

# Consultation on the Implementation Plan for the Evolution Towards a Daily Procurement of mFRR

Feedback Next Kraftwerke

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## 1. Summary

- In case Elia estimates that two activations of the full mFRR volume within a 12-hour window will never happen, then the R3 Flex product might be a good permanent solution that does not need to be removed or merged with R3 Standard in the first place.
- We however have the impression that Elia a) sees such full activation in a shorter time frame as a possible risk, for instance during periods of scarcity like this winter, and b) notices low compliancy of R3 Flex provision today. In this light, we do not understand why R3 Flex (under its current form or that of the proposed R3 Flex 2020) should be further contracted considering its possibly low contribution to system security.
- Next Kraftwerke is a strong advocate of **only one R3 product** and does not support Elia's proposal to work with a transition period and (yet another) temporary mFRR product "R3 Flex 2020" that runs in parallel to R3 Standard.
  - The proposed design of the final generic mFRR product perfectly allows market players to reflect costs of (repeated) activations in their energy bids and by bidding for different hour blocks.
    - Activation costs can even be updated close to real-time. The possible very high cost of an additional activation could therefore be covered.
    - If an asset is technically not able to be activated during more than several hours after one activation, then it cannot be part of the R3 market or the aggregator needs to bid blocks that take neutralization times into account.
  - A compromise would be a generic mFRR product with a short neutralization time of maximum 30 min, under the condition it allows Elia to still operate the system safely. We imagine that a short neutralization time for a standard product still has significantly higher reliability for Elia than a 12 or 8 hour break for one of two R3 products.
- A further drawback: During the transition period the current issue of limited market transparency remains.
- Next supports availability tests in the new mFRR design under the condition the same smart logic is applied to all market parties. In any case it is not acceptable that market parties that show high compliancy are tested with the same frequency as market parties that show lower compliancy.

## 2. Detailed discussion

### 2.1 There is no added value in a transitory product

Next Kraftwerke does not support Elia's proposal to work with a transition product 'mFRR Flex 2020'. We do not see a reason for such a transition period:

- From the demand side: either Elia receives the required security for system operations with the characteristics of mFRR Flex, or Elia does not. If not, the product should be abandoned as soon as possible and only mFRR generic should be contracted. Does Elia have a reason to still contract mFRR Flex until the end of 2020, and not anymore from 2021 onwards?
- From the supply side of mFRR power: if market parties do not see the possibility to bid their flexibility in the new mFRR generic product, then the volume will not be available anyways as soon as R3 Flex is abandoned. Why is it then still prolonged for a year at the cost of end consumers?
- If market parties have high costs related to repeated activation of their flexibility, they can reflect this perfectly in their energy bids, which can be updated up to 45 minutes before real-time. These should allow to have sufficient differentiation between different technologies within one single product. Market parties do not need a transition period to learn how to do this.
- If market parties need a neutralization time for technical reasons, they can still make use of the block bids to make sure there is a break between two activations. Of course, offered mFRR volume will then be reduced, but this will be the case anyhow as soon as R3 Flex is abandoned.
- We could see a compromise in a generic mFRR product with a short neutralization time of maximum 30 min, under the condition it allows Elia to still operate the system safely. We deem the latter to be reasonably possible, given the fact that Elia can run the system safely with about half of its mFRR volume unavailable for 12 hours after a first activation of the full mFRR volume. We imagine that a short neutralization time for a standard product still has significantly higher reliability for Elia than a 12 or 8 hour break for one of two R3 products.
- From the operational point of view: Elia recognizes the operational impact of frequent product changes for market parties but designing a transitory product that will only be running for a limited period is just creating extra implementation work instead of less. At Elia's side, the proposed operational and contractual changes will take one year, for a product that will be in place for a period that is not defined but aimed to be as short as possible. Given the many other changes (FCR daily procurement, opening of the aFRR market, etc) this additional and unnecessary workload does not seem to make sense.
- During the transition period, a two-step merit order is applied. From reported volumes of R3 Standard and R3 Flex it will not be clear which part of the R3 Standard product is retained in the first step and which in the second step. As today, there is no full market transparency. This might give market power to parties with a large portfolio, with potentially higher procurement costs as a result.
- Postponing the implementation of a single R3 product delays a competitive and effective mFRR market in Belgium. Most importantly it delays the contracting of a secure product for 2 strong system shortages within 8 hours. But then again, if Elia is of the opinion that such 2 shortages will never happen, Elia could equally well keep R3 Flex as permanent product (see first bullet) – yet this does not seem to be the case.

## 2.2 Comments on proposed timeline

- If Elia deems it impossible to implement all the developments (FCR, aFRR, mFRR) in parallel, we think that priorities should be reconsidered. We think that the Introduction of a transition product for mFRR (or other products for that matter) is not a solution to solve the implementation constraints.
- Currently, the timeline for moving to the long-term solution of one single mFRR product is not yet clarified. Although Elia states that it aims to limit the duration of this transition period, we fear that it will carry on for longer than initially meant to.
- We do not see a reason to synchronize the implementation of a new mFRR product design (either the mFRR Flex 2020 or the mFRR Generic product) with the implementation of dynamic dimensioning of the mFRR needs. Elia states the first is a prerequisite for the latter. Can it hence not be implemented earlier?

## 2.3 Comments on new mFRR design

Although not the main subject of current consultation, Next would like to take the opportunity to address again one of its concerns with respect to the new mFRR design.

Next likes Elia's proposal to apply availability tests in the new mFRR design since some market parties show unacceptably low compliancy rates today. We support a 'smart logic' to determine the number of Availability tests, if it:

- Is applied to all market players in the same way;
- Takes into account the result of both previous tests and real activations;
- Does not cap the tests to a maximum number per month, since that would create the option to perform less good if the maximum number of tests is reached before the end of the month;
- Makes sure the results of one market party can in no way affect the number of tests on other market parties;