POSITION

Subject:	Elia consultation on the implementation of the Network Code Emergency & Restoration
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Introduction

On the 8th of October, 2018 Elia launched a public consultation on the implementation of the Network Code Emergency & Restoration (NC ER). The deadline of the consultation is the 19th of November, 2018.

Elia published the following documents for consultation:

- explanatory note related to European Regulation 2017/2196 documents;
- proposal for rules for suspension and restoration of market activities in accordance with article 36(1) and rules for imbalance settlement of balancing energy in case of suspension of market activities in accordance with article 39(1) of the Commission Regulation 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration;
- terms and conditions to act as Restoration Service Provider.

FEBEG welcomes this consultation and would like to thank Elia for creating this opportunity for all stakeholders to submit their comments and suggestions on the implementation of the NC ER. The comments and suggestions of FEBEG are not confidential.

Explanatory note

Activation of balancing bids

Article 3.3.1. states: '*the TSO may decide to balance the system using only bids of the BSP in its own control area, and the TSO may even activate balancing energy bids before the balancing energy gate closure time'*. According to article 3.3.2, §3, it seems that such activations will not be financially rewarded by the TSO.

FEBEG does not understand why activations of balancing bids should not be rewarded. On top of that, it is not clear whether – for such activations – the perimeter will be corrected or not.

Activation of emergency reserves

Article 3.3.1 and 3.3.2 lead to the conclusion that the activation of '*emergency reserves'* will not be financially compensated by the TSO.

FEBEG is of the opinion that **every reserve activated by the TSO should be remunerated**, amongst others because otherwise it would create a discriminatory between BSPs and grid users. If, nevertheless, Elia sticks to the non-remuneration of emergency reserves, it should be identified and clarified what the financial impact on the grid user, BSP and/or BRP will be. Will there be, for example, a correction of the perimeter?

Proposal for rules for suspension and restoration of market activities and rules for imbalance settlement of balancing energy in case of suspension of market activities

Suspension of market activities

FEBEG would welcome Elia clarifying **which specific market activities will be suspended and what the exact consequences are for the grid user, BSP and BRP in case of activation of measures or procedures of the system defense plan**.

Assume, for **example**, the modification by Elia of the active power set point of a unit as part of the frequency deviation management procedure or an activation of '*emergency reserves*': will Elia then suspend specific market activities due to *'inability of the entities to execute market activities for reasons outside their control*' (cfr. Annex NC ER art 35.1.a point d, but this is in case of black-out) or due to '*continuation of the process deteriorates the emergency state*' (cfr Annex NC ER art 35.1.b)? Will the imbalance price and intraday market be suspended or not? Will the perimeter be corrected or not? When the intra-day market activities are suspended, the BRP has no possibility to re-balance its portfolio, etc.

Information provision by market parties during suspension of market activities

While some market activities are suspended, it is requested that market parties continue to provide information regarding schedules, balancing bids, balanced position and modifications to balance position. Elia adds this information is given on a best effort basis.

In this respect, FEBEG wants to point out that **some of these obligations are by definition obligations of means and, hence, best effort obligations**.

Depending on the event leading to a period of suspension of market activities, it is possible that the quality of the information that can be provided by market parties is rather poor. So, for FEBEG it is of utmost **importance that Elia further elaborates on this information provision**:

- Elia should describe the principles and assumptions that market parties should apply when providing information, e.g. do market parties need to assume that their customers are reconnected, …

- Elia should also clearly define the consequences (e.g. will the information be used for settlement?) and liabilities (e.g. can a market party be held liable – according to the normal rules – for the information?).

FEBEG wants to repeat that it is of the opinion that **information provided during a period of market suspension should be considered as purely for information purposes** to facilitate restoration of the market and that no financial consequences (e.g. settlement, liability, …) can result from this information.

Restoration of market activities

It is stated that Elia will decide upon the restoration of the different market activities. FEBEG was wondering **if Elia alone can decide on the restoration of market activities**. Will there not be a consultation with the Minister of Energy, the NEMO's, CREG, …?

Article 9.2. states: '*Elia should have sufficient confidence in the grid stability before restoring the market activities'*. FEBEG is of the opinion that **Elia should not only consider the stability of the grid, but also consider the ability of the market actors and availability of communications means**. A precondition before returning to normal market system operations after a TSO Controlled Dispatch,

including the BRPs portfolio balancing responsibility, is that there should be enough liquidity in the markets for the BRPs to balance their portfolio if they are not able to do it with their own means.

According to article 9.4. Elia will restore the market activities in a certain order, including the '*provision of balancing capacity and energy procured before market suspension*'. FEBEG wants to point out that this restoration should be **subject to technical feasibility** – as assets may become unavailable or damaged – and without penalty for the BSP.

Communication procedure

In article 10.7. it is stated that '*Elia will not assume responsibility for the good functioning of the communication channels*' when the system is in blackout state. FEBEG is of the opinion that the rules and responsibilities with regard to the communication means are not balanced (see also article 12.2): FEBEG proposes to also limit the responsibilities of BRP's or other market parties.

