**Febeliec answer to the Elia public consultation on the design note on connections with flexible access – evolution of the framework at federal level**

Febeliec thanks Elia for the public consultation on the design note on connections with flexible access (with a focus on the evolution of the framework at federal level). Febeliec greatly appreciates the efforts that were made to develop a comprehensive design note as well as the workshops and other discussions on this complex topic. Febeliec wants to insist that connections are a very sensitive issue for industrial consumers as any unvoluntary disconnection can lead to very extensive damages and/or costs and even voluntary disconnections lead to massive side effects, including impact on environmental, efficiency and safety obligations. A connection with a non-permanent character will for most industrial sites be a very negative element in investment decisions (apart from certain very specific voluntary instances), as most industrial processes prefer stability. In some cases, measures can be taken to accommodate flexible access but as mentioned above there are also trade-offs linked to those.

Regarding the design note and its proposed framework, while Febeliec understands the impact of such non-firm connection agreements for (intermittent) generation and storage, it is important to ensure that a correct balance is found between the impact for individual grid users, who can connect earlier or under different constellations to the grid, and the costs, through direct or indirect socialization, for all grid users. It is clear that there is an overlying societal optimum, which goes beyond the scope of the grid and grid costs of Elia, but it remains important to ensure that incentives and allocation of costs remain in line with the current approach, thus without full socialization of costs and privatization of benefits.

After having analyzed the design note, Febeliec still does not completely grasp which elements are applicable to demand, how the product will be designed, what will be applicable to embedded generation and storage (as opposed to stand alone generation and storage, the impact on the grid is different) and so on. Febeliec is in favor of technology neutrality but is clear that grid constraints for demand (offtake) are different than those for injection and storage. This is also clear from the point of view of European, federal and regional legislation, which has in principle taken into account generation and storage since the latter began to play a more significant role, rather than focusing on flexible connection for demand. Moreover, embedded assets in industrial sites have a totally different impact on the grid than standalone projects. Furthermore, the majority of the cost of the grid is paid by consumers through their grid tariffs, so it would be remarkable that they would then not get to use the grid to the full extent while still having to pay the same tariffs. Last but not least, it is clear that certain product design elements which could be appropriate for generation or storage would not match very well with demand, a.o. because of reaction times that go beyond the technical capabilities of most if not all demand facilities.

Febeliec also wonders to whom the new framework will apply as it would be unacceptable that existing demand facilities would involuntarily see their connections be moved from a guaranteed to a flexible status, as this would greatly jeopardize their operations. However, Febeliec could accept the voluntary modification of connection agreements towards a non-guaranteed volume if such would be acceptable for an industrial consumers, e.g. because of differentiated grid tarification.

Regarding the discussion of early connection and the notion of temporary period, while Febeliec appreciates the efforts done via a.o. this design note to find solutions for an earlier connection (thus before all related grid modifications have taken place), Febeliec remains with many questions regarding delays on Elia’s side (or even the full cancellation of Elia investment projects altogether), with significant impact on the timing and even viability of projects on grid user side, especially for industrial consumers as they would be severely impacted by such delays or cancellations in their business cases. Nevertheless, Febeliec reiterates that it appreciates the efforts done to allow earlier connection of projects an agrees that such voluntary choice for earlier connection under certain imitations (in this case, a non-firm connection) should not lead to additional costs and risks to be socialized to all grid users through the tariffs, including redispatching costs. Febeliec most strongly insists that any such non-firm connection of industrial consumers should however be to the extent possible exceptional, limited in time and clearly delineated, unless explicitly otherwise agreed.

Regarding the connection process, as it is not the main topic of this consultation and is currently also being discussed in the framework of Belgian Grid, Febeliec will only provide some preliminary remarks, as its position could still evolve in function of these on-going discussions. As also expressed during dedicated meetings on the topic, including Belgian Grid meetings, Febeliec does not consider the topic mature enough at the moment to be the subject of a consultation, but would rather prefer a more in-depth discussion and more mature design before putting this to consultation. Febeliec’s main concern at this moment is the potential for extreme delays on orientation and detail study delivery and final signature of agreed solutions under the proposed serial approach, as Febeliec is of the impression that the proposed timeframes could in case of several projects in a certain area with impact on each other could lead to unacceptable delays as cascading effects could lead to even years of waiting time to even tackle any requests, which would greatly jeopardize the investment climate in Belgium. Febeliec has the impression that the proposed approach creates mainly advantages for Elia’s operations, but does not take into account the reality of grid users and their investment cycles. Regarding the proposed bank deposit during this process, while Febeliec appreciates that Elia tries to avoid reserved but unused and thus also unpaid capacity on its grid (meaning that the costs is socialized through the grid tariffs to all grid users except the grid user who has reserved but unused capacity), Febeliec regrets that this will not solve anything for the historically reserved but unused capacity. Moreover, the proposed approach with a bank guarantee and the proposed formula are unacceptable, as the approach does not necessarily reflect the realization of investment projects and the amount becomes quickly prohibitive, thus creating an investment barrier. It is also very unclear what the impact would be if delays would be the result of issues on Elia’s side, as it is clear that there should not only be correct signals for Elia to ensure its timing but also grid users should not additionally be negatively impacted through bank guarantees for such delays. Febeliec remains open to discuss this further and has already suggested alternative solutions, including the application of clear milestones.

