

Febeliec answer to the Fluvius consultation on the rules for contracting non-frequency related ancillary services and grid losses

Febeliec would like to thank Fluvius for its consultation on the rules for contracting non-frequency related ancillary services and grid losses.

Febeliec in general would like to insist that Fluvius should do its utmost best to remove **all** barriers in order to ensure that **all** flexibility can find its way to **all** markets, towards frequency and non-frequency related products of system operators but also explicit and implicit participation in the energy markets. Febeliec finds the current proposals a first small (positive!) step in this direction, but the scope should be broader than just non-frequency related ancillary services as it is by far not sufficient to attain the abovementioned ultimate goal nor does it tackle all topics (see below). Febeliec thus wants to urge most strongly that Fluvius and VREG accelerate their endeavors on unlocking all flexibility in the system to the benefit of all grid users through more efficiency and a lower overall system cost.

On the **definitions**: Febeliec insists that these are aligned as much as possible with the definitions used in other regulatory documents (at Flemish but also Federal level or across regions), in order to avoid any confusion.

On the **context**, Febeliec strongly supports the endeavors by Fluvius and VREG to open up as much as possible the non-frequency related products to more participants, as the pilot projects has shown interesting potential for more efficient grid management. Nevertheless, Febeliec insists that costs and benefits are compared, whether through a full-fledged CBA or at least a high level analysis. Moreover, Febeliec also urges VREG to look at this from a holistic system perspective, as it would not be good from a system-perspective if, through lock-in of volumes (which might not be frequently used by Fluvius), flexibility would be removed from all (other) (energy and/or capacity) markets. In other words, it would not be good if small cost reductions and efficiency gains would materialize at DSO level which would go hand in hand with much larger overall inefficiencies on a broader system level. Febeliec insists that this analysis is also conducted and followed up by the concerned regulator(s).

On the **proposed roadmap**, Febeliec can support a phased approach, with a first step with a “minimum viable product” as described by Fluvius, but insist that this should not hamper further and future attention and developments towards unlocking all potential.

In general, Febeliec regrets that at this stage the **Closed Distribution System Operator (CDSO)**, for many aspects in European legislation recognized as the Relevant System Operator (RSO) for his underlying grid users, is not taken into account in any of the flow charts, processes etc. in the proposal of Fluvius, while the CDSO is the Access Holder for his grid users and thus the only party who can, based on his access register, allocate volumes correctly between his grid users. Moreover, as Fluvius intends to send a signal to the connection point regarding voltage management, which the grid user has to translate towards assets behind the connection point, it is clear that the CDSO will have to play a central role in case this happens to a CDS. The same applies for testing (setpoints, availability, ...), data exchange, ..

On the **tender**, Febeliec wonders which will be the specifications for the required product which will be included (e.g. ramp rates, duration, neutralization time, ...). Febeliec wants to repeat a comment voiced many times during discussions with Fluvius that it is important that Fluvius not only looks at its own needs but also at the capabilities in the market, as there will not be much participation to a tender (and thus no potential for increased grid efficiency) if the request capabilities are not available in the market or only for small volumes from a very limited number of grid users (as this will not lead to sufficient competition to drive down the overall costs). Moreover, Febeliec insist that 100% availability of an asset over an entire year is impossible to achieve, as their will be maintenance, incidents, ... and as such it remains unclear how Fluvius intends to deal with such elements.

On **prequalification**, Febeliec also wants to refer to the comment above, as also here too stringent (and potentially unnecessary) requirements could lead to a lack of appetite from grid users to participate.

On the **auction and selection**, Febeliec wonders how Fluvius intends to compare offers with totally different cost structures, capabilities, ... in order to select the offer with the highest system efficiency. Febeliec asked this question during the discussions, but an answer is still not provided. Febeliec also wonders to what extent contracting redundant

Febeliec represents corporate energy consumers in Belgium for whom energy is a significant component of production costs and a key factor of competitiveness. Febeliec strives for competitive prices for electricity and natural gas for its members, and for more security of energy supply in the context of the energy transition. Febeliec's members are 5 sector federations and more than 40 companies from various sectors (chemistry and life sciences, petroleum products, glass, pulp & paper and cardboard, mining, textiles and wood processing, brick, non-ferrous metals, steel, transportation, construction materials, data centers, telecommunications). Together they represent some 80% of industrial electricity and natural gas consumption in Belgium and 225.000 jobs (www.febeliec.be).

volumes, as proposed by Fluvius, in order to cover for unavailabilities (see also above), will lead to sufficient efficiency gains. Febeliec can support a pay-as-bid approach, but insists that only bids should be selected after a tender procedure if the overall costs is lower than that of alternatives, including grid investments, and this to avoid that with limited competition there should be a possibility for gaming.

