Brussels, July 05 2024

Regarding: ODE/EDORA response to the updated proposal by elia regarding flexible access contracts

ODE/EDORA thank elia for organizing the stakeholder meetings and workshops in the design process of the flexible access contracts framework. The workshops are very helpful in understanding the proposed framework.

Key messages

As a country expected to remain "short" in renewables, Belgium should be a leader in demand-side flexibility. This would allow us to increase the grid hosting capacity, to maximize local renewable energy use and to capture (cheap) renewable surpluses of our neighbours. In order to unlock this flexibility, ODE/EDORA believe that the basic principle of congestion management is that it should be market-based.

For this reason, ODE/EDORA ask Elia and the other stakeholders to initiate as soon as possible a discussion aiming at setting up a flexibility market for congestion management. To maximize its liquidity, this market should be open to both TSO- and DSO-connected assets and to assets with both permanent and flexible contracts.

Until such a market can be set up, ODE/EDORA welcome the addition of more guarantees for the grid users on flexible volumes and potential remuneration, even if there are several remarks on the exact proposed mechanism (see below).

General feedback

As mentioned before, ODE/EDORA are in favor of the principle of having the option to agree on a flexible connection agreement pending a grid investment if there is not enough grid capacity available. ODE/EDORA see some improvements in the updated proposal that was presented in the workshop on the 14th of June but still sees fundamental and problematic issues in the basic principles of the proposed framework. ODE/EDORA therefore strongly urges elia to make the necessary changes to the framework in order for it to be in line with the intended use and goal of flexible access agreements. This can not be achieved by small adjustments to the current proposal but a full revision of the basic principles.

The basic principle that elia starts from is that a grid user can choose where to connect and that therefore the costs should be borne by that grid user. This is fundamentally wrong in the case of renewable energy. Free curtailment under the premise that it is a choice of a project developer to develop his renewable energy project at that location shows little sense of reality, according to ODE/EDORA. After all, windturbines cannot simply be placed where there happens to be grid capacity given the very strict permit framework. Large PV projects have so far mainly been roof-bound and therefore at locations where they can be expected, certainly taking into account the obligation that is

being introduced on the Flemish side in this regard. ODE/EDORA repeat that grid related and market-based solutions are the way to achieve the lowest cost for society.

ODE/EDORA strongly emphasize that connections with flexible access can only be used when the congestion is directly and only caused by the grid user, on in the EDS defined CNEs and within the cap, and as last resort if a market-based solution is not available. Congestion caused by reasons that are related to grid issues (N-1, maintenance, repair, other network elements than defined in the EDS, etc…) are outside of the grid user's control and should be solved by market-based congestion products. It is unacceptable that the costs for operational grid issues are transferred to the grid users under a flexible access contract instead of through market-based congestion products.

The updated proposal doesn't provide a balanced and fair split of the risks but instead puts all risk at the grid user.

Activation principles

ODE/EDORA can follow the principle that Gflex should only be activated to solve (near) real-time congestions since this reduces the curtailed volumes to what is necessary for the safety of the grid. ODE/EDORA believe that perimeter correction for activations of Gflex would be a good solution that balance between reduced activations due to (near) real-time activation and costs for congestion management.

ODE/EDORA do not agree on the fact that elia proposes to be able to add grid elements to the list of grid elements on which congestion can occur after performing the connection study.

- The proposal to add grid elements to the list appears to be included to give the possibility to the grid operator to maximize the use of the volumes within the cap. When elia sees that the cap isn't reached it can simply add more grid elements to the list.
- This proposal strengthens the belief that flexible access will be used to circumvent the use of redispatching and the related remuneration framework.
- According to ODE/EDORA, the list of grid elements where congestion can occur due to the renewable production or storage facilities can only become shorter over time when investments are done in the grid or other developments free up capacity on the predefined grid elements. The EU Directive[1] supports this view in the fact that it states that flexible connections should automatically become firm.

ODE/EDORA can not at all agree on the volumes within the cap to be used to solve other congestions that could be or not be anticipated. **Activations for other reasons should always be neutralized through the redispatching remuneration scheme, even those within the cap.** Activations that are the result of operational issues elia encounters on its grid and can not be contributed to the grid user and thus, the cost for that should not be shifted to that grid user. Doing so would circumvent the reason the redispatch framework is meant for.

Capacity reservation

ODE/EDORA agree on the principle that grid capacity should not be reserved indefinitely while not being used. This can block new projects and could even lead to strategic reservation of capacity, which should be avoided. On the proposal to limit the reservation period to two times 120 working days, ODE/EDORA can not agree since this period is far too short for projects that often have long permitting procedures.

