

# Minutes of Meeting

## TF “Implementation Strategic Reserves”

### 19 March 2014

**Meeting location:** Elia, Keizerslaan 20, 1000 Brussels

**Meeting date:** 19 March 2014, 9h30-13h00

#### 1. List of participants

The following persons were present at meeting of 19/03/2014:

Name	First name	Affiliation
Claes	Peter	Febeliec
Curvers	Daan	Cogen Vlaanderen
De Jonghe	Cedric	Actility
De Waal	Theo	Essent
De Waele	Bart	CREG
De Wispelaere	Bram	EDF Luminus
Debrigode	Patricia	CREG
Doin	Benoit	ENEL
Harlem	Steven	FEBEG
Jong	Dieter	Anode
Jourdain	Sigrid	SPF Energie
Lhomme	Raphaël	Air Liquide
Loos	Rob	APX Endex
Massin	Bart	Electrabel
Mermans	Pieter-Jan	Restore
Meynckens	Geert	Ineos
Nihant	Pierre	EDF Luminus
Roselli	Pasquale	ENEL
Vermeiren	Christian	T-Power
Verrydt	Eric	BASF
Verwimp	Sven	Nyrstar
Wyverkens	Herman	EON-Benelux
Alboort	Philippe	ArcelorMittal Belgium Gent
Zaman	Rolph	Febeliec
Spire	Emeline	Elia (President)
Buijs	Patrik	Elia (Secretary)
Carton	Filip	Elia (Speaker)
Tsiokanos	Anna	Elia (Speaker)
Thüngen	Carl-Stephan	Elia
De Clercq	Bernard	Elia

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

Adams	Claude	SPF-Energie
Antoons	Eric	Parkwind
Bécret	Jean-Pierre	Solvay
Breidenbaugh	Aaron	EnerNOC
De Coster	Nicolas	Cabinet Wathelet
Deheegher	Tine	VOKA
Demaret	Frederik	EDF Luminus
Detollenaere	Alice	ODE
Endicott	Brendan	EnerNOC
Godt	Annemie	Electrabel
Gerard	Frank	Edora
Gheury	Jacques	CREG
Gommeren	Ward	Power Alstom
Hajjam	Mehdi	Actility
Hensmans	Jan	FOD Economie
Laumont	Noémie	Edora
Lenaerts	Stijn	Greenfever
Matevosyan	Anna	T-Power
Michiels	Grégory	EDF Luminus
Pierreux	Nicolas	Belpex
Renaud	Jeff	EnerNOC
Scholtes	Emilie	Energy Pool
Soens	Joris	Eandis
Van den Berg	Jasper	Powerhouse
Van der Maren	Olivier	VBO/FEB
Van Gijzeghem	Francies	ODE
Van Nuffel	Luc	ELECTRABEL
Vandeveld	Lut	BOP
Verbruggen	Pierre	Actility
Verbeeck	Wouter	Greenfever

## 2. Agenda

1. Approval of draft minutes TF ISR 28/2/2014 and updates on implementation and consultation planning (10 minutes)
2. Stakeholder feedback (30 minutes)
3. Product design (1 hour 30 minutes)

(coffee break, 10 minutes)

4. Tender design (40 minutes)
5. Market design (30 minutes)

It was indicated on the agenda that market design relates to the functioning rules. Product design relates to both the functioning rules and the procedure for constitution of strategic reserves. Tender design only relates to the latter procedure.

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 1-3-4-5. For agenda item 2 FEBEG, FEBELIEC and Restore-Actility-EnergyPool-Anode provided a presentation. These slides serve as background for these minutes and are provided in annex.

Agenda item 5 (market design) was not discussed during the meeting due to a lack of time. The slides have been distributed anyway.

### **3. Approval of draft minutes TF ISR 28/2/2014 and update on implementation and consultation planning**

- The draft minutes of the previous meeting of this task force (28/2/2014) 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.
- Since the previous task force meeting Elia has received feedback from a number of stakeholders on its proposals. To the extent possible they have already been taken into account in the updated proposals discussed in this meeting. Nevertheless, stakeholders are given the floor (agenda item 2) to share their views, expectations, etc. and the stakeholder inputs are discussed throughout the entire meeting.
- Implementation planning: Elia informed the task force that the draft law amendment establishing a mechanism of strategic reserves was voted in Parliament on 13 March 2014. The transitory calendar for the first year to be agreed upon by CREG-ELIA-FOD will be uploaded on the websites of Elia and CREG as soon as possible and all concerned parties will act accordingly. The next step is related to the determination of the volumes.
- Consultation planning: Elia reminded the task force about the consultation planning and the consultation goals. The next steps include the drafting of the procedure to constitute the reserve, which can be commented during the next and final task force meeting on 16/4. The procedure will be distributed in advance of this meeting. The final procedure will be published prior to the call for candidates.

