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Consultation on the amended Terms & Conditions for aFRR

Dear Sybille, Alexandre, Kris,

For years, Elia has prepared to join the European balancing platform, PICASSO. Your organisation has also aligned with the aFRR Implementation Framework and explored better activation and baseline methods.

Facing such significant changes, industry must weigh its options carefully. Shifting to pay-as-cleared, moving the capacity auction to day-ahead, and cutting the full activation time could impact market efficiency and consumer costs.

At Centrica, we're keen to provide insights into these changes. Our feedback aligns with past working group discussions and consultations.

Deciding on a way forward

- We support improving transfer of obligation and activation methods.
- We kindly ask you to clarify timelines and speed up operational rule changes.
- We urge you to remove barriers like communication and metering requirements, prequalification delays, redispatch constraints, and shortened response times.

Actions

When finalising the terms and conditions, please enable the option to ramp up or down asymmetrically and clarify rules around the full activation time – this will enhance asset management efficiency. Clarify timelines around the temporary price cap and separation of roles, release package 4 changes early, and accelerate incentive adjustments for better market adaptability. Review communication and metering needs, reduce prequalification delays, address redispatch constraints, and allow sufficient response time for surveillance requests. This should be done ahead of opening the market to low-voltage and connecting to European neighbours.

Your consideration of industry views is crucial to improve balancing reserves and control consumer costs. Please contact us for any further clarification.

Yours sincerely,

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We support improving transfer of obligation and activation methods.

Section II.9 and Annex 8, along with Section II.1 and Annex 9, deal with transfer of obligation and activation methods.

We appreciate the BSP's ability to initiate a transfer of obligation closer to the concerned quarter-hour, cutting lead time from 60 to 30 minutes. We also welcome asymmetric ramps, which support energy management strategy optimisation within set time frames.

We highlight the importance of enabling the option to both ramp up or down asymmetrically for increased asset management efficiency. Annex 9 introduces full activation times in minutes. This allows for more precise values like 0.2 minutes, which equals 12 seconds. We kindly ask for confirmation on the minimum allowed full activation time.

We kindly ask you to clarify timelines and speed up operational rule changes.

Temporary price cap

Article 3 introduces a temporary price cap of 1.000 EUR/MWh on contracted aFRR energy bids. We understand the need to prevent price incidents but ask for more transparency on timing. The document mentions regular evaluations with CREG and the market, but lacks specifics.

For our long-term contract planning, we need clear regulations. Please specify the start date of the cap, the duration of the observation period, criteria for assessing competitiveness, the consultation process and, if applicable, an implementation timeline for relaxing or removing the cap. This clarification could be included in the T&C BSP aFRR or an annexed document like the recent T&C BRP evaluation plan.

Role separation

We ask for clarity on transitioning to independent BRP and BSP roles. We support your efforts to establish revised roles, as this will facilitate market entry of new technologies and participants. We also acknowledge the need for additional measures, such as the timely and precise exchange of information on activations and volume allocation. However, the ambiguity surrounding the timeline is concerning. For instance, footnote 2 of the presently consulted T&C BSP aFRR implies unified BSP and BRP roles continuing beyond the transition period. We therefore invite you to analyse possibilities of splitting BSP and BRP roles. Discussions should start after the MARI go-live, as suggested in August 2023.

Package 4 timing

The explanatory note divides implementation into four packages. Package 1 deals with connecting to PICASSO; package 2 involves changing the full activation time; package 3 shifts to a day-ahead capacity auction; and package 4 encompasses various other amendments.

We strongly believe elements in package 4 can be launched sooner than suggested. For instance, reducing the prequalification window from 24 to 4 hours or conducting independent prequalification tests in opposite directions. This also includes modifying baselines during availability tests, preparing for low-voltage market access, introducing real-time baselines and activation methods with faster ramps.

Incentive planning

We reiterate our call to speed up new incentive rules. While we acknowledge your proposed implementation plan, it's disappointing that changes related to Activation Control and MW Made Available are delayed to end of 2024, and most likely 2025.

We urge you to remove barriers like communication and metering requirements, prequalification delays, redispatch constraints, and shortened response times.

Communication and metering requirements

The amended terms and conditions require communication at the delivery point level instead of the delivery point group level. This may hinder the expansion of low-voltage delivery points due to complex and costly implementation.

Real-time monitoring of individual low-voltage delivery points may pose operational challenges due to their potentially high number. To minimise the impact on IT tools, we suggest alternatives for monitoring aFRR low-voltage delivery point groups in real-time by providing:

- Aggregated real-time data per low-voltage delivery point group.
- 15-minute data per individual delivery point for easier energy settlement.
- Granular data on request, or an audit right with data retention requirements.

Additionally, for non-low voltage assets, we suggest incorporating the option to sum compliant meters instead of installing additional ones. This prevents unnecessary meter installations when compliant meters are available at the asset level but steering occurs at the aggregated level.

Prequalification delays

Annex 6 introduces additional requirements for prequalification tests. Under the new rules, the BSP must wait until the inclusion of delivery points is confirmed before requesting the test. This delays the process by two weeks, as the BSP can't request the prequalification test while the request to add delivery points is ongoing. We suggest removing this requirement.

Redispatch constraints

Article II.12.4. specifies that if aFRR energy bids contain delivery points in a medium or high congestion zone (CRI), the BSP's aFRR Requested can be set to 0MW. Article II.19.8 furthermore states that delivery points in a contracted aFRR energy bid, activated for redispatching purposes, can't participate in aFRR provision during this time.

We understand the need to ensure volume delivery and avoid opposite activations that may worsen congestion. However, these rules can lead to undue revenue losses or penalties.

For instance, a single delivery point in a medium or high congestion zone (CRI) affects the whole portfolio. To mitigate this, BSPs could exclude such points from the energy bid. They would however risk aFRR Made Available penalties if the bid was tied to an aFRR Obligation.

Similarly, when an energy bid is activated for redispatching purposes, delivery points are limited to this activation. This can cause incorrect delivery of aFRR Requested from other activated bids, risking Activation Control penalties. Consider for example a scenario where an asset offers contracted aFRR in one direction and non-contracted aFRR in the opposite direction. Or a case where an asset provides part of its maximum power in contracted aFRR and the rest in non-contracted aFRR.

We suggest removing undue penalties in cases where BSPs reduce volume or miss activations due to delivery points in medium or high CRI zones.

Shortened response times

Article II.2 reduces the response time for market surveillance requests from ten to seven working days. While provisions regarding surveillance for suspicious market behavior are essential, the proposed response time may pose operational challenges. We recommend retaining a ten working day delay to provide sound justifications. This aligns with similar provisions for electricity wholesale markets, striking a better balance between market monitoring needs and practicalities for market participants.