

Study on a technology-neutral framework for the use of Units that cannot be activated following the FRR processes

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Centrica's response to the public consultation of Elia

24th September 2021

Executive summary

1. Centrica supports Elia's proposal not to prioritize the implementation of a technology-neutral framework for the slow reserve at the condition that a regular monitoring is ensured in order to detect any future change of market conditions which would increase the need for such a reserve and justify a rapid implementation of such a technology-neutral framework
2. Centrica acknowledges Elia's most recent analysis regarding the satisfying level of liquidity in mFRR, and considers that this constitutes a sound basis to consider an evolution towards PAC in the mFRR capacity auction
3. Centrica points out that while conclusions on the need for a slow reserve open to non-CIPU units are clear, this does not imply that there is no need to consider additional options to replace the strategic reserve in case of tense winters before the go live of the CRM in 2025.

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Centrica acknowledges the figures presented by Elia on the fact that the "slow reserve" is called upon too rarely to justify the cost of implementing the required changes to open it up to non-CIPU Units, and thereby understands the proposal of Elia not to prioritize this project.

However, Centrica asks that Elia continues to regularly monitor the indicators presented in the study, so that if market conditions change and the balancing margins of Elia start to become scarce, there is sufficient time to increase the level of priority for this project and ensure that it can be implemented rapidly for non-CIPU units to effectively access this scheme to the benefit of society.

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Centrica has well noted the quantitative data presented by Elia in the study, which has been confirmed on the slides presented in the Working Group balancing organized on 15th of September, demonstrating that there was no lack of liquidity in the mFRR market. Elia confirmed its intention to phase-out the mFRR flex product based on this assessment.

Liquidity in the mFRR capacity auction has also been a key KPI to monitor in the context of the shift from the current pay-as-bid (PAB) towards a pay-as-cleared (PAC) remuneration in the procurement of mFRR capacity. Elia's previous assessments from 2019 and 2020 considered liquidity and competition to be insufficient for such a change, and recommended to extend the observation period to follow-up on market evolutions. Given the most recent evidence produced by Elia in September 2021, Centrica believes that the conditions now seem to be met to reconsider previous conclusions. In particular, when looking at both liquidity and competition in the mFRR market, it is key to consider all available mFRR means of the BSPs that are available, and not only the ones offered in the mFRR capacity auction: as underlined by Elia, while the latter volumes can sometimes appear like close to the mFRR requirements of Elia, overall available mFRR volumes are in reality usually much higher as some BSPs do not submit all their available MWs in the auction (especially if they have low chances to be selected).

CBS therefore asks Elia to reconsider its position against the shift towards PAC expressed during the above-mentioned Working Group Balancing.

Centrica points out that while conclusions on the need for a slow reserve open to non-CIPU units are clear, this does not imply that there is no need to consider additional options to replace the strategic reserve in case of tense winters before the go live of the CRM in 2025.

Beyond the balancing margins and the question on the need to open the slow reserve to non-CIPU units, Centrica points out that this study does not close the debate on the need for an additional instrument to address the adequacy issues that could arise in case of tense winters, once the strategic reserve will be phased out and before the CRM enters into force.

At this stage, it remains unclear which mechanism could be implemented, and Centrica therefore calls for clarifications on this topic.