Concerning Fluvius shifting **responsibility** for materializing of activation on the connection point towards the grid users, Febeliec **cannot** support this approach, in particular related to CDSOs as CDSOs cannot be made responsible for the actions of their underlying grid users with whom Fluvius might have signed a contract as they are not part of the contractual agreement. Moreover, and in general, it is conceivable (especially for longer activation periods) that the normal consumption patterns of the grid users (not limited to CDSOs) would lead to effects that are not in line with the proposal of Fluvius, but which are nevertheless part of the normal business processes of grid users. As such, Febeliec again insist on the very important discussion on baselines, which is lacking in the proposal of Fluvius.

On **communication**, Febeliec insists most strongly for the fastest possible development of a solution with a setpoint or an external IT-platform, which are currently not foreseen but which will be needed if all flexibility is to participate to the markets and to the non-frequency related ancillary services of Fluvius. On direct control, Febeliec also wants to refer to the previous comment as it is clear that the grid user cannot be made responsible for the activations of assets on his site, in particular when he is not the owner and/or the operator of these assets. Febeliec understands the concern from Fluvius, but the proposed solution is inadequate and could even lead to real problems.

On **reaction time**, Febeliec wants to insist that 12,5 min reaction for grid users is fast, in line with mFRR, which limits participation to only those happy few which can react within such a very short timeframe, and which will thus limit liquidity. Moreover, as Fluvius wants to guarantee availability, these assets will no longer be able to participate to the balancing platforms, which will not only create potential issues for sufficient liquidity on the balancing markets, but (through opportunity pricing) could also lead to very high costs for Fluvius for contracting this flexibility. Febeliec also wants to indicate that the 2,5 minutes taken by the DSOs for calculation and communication, even though presumably true, are not relevant from a grid user perspective and as such the 15 minutes timeframe of the DSO is shorter from a grid user perspective.

On the **desired volumes**, Febeliec insists that it is made very clear whether Fluvius intends to create a “drop to” or a “drop by” product, as the characteristics are completely different and thus lead to a completely different pricing approach.

On **performance evaluation**, Febeliec appreciates the first ideas of Fluvius, but not much real insights are provide. This section should be elaborated in much more detail, Febeliec refers in this context to its comment on baselines, but also availability monitoring should be covered in much more detail, because now it is impossible to provide any reasoned opinion.

On the **specifications for market based purchasing of flexibility services for local congestion**, Febeliec would like to refer to the above comments and would like to also add following comments:

- Febeliec wants to refer to the specific situation of CDSs and CDSOs, which are currently not incorporated in the Fluvius proposal.
- Febeliec insists that all flexibility used to avoid congestion should be on a voluntary basis. Unvoluntary curtailment of load is unacceptable for Febeliec.
- Febeliec wants to refer to its comments on the fact that 100% availability is impossible.
- If product requirements are too stringent, participation will be limited, and this limited liquidity will lead to either higher costs or no alternative for grid investments.
- Baselines should be developed, in order to ensure that the service is delivered but also to determine the remuneration.
- On the rules for combination of flexibility services with other flexibility services or ancillary services of other FRPs, Febeliec is very much interested, and would ask for further elaboration, as this section is not detailed. Febeliec wants to refer to its previous comment on the possible lock-in and related costs of capacities in one product (an no participation to other products), which could drive up the total system costs a t the detriment of consumer and this for only very limited activations. Febeliec wants to refer to its comment on selection criteria in the tender, as it is unclear how Fluvius would compare different offers.

Febeliec wants as conclusion not only to refer to its initial statement, that all flexibility should be able to find its way to all markets, but also to insist that the documents put up for consultation are just a very first step, as many topics remain not very specific and some are even not addressed, such as the impact on grid tariffs (e.g. split and allocation of tariffs, neutralization of the impact of ancillary services on grid tariffs, such as peak tariffs), periodicity of tenders (how often, for which period), geographical scope, monitoring, validation of results, .. Febeliec asks that such reflections are started up as soon as possible, in collaboration with grid users.