A number of questions and remarks were raised by stakeholders:

- *Question by GABE:* What happens with the excess energy in between the two assumed peaks when an SDR SLA12 is activated?
Answer by Elia: The impact of the excess (or residual) energy will be neutralized in the imbalance pricing mechanism in order to limit the distortive effect as much as possible. The energy itself will be absorbed in the zone's overall position.
- *Question by GABE:* Is it possible to have a certain volume which can be used as SLA4 and SLA12 in activation?
Answer by Elia: No, this complexity is not foreseen for this tender. The choice of SLA is to be made at the tender. Note, however, than SLA12 does not per definition implies an activation of 12 hours, it can be activated for shorter periods as well.
- *Question by EDF-Luminus:* Is it possible that different SGR configurations of a production unit are considered in activation?
Answer by Elia: No. Always the entire unit will be requested to be launched, not a smaller configuration. It seems counterintuitive not to foresee the margin on such unit from the beginning in times of stressed situations.
- *Question by Energy Pool:* The SDR SLA4 product seems to be more value than the SLA12 products. Why is this not accounted for in the selection?
Answer by Elia: At first sight, this might seem correct. However, the needs for the system clearly show value in having both SLAs. Additionally, the choice for both SLAs is also driven by the diversity of industrial processes that might be interested in SDR as experienced throughout stakeholder reactions in this task force.
- *Question by EDF:* Is the spill-over of residual energy capped?
Answer by Elia: Yes, a 50 MW threshold is foreseen.

Detection: technical trigger

Elia presented more details on the technical trigger. It is discussed that in general a two-step approach is used. First an intern Elia-alarm is given when forecasted consumption is higher than a security threshold. If this is the case, Elia will undertake a further investigation and analysis a number of other parameters, incl. elements in neighbouring grids. Additionally, it is foreseen that strategic reserves could be launched as last resort before a defence plan is activated in order to avoid any involuntary curtailment.

The following questions and remarks were made by the stakeholders:

- *Question by Electrabel:* Are there predefined thresholds and how should a technical trigger for congestion issues or voltage problems be interpreted?
Answer by Elia: Alarms based on concrete, quantitative thresholds are used. However, this analysis is complemented by a variety of other relevant indicators is used to assess the need for strategic reserves. This will always involve a human assessment of the situation and cannot be fully quantified. Additionally, strategic reserves should be activated whenever this – as a last resort means – could prevent involuntary curtailment and the launch of the defence plan. In that respect for instance voltage problems or congestion issues could trigger the activation of strategic reserves as last resort.
- *Question by GABE:* It was asked what is included in the specific curves shown on the graphs illustrating the alarms for technical trigger.
Answer by Elia: The underlying definitions (as mentioned in the back-up slides) were further explained. It was emphasized that all curves shown are put on an equivalent basis and are comparable.

7. Next steps

Two dates in June (10/6/2014 and 19/6/2014, each time from 9h until 13h) are announced for a potential TF ISR meeting or another type of meeting linked to strategic reserves (training meeting, information meeting). More information will be provided in due time, but stakeholders are invited to save the dates.

8. Closing

The president of the task force thanked all stakeholders for their participation in this and all previous meetings, for the comments received and the results obtained.

9. Meeting calendar

Two dates are to be reserved for further meetings (not necessarily TF ISR meetings):

Date	Time	Location
10/6/2014	9.00-13.00	Elia Emperor
19/6/2014	9.00-13.00	Elia Emperor

10. Annex: presentations

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

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