### **4. Stakeholder views**

The opportunity was provided to stakeholders to share their views with the task force on the proposals made so far and their expectations. Presentations were given by Febeliec and Febeg as well as a joint presentation by Restore, Actility, EnergyPool and Anode.

Many of the issues raised by the stakeholders during their presentations are closely linked to the updated proposals Elia prepared in its presentation. It was considered useful to discuss such issues when the updated proposals are discussed.

For issues raised in the stakeholders' presentations and not addressed in Elia's presentations, feedback was given immediately. For issues raised by stakeholders before the meeting, but not explicitly addressed in the updated proposals (and to the extent known by Elia prior to this meeting), brief answers are foreseen in Elia's presentation at the end of each design block.

### Febeliec

The practical information was given that slide 5 of the presentation was not yet confirmed by all Febeliec members.

On the issue of the link between the probabilistic security of supply analysis and product design Elia replied that there is a link with the volume decision to be taken by the Minister – therefore it is not possible to discuss this point now. It will consider seeing how (ex post) feedback on this can be provided.

### Restore, Actility, EnergyPool and Anode

Elia clarified, that there is no discrimination between SGR and SDR in the economic trigger. Both SDR and SGR can be called upon to fulfil economic trigger needs. The fact that SDR volumes are – at least for this first version of SR – not taken into account in the aggregate SR volume announced to Belpex is explained by implementation constraints, which cannot be relieved in such short timeframe.

### Febeg

Elia refers to the Elia presentation with updated proposals.

## 5. Product design

During this part of the meeting Elia elaborated further on the Product Design that was presented during the previous Task Force taking into account the feedback received so far. Improved proposals were discussed, in particular new proposals on availability, penalty design, certification (SDR), parameter calibration.

### SGR

Elia presented an updated approach to unavailability and penalties providing also the option for coordinated unavailability for a limited period.

- *Question by Anode:* Both the size of the penalties and the (in principle) 100% availability were questioned by Anode, stating that it is not tailored to the problem.  
*Response by Elia:* according to the law Elia is obliged to foresee strategic reserves during the five winter months and that it should have such reserves available during this entire period and not only at a limited number of hours. Additionally, it is highlighted that strategic reserves should not only be able to cope with extreme demand spikes, but also with lower probability events which can last for longer than a few hours. Finally, it is stressed that the current proposals aim for a realistic, pragmatic application of 100% availability, e.g. by allowing for coordinated unavailability at adequately chosen moments.
- *Remark by several parties, mainly aggregators and large industrial consumers:* Should both product (i.e. SDR and SGR) not be open for generation units as well as demand side contributions when they are able to meet the requirements.  
*Response by Elia:* The existence of two products does not prevent competition between generation and demand (cf. tender design and selection criteria). Additionally, conceptually, the two products have been tailored to the specific way in which respectively demand and production contribute to adequacy, with the concern to avoid over-specifying the obligations; in particular, one should always bear in mind that no perverse incentives are given (e.g. to consume just in order to meet the requirements while there is then no net contribution to the adequacy problem). Finally, given the short timeframe it is considered not possible from an implementation point of view to the products for both generation and load at this stage.

*Remark by Febeliec:* It is noted that industrial consumers do not all have the same profiles and that it is possible for certain players to fulfil high(er) requirements in terms of availability. Obviously, costs can vary when requirements vary.

*Remark by Elia:* Elia takes note of the general remarks on SDR and SGR products, which involve more than marginal changes to product design, and proposes to take them into consideration for further product developments after the first year, while at all times bearing in mind the underlying adequacy problem and the avoidance of perverse incentives. Indeed for the first year, it should be understood that timings are too short to allow for more elaborate product designs and pragmatic choices have to be made. .

- *Question by Restore:* Is there an “accelerator” foreseen on the volumes of, for instance, SGR to take into account non-100% availability.

