

Tendering R1 and R2 2015

Summary of proposed evolution – for consultation purposes

Summary	This informative document describes the evolution proposed by Elia to R1 and R2 contracts for 2015, in preparation of the tendering for those services in 2014. ELIA has already organized a public consultation from February 25 th till March 18 th . Based on the outcome of this 1 st consultation and the feedback from CREG, ELIA has revised its proposition for the tendering of R1 & R2 services for 2015 and proposes a 100% short-term scenario covering all R1 & R2 products. Consequently ELIA will hold a complementary public consultation on this new proposed evolution and remarks from stakeholders will be collected so that Elia can take those into account when finalizing its design before requesting regulatory approval. Stakeholders are asked to send in their feedback at the latest on May 5 th .
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Disclaimer: this note is provided for consultation and is not a contractual document.

1 Objective and context

This document summarizes the main evolutions proposed by Elia to R1 and R2 contracts for 2015. Although ELIA is not obliged to consult the stakeholders, ELIA has since last year taken the initiative to inform, on a noncommittal and proactive basis, the stakeholders about the proposed evolutions via the Task Force Balancing. The purpose is to collect stakeholders' feedback on these proposals so that Elia can take those, where possible and desirable, into account in its continuous effort to facilitate the market. Such evolutions are partially subject to a formal approval by CREG of the so called Balancing Rules. ELIA's proposal for changes to the Balancing Rules as of 1st January 2015 will be officially sent to CREG and will reflect, as far as relevant, the change proposals described in this note, taking stakeholders' feedback into account where relevant and feasible.

The actual templates of the contracts will be sent out in a further stage as part of the call for tender. In order to allow market participants to prepare at best Elia provides an indicative calendar below.

1.1. Indicative calendar for 2015 tendering:

Feb 17 th	1 st TF Balancing: planning, contracting process, presentation of and start consultation period on "Package 2015"
Mar 21 st	End of consultation period – possible amendments to "Package 2015"
Apr 1 st	Opening European Qualification procedure R1 / R2 / R3 (continuously open)
Apr 22 nd	start consultation period on revised "Package 2015" for R1 & R2 services (100% Short Term-scenario)
Apr 25 th	2 nd TF Balancing: final Package 2015 on basis of which the Balancing Rules for 2015 will be prepared and submitted to CREG
May 1 st	Call for candidates R3DP
May 5 th	End public consultation on revised package 2015 for R1 & R2 services (100% Short Term-scenario)
May 15 th	Deadline signature Framework Contract R1–R2–R3
May 16 th	Tendering for yearly R1-R2-R3 products launched for 20 working days
June 1 st	Tendering ICH & R3DP launched
June 13 th	Tendering deadline to submit offers to ELIA for R1-R2-R3 yearly products
June 15 th	Start prequalification process R3DP = deadline for submission of prequalification requests to DSOs and ELIA
July 1 st	Elia sends report to CREG and Minister on received volumes & prices. CREG – has 60 working days to assess reasonability of received offers.
At the latest in July	CREG report on short term auctions R1 & R2 during S1 2014
<Aug 31 st	Communication prequalification results to BSPs
Sep 19 th	Tendering deadline to submit offers to ELIA for ICH and R3DP
Sep 22 nd	CREG report on reasonability of prices of yearly R1, R2 and R3 products
Early Oct	Communication of selection of ICH and R3DP
December	Start short term sourcing R1 & R2 (subject to CREG approval) ?

1.2. Preceding consultations

In the past months Elia has organised itself several initiatives that have allowed Elia to integrate stakeholder's expectations in its design. On February 17th ELIA organized its Balancing Taskforce and explained the scope of the 1st consultation on the Package 2015. More specifically, ELIA has organized this public consultation from February 25th till March 18th on the proposed evolutions for R1, R2 and R3 services for 2015. Agenda's and minutes can be found on Elia's website (<http://www.elia.be/en/about-elia/Users-group/ad-hoc-taskforce-balancing>)

This 2nd consultation is a complementary consultation, specifically on the R1 and R2 tendering process, based on feedback received during the 1st consultation. The feedback from the 1st consultation revealed that most stakeholders are in favor of evolving towards 100% short term sourcing of all products. Arguments from stakeholders mainly refer to the increased number of tenders and their market-reflectiveness when transiting to short term sourcing. Moreover short term sourcing reduces risk premiums attached to bids and attracts newcomers, thereby increasing liquidity and competition as well as resulting in better market price discovery and optimal selection.

As the 1st consultation was only focused on the short term sourcing of R1 100mHz and R2, ELIA is organizing this 2nd consultation on the proposed evolution mentioned hereunder.

2 Proposed evolution

Based on the results of the consultation of 2013, Elia implemented the short term sourcing for R1 100mHz product and R2 product in 2014.

For 2015, ELIA continues its efforts in the same direction and proposes the following additional evolution:

1. following the initiative taken with respect to partly allowing short term sourcing in 2014, and
2. following the results from the 1st consultation on Package 2015, and
3. following the confirmation by CREG, in case of prolongation of short term sourcing, of their support to a 100% Short Term sourcing of all R1 & R2 services and the reception from CREG of the appropriate guarantees for cost recovery thereto, and
4. given the possibility to perform a transparent competition between all R1 & R2 products enabling a more optimal optimisation, and
5. given the available liquidity as noticed in the previously held short term auction in 2014

ELIA proposes the **100% Short Term Sourcing (STS) of all R1 and R2 products**.

3 Process and next steps

The current Balancing Rules allow ELIA to procure for 2014 between 20-30% of its primary and secondary reserves on a short term basis (i.e. max. 1 month). ELIA has, based on above Balancing Rules, launched in 2014 the monthly sourcing of 27MW of R1 100mHz product and 20MW of R2 product.

As the CREG has previously announced, an analysis on the short term auction results during S1 2014 shall be performed.

ELIA has planned to launch its tendering process in May for the yearly contracting of R1, R2 and R3 production.

Meanwhile, ELIA will organize a 2nd consultation on the proposed evolution towards 100% short term sourcing of all R1 and R2 products till May 5th.

After this 2nd consultation period, ELIA shall submit its Balancing Rules to the CREG proposing 100% Short Term Sourcing of all R1 and R2 products.

As the rule for determining the volume split between long and short term sourcing is to be approved by CREG in the Balancing Rules, ELIA can only confirm the 100% short term sourcing of all R1 and R2 products after having received the approval of these Balancing Rules.

Hence, in absence of approved Balancing Rules prior to May 16th, ELIA will proceed with the organization of the yearly tendering of R1, R2 and R3 production for 2015. However, ELIA shall include the possibility to cancel the yearly tendering and its outcome for R1 and R2 products in case the approval of the Balancing Rules is received after this date. In any case, R3 production shall remain subject to the yearly tendering.

In case the Balancing Rules proposing 100% Short Term Sourcing of all R1 and R2 products are approved, ELIA will contract all R1 and R2 products via the short term auctioning procedure as of December 2014.

→ *Hereby we seek to collect stakeholders' feedback on the proposal to source 100% of all R1 & R2 products via the Short Term Sourcing process in 2015. Please indicate if your feedback is to be treated confidentially.*
