

# Response to the Elia Public Consultation

## Connection with flexible access: Design note on the evolution of the framework at federal level

Leuven, July 5<sup>th</sup> 2024

### Introduction

On May 31<sup>st</sup>, Elia launched a public consultation on the design note related to the evolution of the framework at federal level of the connection with flexible access. Parkwind's earlier engagements on the topic of the flexible access connection contract focused on the applicability of such connection contract to the offshore wind farms to be developed in the Princess Elisabeth Zone (PEZ). Parkwind would like to stress that it hasn't changed its position on whether a flexible access connection contract should be applied to PEZ wind farms; we believe it shouldn't. Concluding a flexible access contract should be voluntary and can therefore not be imposed on any development for which the timing, location, and dimensioning is prescribed in a government tender – as is the case for the PEZ. More details on the reasoning can be found in the BOP's response to this public consultation, to which Parkwind subscribes.

Irrespective of our position on the applicability on the PEZ wind farms, Parkwind would like to express its feedback on the different design elements brought forward by Elia, in the hope that it contributes to a productive discussion on this important evolution at the federal grid in Belgium. Parkwind would like to comment in particular on the guarantees that might be provided to Grid Users that will have a connection with flexible access (chapter 6 of the design note). Parkwind also would like to comment on some of the operational principles (chapter 7 of the design note).

### Feedback to design elements proposed in chapter 6 of the design note

#### **Proposal 1: Table with binding yearly flexibility and permanent power (chapter 6.1)**

Elia proposes to translate the flexibility required at a connection as determined in the connection study in a table in the connection contract, listing the yearly flexibility and permanent power. These values would be binding. Parkwind welcomes this proposal. A firm (binding) cap on the flexibility and permanent power is a prerequisite for the Grid User to make a sound business plan for his planned investment. We are in favour of adopting this proposal.

### **Proposal 2: Guarantees on the duration of the temporary period (chapter 6.3)**

Parkwind wants to comment on Elia's proposal for those connection contracts for which the infrastructure project expected to solve the congestions has a planning which is sufficiently robust at the moment the connection contract is signed. For that situation, Elia proposes to allow itself to extend the temporary period or postpone a phase within the temporary period. We believe this allowance defeats the purpose of having guarantees about the duration of the temporary period. It hence jeopardizes the Grid User's business case. We are not in favour of providing this allowance. That way, there is a strong incentive for Elia to provide a solid project planning at the moment the connection contract is signed and to do everything possible to stick to that timeline.

### **Proposal 3: Which activations count toward the cap (chapter 6.4.1.1)**

Parkwind does not agree with Elia's proposal to consider possible Gflex activations within the permanent power as not included in the cap. Activations within the permanent power should fall under market-based products, such as redispatch. By not counting these activations under the cap, Elia has an incentive to (ab)use the Gflex activations to avoid market-based products to solve its congestion issues. Parkwind is in favour of counting the Gflex activation within the permanent power toward the cap.

### **Proposal 4: Which reasons of activations are considered (chapter 6.4.1.1)**

Elia proposes not to make a distinction between the reasons of the Gflex activations. In other words, Elia would like to use the Gflex product on a connection irrespective of whether a congestion arises on the Critical Network Elements (CNEs) predetermined in the grid connection study or not.

Parkwind is not in favour of this proposal and is of the opinion that it would be better to distinguish between the reasons of the activation. We believe that activating the unremunerated Gflex on a grid connection should be limited to solving issues on the CNEs that lead to the need for a flexible contract for that grid connection in the first place. Otherwise, the Grid User of that grid connection is either:

- bearing the cost of what otherwise would have been solved with a market-based redispatch activation, for which the cost is socialized, or;
- bearing the cost of another Grid User with flexible access for which the CNE was predetermined in its grid connection study.

In either case, a cost is unfairly shifted to the Grid User in question.

### **Proposal 5: Annual or multi-annual cap (chapter 6.4.1.2)**

Elia identified multiple ways of implementing the cap on flexibility proposed in chapter 6.1. Parkwind strongly prefers to use a 'simple' annual cap because it is the only method that makes the risk pricing of the flexible access contract in the business case somewhat manageable.

