POSITION

Subject:	FEBEG comments on Elia's public consultation on the methodology, hypotheses and data sources for the dimensioning of the volumes of strategic reserve needed for winter 2021-2022
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FEBEG thanks Elia for the organization of a public consultation on the methodology, hypotheses and data sources for the dimensioning of the volumes of strategic reserve needed for winter 2021-2022[1]. Please find hereafter the comments of FEBEG in the framework of this consultation. FEBEG would like to draw the attention of Elia and the Belgian Authorities on a number of different elements regarding the demand forecasting.

General comment

FEBEG supports the approach used by Elia to determine the need for a strategic reserve. The used approach is in line with the hypotheses and data sources from the latest Mid-Term Adequacy Forecast study. FEBEG is convinced that the methodologies for assessing the adequacy situation of the member states should be aligned at European level. This is especially important in order to ensure coherency between the different studies at European, regional and national level. In addition, member states should be able to take measures to hedge themselves against the uncertainties on capacity availability and policy choices abroad, which are beyond their control but have an effect on the adequacy as these elements will directly impact the electricity that will be available for import in periods of stress events and thus the national security of supply. This is even more relevant for a highly interconnected country such as Belgium.

Comments on flow-based modelling

It should be clear in the methodology what are the assumptions that are taken in terms of cross-border capacity given to the market for the Day-ahead timeframe where EUPHEMIA is applied.
The recent entry into force of the Clean Energy Package imposes 70% of cross-border capacity to be made available for commercial trades. Most of the TSOs and Member States have requested either a *Derogation* or an *Action Plan*. Those should be properly represented in the model used by Elia for assessing the volume of the Strategic Reserves.

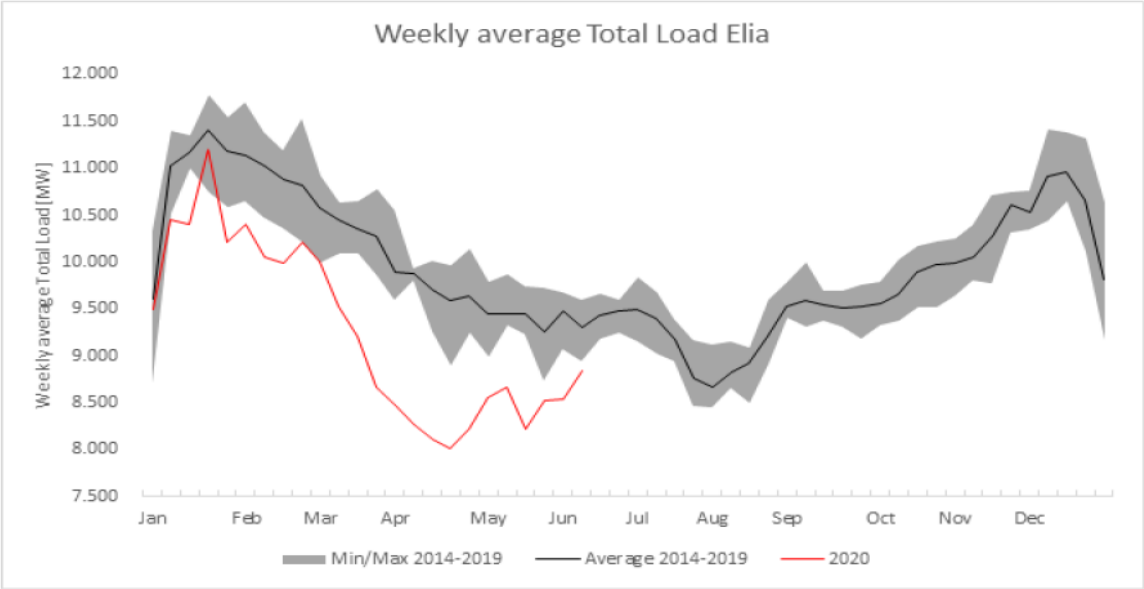
Comments on the total electricity demand forecasting

FEBEG is not convinced of the added value of a bottom-up methodology to forecast the evolution of the demand in Belgium. Such an approach requires many hypotheses on a large number of underlying macro-economic parameters (on household, industry, tertiary sector, societal evolutions etc.) as well as on policy choices at different levels. While the exercise may be feasible for the short-term horizon, it becomes less tangible in the medium and longer term. The current COVID-19 crisis makes this shortcoming even more apparent: for all of the underlying risk factors of the demand