*Response by Elia:* No. This is not necessary as the contracted (non-strategic) reserves are exactly there to cover for unforeseen events. A forced outage on a unit providing strategic reserves is such an unforeseen event. This does not jeopardize the clear split between strategic reserves and ‘normal’ balancing means.

- *Remark by EDF Luminus:* Strategic reserves do not only intend to cover for high demand peaks, but also for other kinds of events impacting on security of supply (e.g. decrease of import capacity).

*Remark by Febeliec:* In case longer periods (e.g. a week), strategic reserves are likely not to be the sole solution to solve the stressed situation.

*Answer by Elia:* Elia repeats that according to the law Elia foresees to have strategic reserves available during the five winter months.

On the warm-up and ramp-up delays Elia presented an adapted proposal taking into account a more realistic start-up pattern of generation units. Elia requests explicitly to receive feedback on the proposal made.

- *Question by Electrabel:* To which extent can the parallel between SDR and SGR be made?

*Response by Elia:* Common characteristics for SDR and SGR are as much as possible strived for, e.g. with respect to warm-up and ramp-up delays. There remain, however, some differences, in particular the number of activations, time between two activations and the duration of an activation

- *Question by Electrabel:* Are SGR assumed to be unlimited in their activation duration and number of times to be activated? In the end, there are also some constraints for SGR providers.

*Response by Elia:* A pragmatic solution will be sought for to address this concern. Any input by stakeholders will be appreciated.

- *Remark by T-Power:* The difference between warm-up and start-up is somehow arbitrary.

*Response by Elia:* A pragmatic approach is adopted. It is assumed that within the start-up process of a generation unit there are “better” and “worse” moments to cancel/stop the process.

- *Question by EDF-Luminus:* When precisely are the start-up costs foreseen in the start-up process? Is this at notification stage and/or later?

*Response by Elia:* This is indeed at notification stage, but more clarification will be provided.

Elia also adapted the design proposals linked to activation of SGR.

- *Question by Restore:* Why are activation penalties not linked to imbalance prices?

*Response by Elia:* As SGR units are out of market and as their activation will have no impact on the final position of BRP’s perimeter, there is no reason to link a delta between the injected and requested energy to the imbalance prices. Moreover, as it is possible that at times of activation the imbalance prices are very high (> 3000 €/MWh), the risk of such high penalties would be integrated by SGR providers in their reservation prices and lead to unreasonably

expensive offers. Note also that those activation penalties are calibrated in order to be comparable to the ones for SDR.

- *Question by Enel:* Are activation costs linked to a market reference?

*Response by Elia:* Yes, the activation costs will be inspired on the CIPU-formula, which includes market references.

- *Question by Anode:* Why is such a unique formula used?

*Response by Elia:* This formula is a new proposal that takes into account the reactions of stakeholders provided after the previous TF ISR. A cost-based approach is foreseen for generation units participating in strategic reserves. Additionally, a pragmatic approach with a single formula increases comparability. Finally, it is considered useful to rely on already known formulas and principles.

## SDR

Elia presented its updated proposals for SDR design, including parameters, availability, exclusivity with respect to other products.

- *Question by Restore and Actility:* What are the expectations for the needs? How is the number of activations linked to the volume needs?

*Response by Elia:* This question is closely linked to the decision to be taken by the Minister. *It is foreseen that, once the Minister has decided on volumes, the FOD publishes the Elia report giving information on volume needs and probabilistic approach taken by Elia which served as input for the FOD advise to the Minister.* Nevertheless, it is indicated that the constraints on SDR are linked to the 1-to-1 comparability with SGR on a MW-basis. This 1-to-1 relation can only hold if SDR is assumed to be rather the “peak” product and SGR rather the “baseload” product.

- *Remark by Restore and Actility:* The proposed number of activations in combination with the activation duration is high and very demanding for an industrial process.

*Remark by Febeliec:* Such calibration is difficult to fine-tune in such an early stage with new products. All companies have different processes and it will be difficult to find one-size-fits-all. A choice will have to be made.

*Response by Elia:* The calibration is based on Monte Carlo simulations: the length of activations is based on the fact that SDR will be used for peak shaving; the number of hours between two consecutive activations is put in order to take into account demand-industrial constraints; the number of activations is fine-tuned in order to cover most of the scenario's that raised from the simulations. Nevertheless, Elia will take into account the above feedbacks for the final proposition of the calibration.