The reason is as follows. If Elia can save up the flexibility 'budget' on a connection for several years and later use it up in a short time span, the Grid User could face cash flow problems and issues to repay its debt. It is practically impossible for the Grid User to build up financial reserves to mitigate that risk, because the financial impact of the unremunerated Gflex activations depends on the power prices at the moment of the activations. When there is so much uncertainty about when in the coming years the flexibility budget will be used by Elia, this is challenging to price properly. For projects that are debt financed, this risk will lead to higher financing costs or possibly the inability to reach financial close.

Even with a 'simple' annual cap, it is important to note that other design elements such as the uncorrected BRP perimeter still can make it impossible to properly price the risks encompassed in the flexible access contract - see further our response to the perimeter correction proposal.

#### **Proposal 6: Baseline methodology for the quantification of the used flexibility (chapter 6.4.2.5)**

Parkwind welcomes the differentiation of baselines between technologies and agrees with Elia's proposal to use the AAP for wind and solar. Parkwind takes no position on the baselines proposed for the other technologies.

#### **Proposal 7: Remuneration beyond the cap (chapter 6.4.3.1)**

Elia proposes to base the rules for remuneration for activations beyond the cap on the rules applicable in the iCAROS framework. This means remuneration would be cost-based. Parkwind agrees with this proposal.

#### **Proposal 8: Perimeter correction (chapter 6.4.3.2)**

When Elia activates Gflex, it creates an imbalance for the concerned BRP. Elia proposes to correct the perimeter for activations only once the cap has been reached.

Parkwind fundamentally disagrees with this proposal and sees this as a critical design flaw in the flexible access contract. We are adamant that all Gflex activations get corrected in the BRP's perimeter, irrespective of whether the cap has been reached. The reasons are the following:

- The imbalance price is meant to incentivize BRPs to have a balanced portfolio. Elia now proposes to (ab)use this incentive for another purpose: to steer location, dimensioning, and timing of new grid connection requests. We believe this is not what the imbalance price should be used for.
- We also don't believe it is effective as a price incentive to steer said grid connection requests, because it is impossible for the Grid User to forecast how the Gflex activations will correlate with imbalance prices and how imbalance prices in general will develop in the future in Belgium. The imbalance risk to be taken by the Grid User if the BRP perimeter won't be corrected is to a large extent an open-ended risk that cannot be quantified. It hence cannot be taken into account in a cost-benefit analysis by the Grid User when choosing the location, timing, and dimensioning of his new grid request.
- Most importantly, the unquantifiability and unmanageability of this imbalance risk make the planned investments leading to the grid connection request unbankable. Grid Users that need external financing will not be able to find it, since investors and lenders will not accept a risk that cannot be priced and cannot be managed. Elia's proposal will hence hinder the development of renewable energy, BESS, and electrification unnecessarily.
- To our knowledge, Elia has not provided a clear view of how it will balance out Gflex activations with a counter activation elsewhere in the grid. We assume that Elia decides whether to activate a counter balancing activation or not based on the overall Belgian system imbalance. If the Gflex activation helps the overall Belgian system imbalance, we expect Elia will not counterbalance the Gflex activation. In that case, the Gflex activation is de facto a free balancing activation for Elia. An activation that would otherwise have been remunerated, is now turned into a cost for the grid user. There should be no incentive for Elia to use Gflex assets for which the cap hasn't been reached as a means of free balancing power.

Our conclusion is that not correcting the balancing perimeter leads to several undesirable effects, of which the unbankability of the investments by the Grid User is the most problematic one. We propose that the imbalance impact of Gflex activations is neutralized by Elia.

### **Proposal 9: Perimeter correction on Access Point or Delivery Point Level (chapter 6.4.3.2)**

Elia investigated different approaches for correcting the BRP perimeter in case of Access Points with multiple BRPs on downstream Delivery Points. Parkwind has not had the time to consider all possible scenarios. However, we believe using option 3 as proposed by Elia is in any case a pragmatic and workable solution.

### **Proposal 10: Obligations related to Balancing Services & CRM (chapter 6.4.4.1)**

In the current process, Gflex is activated independently of the activation of balancing services and of the activation control (Availability Monitoring) of the Belgian CRM. This could lead to failed delivery of either service. This is different from redispatch, where these impacts are considered.

