

Elia informal consultation on new aFRR capacity auctions

Febeliec finds the proposal by Elia for the aFRR Capacity Auctions design, which essentially entails a reversal of the order of the per-CCTU and all-CCTU auctions, at first sight quite elegant, as it seems to solve a number of issues and should presumably not lead to too substantial implementation issues as it continues to use current systems with (at first sight) minimal modifications required, which should allow for a quite fast implementation and thus solution to the current risk of very high aFRR capacity costs.

Febeliec nevertheless has a few questions and comments to the proposed design:

- Definition of the reference cost: Is the average of (only) two previous auctions sufficient for this reference? Which two auctions will be taken as reference: the per-CCTU and/or all-CCTU auctions (Febeliec really wonders which auctions will be used as reference, as a wrong reference could lead to an ever-decreasing overall reference cost, which in itself is good unless it leads to no volumes selected at all. This could for example be the case if only the per-CCTU auctions are taken into account, as the mechanism would only allow consecutive lower caps; in any case, Febeliec insists that this point is duly clarified)? What if market conditions in a.o. the DA market have substantially shifted compared to the reference period (e.g. CSS becoming negative where it was positive or vice versa), which should lead to a completely different outcome (e.g. gas plants already running or aFRR must run)? The latter clearly applies even more for weekend days, which Elia proposes to treat separately, as the previous period is for at least one of the two reference auctions a week ago. Should there also be made a distinction for Mondays, as it the case for some baseline methodologies? What with the difference between normal (working) days and bank holidays?
- It is stated that the reference cost will be increased when the resulting volume cleared in the per-CCTU auction is close to the contracted capacity. While Febeliec understands the reasoning behind this modification, it should be clearly defined what “close” means and which methodology will be applied to increase the reference cost
- Remark: Febeliec is not at all questioning the usefulness of the reference cost, but rather the practical definition and relevance of the reference period. Febeliec supports that an overall reference cost over all CCTUs in the per-CCTU auction will be applied and not a (maximum) reference price for bids, as this should in most circumstances (yet not all circumstances) lead to a more optimal outcome than the current approach with a volume cap (and volumes at any price), while leaving opportunities for different technologies to participate in the per-CCTU auction.
- Febeliec wonders whether it will be possible to make exclusive bids for the per-CCTU auction, to avoid that all parties would offer for only the same CCTU, in a theoretical case even leading to 0 MW in the other CCTUs and thus no volume contracted at all in the per-CCTU auction, even though volumes could have been selected under the reference cost if BSPs had known in advance (which they won't).
- On the difference between the paid-as-bid versus the paid-as-cleared remuneration, Febeliec at this stage leans towards paid-as-bid, unless or until is proven that there is sufficient liquidity, both in volume and number of BSPs, to avoid that any market power abuse in this very specific market could be exerted. Even under the premise of an overall maximal reference cost, it is clear that the purpose should not be that this maximum reference cost is paid at each auction.
- On the impact on FCR auctions, this topic should be further elaborated but Febeliec at first sight would support having both aFRR auctions before the FCR auction, under the premise that this would be feasible from an operational point of view for BSPs.

Febeliec wants to reiterate that while it finds the proposed solution at first sight elegant and interesting, a number of points need to be further clarified before a clear position can be taken.