- *Question by Febeliec:* How is the economic situation in the Monte Carlo simulations dealt with.

*Response by Elia:* The simulations draw on a number of hypotheses, including hypotheses on historical load curves which inherently take into account the market. Once published, the probabilistic report prepared by Elia will provide more details on the methodology used.

- *Question by Febeliec:* Is there an equivalent to start-up costs for SDR as there is for SGR?

*Response by Elia:* Yes, this is foreseen.

- *Remark by Anode and ArcelorMittal Belgium Gent:* For the compatibility between SDR and ICH, should the presented approach where shedding limits and order of activation are shown not be the other way around? There seem to be alternative scenarios as well.

*Remark by Febeliec:* It is stressed that this is an important issue for which Febeliec is willing to contribute. It is emphasized that it should be avoided to “lose” or “cannibalize” on ICH. Both products (SDR & ICH) should be possible on the same access point.

*Response by Elia:* Elia understands the expectations but stresses the fact that it is not possible to study and implement, within the tight timeframe we have, solutions in order to

allow combination of demand products which fit to all situations. Elia will come back on this issue during next task force. Any feedback from stakeholders on this point is welcome. In general Elia highlights that one should keep in mind pragmatic solutions for the first year, whereas for future years designs have to be evaluated and might change, in particular for SDR.

## 6. Tender design

Elia presented updated proposals on tender design, including eligibility requirements, qualification requirements (SDR) and selection criteria.

- *Question by Restore:* Can in the qualification for SDR the Christmas period be treated differently?  
*Response by Elia:* It shall be taken into consideration when updating the proposal.
- *Question by Anode:* Certification should aim for extreme demand spikes only.  
*Response by Elia:* Elia looks for strategic reserves during the 5 month period as prescribed by law. The proposed approach is considered a pragmatic way to reach this. Moreover, historical extreme peaks can hardly be justified as a representative sample for future critical moments.
- *Question by Elia:* Can the SDR certification take place in the call for candidates period?  
*Response by Restore:* Four weeks will be very challenging and most likely insufficient. It should, however, also not be the purpose to stretch the process until the final day of the tender period.  
*Response by Elia:* Elia will examine the possibility to extend the certification period?
- *Question by Electrabel:* The eligibility for SGR is unclear.  
*Response by Elia:* It is for each producer to take the responsibility of concluding from the law to which extent there is an obligation to participate for its units. In principle and to the extent possible, Elia assumes that all barriers to participate should be translated into the offer price. Elia clarifies that the product design should not create barriers to participation – this is the purpose of the consultation. Elia requests to indicate when the product design would prevent a unit deemed obliged to participate to actually participate, in order to adjust the design.
- *Question by Enel:* What if a generation unit has no longer a licence to operate?  
*Response by Elia:* Elia will not judge on the eligibility of specific units. It will report to the regulator on units offering (and not offering) in the tender. The final judgement on eligibility lies with the regulator, as foreseen by the law.
- *Question by Febeg:* On 28/2/2014 Elia mentioned 'units that by their nature' cannot participate, what is meant?  
*Response by Elia:* No particular definition was meant, Elia will not judge on this. It is up to producers to interpret their eligibility and the regulator to finally judge on this matter.
- *Question by several parties:* Will the template contracts be made publically available.  
*Response by Elia:* At first sight, there seems to be no reason why this cannot be made public. It will be considered together with all other transparency issues.
- *Question by Actility:* Will Elia publish a list of generation units being mothballed or closed?  
*Response by Elia:* Elia will not publish confidential information.
- *Question by Electrabel:* Can the difference between fixed and activation costs be better clarified?  
*Response by Elia:* The cost formulas will be further detailed in order to avoid confusion.
- *Question by EDF-Luminus:* Can prolongation cost be split into two terms: one in €/hour and one in €/MWh? This would be more realistic.  
*Response by Elia:* It will be taken into consideration.



Additionally, there has been a brief discussion on the temporary and final closure of power plants and its consequences with respect to the market and the possible return of such units to the market. This topic goes beyond the scope of this task force, which solely deals with the implementation of strategic reserves.

Finally, there was a question on the tariffs intended to cover the costs of strategic reserves. This topic is, however, beyond the scope of this task force.