TSO Controlled Dispatch

Restoration tariff

FEBEG does not agree with the proposal for a restoration tariff calculated as the average day-ahead prices of the last 28 days prior to the start of the TSO Controlled Dispatch period. The restoration tariff should as much as possible reflect the sourcing cost of the energy as the suppliers will continue to invoice the energy to their customers at the supply price. **A formula such as the one proposed by the CREG as default price for the transfer of energy – but without the supplier's margin – would be more appropriate as this formula attempts to reflect the sourcing cost**.

Invoicing of restoration tariff

Principles

With regard to the invoicing of the restoration tariff, FEBEG strongly recommends to develop a process that takes into account the **following principles**:

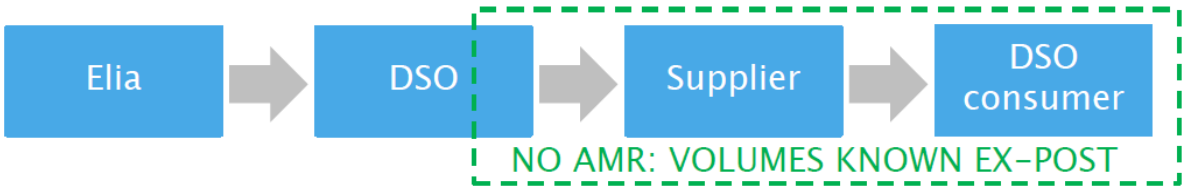
- the approach should be simple and transparent, making maximum use of existing contracts and processes;
- the relation between the supplier-customer (SPOC-role) should be respected, meaning that the suppliers should be able to invoice the energy delivered during the restoration process at the terms of the supply contract;
- the transmission and distribution system operators should be allowed to take the difference between the energy purchase costs and the energy sales revenues in respectively the transmission and distribution grid tariffs.

Customers connected to the Elia grid

FEBEG supports the proposal of Elia to invoice the restoration tariff to the BRP for the Elia connection points. Such approach is feasible and straight-forward as the volumes to be billed are known by Elia: the volumes can be bought by the BRP's – based on the BRP-contract – at the restoration tariff. The supplier can then invoice the delivered energy according to the terms of the supply contract.

Customers connected to the DSO grid

For the interconnection points with the DSO's, FEBEG proposes a slightly different approach, especially because of the fact that the volumes that will be billed to the customer – no AMR on DSO grid – will only be known ex-post. This implies that the **infeed to the DSO grid will have to be split between BRP's and – a BRP having balancing agreements with several suppliers – between suppliers**.



In order to have a **simple and transparent solution, making maximum use of existing contracts and processes, FEBEG proposes the following**:

- Elia sells the infeed into the DSO grid to the DSO at the restoration tariff: such arrangement can be included in the existing cooperation agreement between Elia and the DSO's;
- the energy is transferred to the different suppliers through the allocation-reconciliation process; this approach has several advantages:
    - the already existing processes in the Financial Reconciliation Contract can be used;
    - a price for the transfer of energy between the DSO and the supplier is already foreseen in the Financial Reconciliation Contract and agreed upon by all involved parties;
    - in case of a blackout, there's no longer a delivery of energy: as a result, the allocation will no longer match the physical reality (meter reading) but the existing procedures in the Financial Reconciliation Contract can be used to settle these differences (no need to send rectifications or to develop new processes).
- the suppliers invoices the energy to end consumer according to the meter reading and at the terms in the supply contract.

<u>Remuneration for injected energy by Power Generating Modules</u>

As regards the remuneration to BRP's for the injection by Power Generating Module, Elia proposes to calculate the remuneration as the maximum of the restoration tariff and the price of incremental bid of the nomination procedure of the CIPU contract.

FEBEG could **agree with this approach, provided that some modifications and improvements are implemented:**

- The price of the nomination procedure of the CIPU contract should be updated each day in function of the fuel and CO_2 costs (e.g. gas price will not remain constant) in case the period of TSO Controlled Dispatch takes several days.

- For low-coordinable units, as no prices are foreseen in the nomination procedure of the CIPU contract, the pricing principles of the exploitation procedure should be used.

- The production units that are in stand-by mode at the request of Elia, i.e. not injecting energy, should also receive a remuneration to cover their costs.

- FEBEG is also wondering if there should not be any rules for compensation of the costs of trips that are caused by grid events (outside frequency/voltage ranges).

Imbalance settlement during manual load shedding

Correction of the BRP-perimeter

As an ex-post correction of the perimeter of BRP is foreseen - in such a way as if the load shedding did not happen - the energy deducted from the perimeter, i.e. volume of load shedding, should be financially compensated by Elia as it will not be sold to customers. This price as much as possible reflect the sourcing cost of the energy that the suppliers will supply and invoice to their customers. A formula such as the one proposed by the CREG as default price for the transfer of energy would be more appropriate.

The methodology for the perimeter correction should be consulted with the market actors.

Questions for clarification

FEBEG also has some **questions for clarification** with regard to the imbalance settlement during manual load shedding:

- Elia will send a notification to BRP's and BSP's with instructions to follow up. What is exactly the scope of these instructions? Are these instructions related to market activities?

- How will the difference between the costs and revenues of Elia during the load shedding (imbalance settlement revenues, reserve activation costs, compensation to BRP's, …) be settled?

Terms and conditions to act as Restoration Service Provider

FEBEG has no specific comments or suggestions with regard to the terms and conditions to act as Restoration Service Provider.