Regarding the procedures and criteria for client-connection studies, Febeliec wonders whether the approach with the reference context is not overly conservative, meaning that in case certain assumptions from government policy would not materialize, projects would unduly be delayed or given a non-firm connection with a potential negative impact on the investment decision and/or conditions. Febeliec moreover has on several occasions indicated that there is a substantial difference in impact on the grid of stand alone projects or integrated projects. The impact of a storage, demand or generation facility on an existing (industrial) site will have a totally different impact on the grid, as additional measures can be taken and/or synergetic effects would apply. Nevertheless, this element is currently completely absent from the design note.

Regarding the guarantees provided to grid users with a flexible connection, Febeliec insists that there should be a balance between the risk borne b the grid user and the risk of socialization, as the flexible connection is mostly to ensure earlier connection to the grid, as compared to a firm connection, and as such the individual connection risk and costs should not be charged to the collective. Febeliec however also insists that also Elia should bear art of the risk, related to its own project management, as it is clear that also Elia can take steps to ensure timely (and within budget) delivery of its own investment projects, and that costs due to the non-respect of its planning should not be the problem of the grid user with a non-firm connection agreement, but also not necessarily be socialized as this would lead to unwanted signals towards projects follow-up at Elia. Febeliec takes note of Elia’s comments I the design note concerning provisions to keep the grid user concerned by the permitting process and to mitigate the risk of socialization of costs, but this also should apply to Elia itself. Last but not least, it is clear that he process should not lead to any gaming opportunities, allowing certain grid users to unduly reserve grid capacity without any intention to use it, as this leads to an unacceptable cost for society. Regarding the concrete proposals, Febeliec wants to insist that the combination of the different options should lead to a balanced approach, and that thus the complete package should be taken into account and not the sum of individual options, as this could lead to an unbalanced approach. This could for example lead to a situation where Febeliec accepts that Gflex activations within the permanent power are not included towards the cap, but that at the same time no distinction is made between the reasons of the activation, for simplicity reasons but also to strike a balance. Regarding a multi-annual cap, Febeliec has no preferences on the approach, but insists that again a balance needs to be found between the impact on the individual grid user and the socialization of the costs, as it is clear that e.g. risks related to a change of planning of infrastructure projects that impact the phases identified in the grid connection study or risks related to the planning of maintenances should not be completely pushed towards Elia, because of the costs but also because this would create a risk that Elia would take significantly higher risk margins on its side, negatively impacting the size/duration of the non-firm capacity and thus the business cases of the individual grid users. A such, Febeliec at first glance finds an approach with an annual cap carrying unused flexibility over to subsequent years (with some limitations over time) a rather balanced approach but is open to other proposals insofar they ensure a correct distribution of risks and costs.

Regarding baselines for measurements and compensation, Febeliec has no preferences but insist that gaming should be made impossible as much as possible, to ensure robustness, trust in the system, avoid negative impacts on other grid users and limit the overall costs impact. Any possible remuneration beyond the scope of the cap should lead to the lowest possible cost impact and definitely avoid any (windfall) profits at the costs of society. Regarding remuneration for demand facilities, insofar they would be able to operate under a flexible connection agreement, Febeliec misses a bit the overview of which costs would be taken into account, as it is clear that a large part of the incurred costs for such (industrial) consumers is related to other markets than the electricity/energy markets and these should be taken into account. Febeliec also wonders how the inclusion of a cost-based formula in the connection contract would work for units without Scheduling Agent, as it is clear that such formula might require regular updates and would lead to a significant workload for both the grid user and Elia.

Concerning perimeter correction, while Febeliec understands the comments made by several parties, it should be clear that Gflex activations within the cap should not lead to socialization of costs, which would be the case with correction of the perimeter, which would not respect the overall philosophy. Regarding setpoints and optimization, it is unclear at this point how a setpoint would be defined for assets on an industrial site, as the impact of embedded assets could potentially not be so easily attributed. Moreover, Febeliec is worried about the fact that Elia stipulates that optimization could only be considered for access points behind which the delivery points have the same baselining approach, which would be unacceptable from the point of view of industrial sites as this would severely limit the potential for participation in the markets and/or ancillary services, which can hardly be the purpose of this design note, while the alternative without the possibility of optimization would lead to sub-par results from an overall perspective. Febeliec insist that Elia reconsiders this position and looks for alternatives. A similar comment can be made for dynamic repartition keys, as these would lead to an overly complex situation for grid users (but would make Elia’s work presumably easier), which would undermine the attractiveness and thus the application of this dynamic repartition key. Moreover, Febeliec is also not convinced that such approach could even work for industrial sites. Febeliec takes note of Elia’s preference for option 3 without optimization, but this could lead to a loss for society as a whole.

On the operational principles, Febeliec finds it difficult to comment as many design options are still open or need to be revised, but Febeliec wants to reiterate that the proposed approach with setpoints every 10 seconds would lead to a very high workload and impact for grid users, in particular demand and industrial sites with assets under a flexible connection agreement. Febeliec wants to reiterate also that such fast setpoints and required reaction times would presumably lead to the impossibility for demand to agree with flexible connection agreements, thus redarning in result this whole reflection exercise and design useless. Febeliec remains of the opinion that the note focuses mostly on (intermittent) generation and storage, and does not properly address the needs and capabilities of demand units, thus de facto potentially delaying important investments (e.g. related to the expected transition goals).