Elia seems to want to use the financial risk of or inability to participate in the balancing services and CRM auctions during the temporary period as an incentive for Grid Users to carefully consider their connection requests. We however think this might be counterproductive when it comes to the balancing products. Assets connecting under a flexible access contract are new assets and should be, in comparison with existing assets, better equipped technologically of being steered flexibly. By discouraging these assets from participating in the balancing products, Elia is potentially missing out on large amounts of flexibility from renewable generators, BESS, and electrified demand such as e-boilers and EV charging stations. We believe it is in Elia's own interest to remove any barriers for these assets to participate in the balancing markets. We are therefore in favour of following the same approach as for redispatch when it comes to participation in the balancing products.

## **Feedback to design elements proposed in chapter 7 of the design note**

### **Principles for activation (chapter 7.2)**

Elia proposes to send Gflex setpoints directly to the concerned Access or Delivery Point. However, Parkwind prefers that all setpoints related to grid services, including the Gflex activations, go via the interfaces with the Scheduling Agent or BSP. We believe this is more manageable and efficient for both the grid user and for Elia. There is a wide variety of communication standards & interfaces used in SCADA and EMS systems. SAs and BSPs already have a lot of experience and solutions for connecting with such interfaces. We therefore believe that reusing the existing communication interfaces between Elia and the SA or BSP on the one hand and between the SA or BSP and the Grid User on the other hand is a more scalable solution.

## Activation principle in case of multiple connections with flexible access (chapter 7.2)

Elia proposes to first identify the most efficient units to resolve the congestion. Among these units, first storage, then grey production, and lastly green production assets will be activated. Within each technology type, a LIFO principle is applied.

Parkwind agrees with the first 2 elements of this proposal, but questions whether the LIFO principle is the best. The LIFO approach would entail that the last units connected to the grid will reach their annual flexibility cap first, while earlier connected assets will reach it later or not at all. For Grid Users it will be impossible to know how many other new connections contributing to congestion on the same CNE will connect at a later date than himself. Therefore, it's hard to quantify the impact of this LIFO principle upfront. There might be alternatives that spread the impact of the Gflex activations differently. For example, Elia might activate those connections for which the lowest share of the annual cap has been used up so far first. That way, the cap is gradually used up at a similar rate among the different connections.

## Conclusion

With this response, Parkwind has provided its feedback on the different design elements brought forward by Elia in its design note on the evolution of the framework at federal level of the connection with flexible access. We stressed that a flexible access contract should never be imposed on any development for which the timing, location, and dimensioning is prescribed in a government tender – as is the case for the PEZ tender. We further commented on the guarantees that could be provided to Grid Users with a flexible access contract and some of the activation principles.

Parkwind welcomes the introduction of a binding cap on the flexibility available for Gflex activations by Elia on each connection and strongly favours this cap to be a simple annual cap. We are of the opinion that the Gflex activations should only be used for congestions on the CNEs identified in the grid connection study and that activations in the permanent power should also count towards the cap. The guarantees around the duration of the temporary period should be firm, and we believe that extensions after signing the connection contract should not be allowed. The most critical design element for Parkwind is the correction of Gflex activations in the BRP's perimeter. Not correcting the balancing perimeter leads to several undesirable effects, of which the unbankability of the investments by the Grid User is the most problematic one. It would kill all projects that need debt financing and hence slow down the roll-out of renewables, energy storage, and electrification technologies in Belgium. We also believe it's in Elia's own interest not to penalize underdelivery of balancing products as a result of Gflex activations, since it will discourage flexible assets from delivering these valuable services to Elia.

Parkwind is available to further elaborate on its position and looks forward Elia's responses to the feedback provided by market parties.

## About Parkwind

Parkwind N.V. is a Belgian company founded in 2012 with the conviction that wind energy is key to a sustainable future. Today that conviction is stronger than ever, as we grow globally to make offshore wind energy available and affordable to everyone. Our unique, comprehensive approach has led to the success of our current portfolio of four offshore wind farms off the Belgian and German coast with 225 turbines with a production capacity of 800 MW. With the experience of 10 years in offshore wind, starting with Belwind, our first completed wind farm in 2010, Parkwind has been one of the frontrunners in turning Belgium into a leading global player in the offshore wind sector.