[1] https://www.elia.be/en/public-consultation/20200603_public-consultation-on-the-methodology-of-volumes-of-strategic-reserve-for-winter-2021-2022

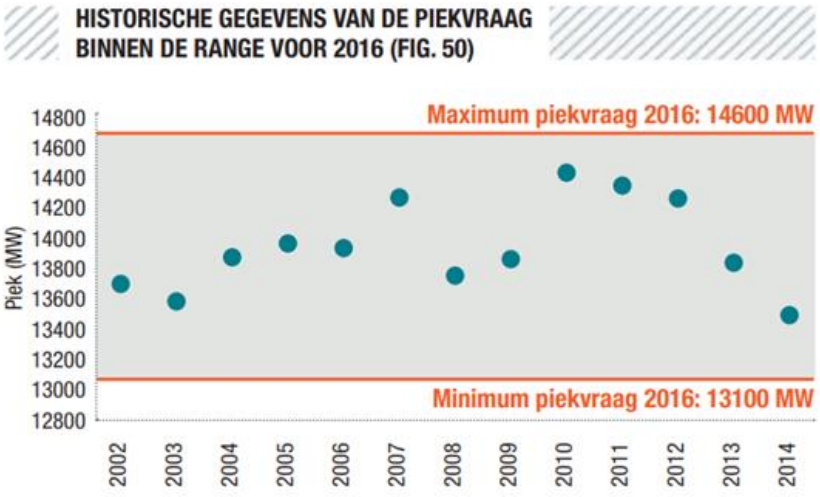
model, the COVID-19 impact needs to be quantified. We consider that, in any case, the obtained result should be compared and benchmarked with other sources. This will give the Belgian Authorities, stakeholders and market parties some confidence with the hypotheses Elia and the consultant Climact will make on the underlying macro-economic parameters. As the comparison with an official benchmark might imply that the underlying hypotheses used in the bottom-up forecasting tool are tuned to approach the reference benchmark, the question then remains what the added value of the bottom-up approach might be.

Regarding the impact of the COVID-19 in the short and long run, FEBEG is of the opinion that the debate, when it comes to the security of supply, should rather focus on the impact of the crisis on the peak load rather than on the total annual demand. It is clear that the lock-down has impacted the baseload demand, but recent press communication of Elia (June 18th 2020) has shown that the impact of the crisis is already starting to fade away: "*Electricity consumption in Belgium has started rising again and is gradually returning to normal. It [the weekly average Total Load] is currently 5% lower compared to the average for the last five years*".



Source: Elia - Press Release - 18th of June 2020

Looking in the past, FEBEG observes, from the charts published in the Elia's adequacy study 2016-2017, that the impact of the previous crisis on the peak demand was relatively limited (i.e., the financial crisis of 2007-2009). When comparing data from 2006 and 2009 (these being similar climatic years), one can observe that, while the annual demand dropped with ~7% due to the crisis, the peak demand was only marginally affected with a decrease of ~ 1%. For this reason, FEBEG is of the opinion that the impact on the security of supply and thus the sizing of the strategic reserve, should be much more limited than any estimate of the impact on the annual demand.



Source: Elia – Adequacy Study 2017-2027 – April 2016

Generally speaking, it is very complex to predict the medium-term impact of the COVID-19 at this stage as it will depend on the evolution of the pandemic in the next months and years and the ability of individuals, companies and nations to adapt and properly manage the sanitary risk and to relaunch the economy with defined measures. In Europe, one can expect that these measures will be oriented towards a further push to decarbonize the society in the medium and long term and an increased electrification of some sectors. FEBEG refers to the recent statement of Ursula von der Leyen, President of the European Commission: "*By using the European Green Deal as our compass, we can turn the crisis of this pandemic into an opportunity to rebuild our economies differently and make them more resilient. We can make our society and our planet healthier by investing in renewable energy, by driving clean cars, by renovating our houses and making them energy efficient.*" One can observe that France and Germany[2] have already put forward, in the last few weeks, very ambitious targets and related supports with regards to electric vehicles and charging infrastructure. This indicates a greater chance of faster electrification of mobility in the post-Corona period.

Comment on the methodology to assess the market response evolutions:

FEBEG has no specific comments on the methodology proposed by Elia in order to consider the block orders for the forecast of market response.

[2] German Green Stimulus Raises Bar II: EVs and Chargers, Bloomberg, 22/06/2020
French Covid-19 Stimulus Fires Up Domestic EV Production, Bloomberg, 03/06/2020