[1] Directive - EU - 2024/1711 - EN - EUR-Lex (europa.eu)

On the bank guarantees, ODE/EDORA believe these are way too high and will put an extra and unnecessary burden and increased financial risk on the grid user.

Studies

ODE/EDORA objects to the removal of the maximum delay for the execution of studies. The result of the EOS should be delivered within the allowed timeframe. In case there are other linked EOS ongoing, Elia should provide:

- The available capacity without taking these other EOS into account
- The information that there are other linked EOS (or EDS) currently ongoing, and that this capacity is thus at risk
- If possible, the maximum and minimum capacity that could be obtained, depending on those other linked EOS/EDS.

Definition of the temporary period and the cap

The maximum temporary period that is suggested is not workable for renewable energy or storage projects. The suggested maximum periods do not create any certainty in the investment cycle of these projects. The temporary period should be binding and predefined in the EDS.

The updated proposal where the cap can be transferred does not provide enough certainty on the investment decision and will lead to projects not getting the needed funds or at extremely high costs. Transferring unused volumes in the cap from one year to another is not acceptable. Projects can not be financed with this level of uncertainty. The current proposal again shifts the risks of the grid operator to the grid user. The cap should be annual and binding.

ODE/EDORA argue it is not realistic to calculate the congestion risk and the cap based on all contracted capacities. There should be a more realistic approach to calculate this since just adding up all contracted capacities or PPAD, in the case of batteries also with unrealistic profiles, will lead to much higher caps than necessary.

In the definition of the temporary period of the cap, elia gives itself the option to transfer the unused volumes under the cap to the next years. This places risks that are inherently part of elia's grid development and operation at the grid user.

The effect is already visible on the capacity maps elia has published. There are almost no regions that would allow firm connections. This means that all new capacity will be (partially) non-firm. ODE/EDORA do not believe the current methodology is realistic and will increase the costs for the developers and thus, the end consumer. ODE/EDORA believe the effectively measured peak offtake and peak injection (synchronous peaks instead of sum of PPAD's) on grid elements plus reserved capacities with their respective profile should be used as a basis for calculating remaining capacity and thus, risk for congestion because of newly added capacity. It will also effectively hamper the energy transition and thereby increase the societal cost even further.

Operational process

Regarding the activation principles in case of multiple connections with flexible access, ODE/EDORA believe that the order of activation based on the type of technology is the first step. In any case, ODE/EDORA believe that non-market-based curtailment of renewable energy may only be used as a last resort and that there must therefore be a rule or mechanism that guarantees this.

Market based solutions for congestion management need to be developed first

Elia is quick in developing a framework that allows free curtailment but completely ignores the development of the long existing basic principle in the EU Regulation that the first option to solve congestion should be by market-based solutions. By doing so, the grid operator is blocking the development of demand response which should be the primary solution for congestion problems.

Curtailing renewable energy production should always remain the last option, unless a market-based solution is used. Especially at this stage of the energy transition, as this means that renewable energy is lost. **The development of market-based congestion management products, which are open to demand-side solutions, must therefore remain the first priority** if we are to ensure the integration of larger amounts of renewable energy in the coming years. ODE/EDORA therefore believe that the participation of aggregated assets in the (local) transmission and distribution networks should be made possible, as this could greatly increase the possibilities to solve congestion with market-based products. The participation of assets connected to the local transport- and distribution networks should be possible for all congestion problems occurring in the transmission network. Especially in view of the further electrification of transport and heat and the many possibilities that this entails in terms of flexibility, it is important to give this group the opportunity to make as much as possible of its flexibility available at this stage.

According to ODE/EDORA, curtailment of renewable energy should only be done on the basis of an immediate and acute need. Preventive adjustment in response to expected congestion would mean that in many cases renewable energy would be lost unnecessarily because the congestion might not have materialized. **The digitization and dynamic operation of the grid, with the necessary control options, must provide real-time control in response to acute needs. An N-1 situation where there is no imminent overload should not lead to the curtailment of renewable energy as the technical possibilities exist to reduce production on an almost immediate basis if an acute overload were to occur.** According to ODE/EDORA, this leads to more efficient grid use and higher social added value.

ODE/EDORA believe there lies significant value in market-based congestion products that allow real-time actions from the perspective of the grid operator, grid users and society as a whole. Development of these market products should be prioritized over the development of this framework for flexible access. As is the case for frequency control, the fundamental principles of congestion management should prioritize 1) implicit flexibility based on a price signal or congestion risk warning 2) explicit market-based flexibility and 3) as last restort, "technical" flexibility, with or without remuneration.

We are open for discussion or questions regarding above response.

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