## **7. Market design**

Due to time constraints this item was not discussed during this task force meeting and is postponed to next meeting. Participants are nevertheless invited to already look at the proposals made by Elia as outlined in the presentation foreseen for this agenda item.

## **8. Closing**

The president closed the meeting stating the next task force is the final task force meeting during which all open topics are to be discussed.

It is emphasized that feedback on all items discussed is encouraged between this and the following meeting, in particular on those items where during the meeting Elia explicitly called for input/feedback (see also chapter 9 of these minutes).

## **9. Summary of specific information requests by Elia.**

This chapter lists the topics for which feedback from the market participants is kindly requested by Elia.

### **For SGR and SDR:**

1. Calibration of realistic *warm up/start up* parameters: As well production units as industrial consumption processes targeted by the Strategic Reserves need to be notified a few hours in advance before being able to produce energy for SGR units and to lower consumption for SDR units. Even if the technical reasons that lead to those delays are different for each unit there are some common characteristics that Elia will use in its internal operational activation process.
  - a. The *warm up* period is an obligatory period needed by SR units in order to get prepared to inject energy to the system. During that period it is still possible and relative easy to cancel the activation. At the end of the *warm up* period Elia will perform the verification and confirm the need (injection); or cancel the activation; or postpone the ramp up by asking the provider to “keep the unit warm”. Elia initially proposes a maximum of 4 hours
    - ⇒ *What is the recommended duration of such a warm up period? In other words how many hours in advance the SR provider must be notified in order to reach (the Pmin for the SGR and the SL for the SDR) at a certain moment?*
  - a. During that *warm up* period a small amount of injection is authorized, under the condition that that injection is needed in order to prepare the activation (for instance in order to pre-heat some assets) and that the injected power is  $\leq$  to the Pmax.



- ⇒ *What are the recommended max injected power during the warm up period and technical reasons that require such an injection?*
- b. The ramp up period is the period when the unit starts to ramp up and injects a considerable volume till it reaches the set point. For SGR units the ramp up period will be subdivided between ramp up till Pmin and Ramp up till set point.
  - ⇒ *What is the recommended duration of such a ramp up period? In other words what is the technical deadline after which it is not possible or too difficult to stop the injection without any damage on the unit?*
  - ⇒ *What is the time needed for a unit to completely stop any injection if this is requested before, during and after the ramp up period?*

**For SGR:**

1. What is the ramping rate of the unit once the Pmin is reached?
2. What are the technical limitations of a SGR unit on total running hours and/or consecutive running hours? Which are the technical reasons per type of SGR unit that imply such limits?
3. As the (product) design should not be a barrier for participation, stakeholders are requested to indicate (confidentially, if required and if indicated explicitly) if the current product design would render production units deemed obliged (according to the producer) to participate in the tender (according to the producer's interpretation of the law) unable to fulfil the requirements.

**For SDR:**

1. Calibration of the activation characteristics.
  - a. Based on first feedbacks, Elia proposed options 2 or SLAs (4-4 with 40 activations max and 12-12 with 20 activations max).

⇒ *Are those parameters compliant with the feasibility limitations of SDR candidates?*

During the TF ISR stakeholders indicated that those parameters could be overdimensionned (example of 240 of total activated hours for the SLA 12-12)

⇒ *Based on the simulations as well the duration/activation as the max number of activations cannot be changed. Would an additional CAP of 130-160 hours on the total cumulated hours of activation provide the needed comfort to SDR candidates?*

2. Certification criteria for SDR (Rref) : Are the certification criteria proposed during the TF ISR realistic based on the historical consumption profile of SDR candidates? What are the main concerns?
3. Combination SDR with other ICH or R1 Load

During the TF Elia explained why SDR and R3DP are not compatible and showed the difficulty to allow combination of SDR with ICH and/or R1 Load, especially in case of a pool of aggregation. Nevertheless Elia will analyse this problem and try to propose a solution for the next TF ISR, to the extent a pragmatic solution for the first year is available. Stakeholders willing to make some suggestions on the control of availability and activation are invited to propose them.

This does not limit the possibility to provide feedback on items not listed above!

#### 10. Meeting calendar

The next meetings are:

Date	Time	Location
Wednesday 16/4/2014	9.00-13.00	Elia Emperor

#### 11. Annex: presentations

The presentations are available [online](#).

The presentation of Febeliec will be made available as soon as confirmation on the content is received.

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