

## **Elia consultation on its findings regarding the design of a scarcity pricing mechanism for implementation in Belgium**



### **EFET response – 30 October 2020**

The European Federation of Energy Traders (EFET\*) welcomes the opportunity to provide our comments to Elia consultation regarding the design of a scarcity pricing mechanism for implementation in Belgium.

We appreciate Elia's comparative analysis in English of different scarcity pricing implementation measures and we agree with Elia that the application of scarcity price adders on BSPs (both in energy and capacity prices) bounces with legal obstacles. Moreover, it is hardly compatible with the prevailing market design and would have discriminatory effects and potentially distort the good European market functioning.

However, we disagree with Elia's alternative proposal of introducing a scarcity component – further referred to as omega ( $\Omega$ ) component – in the imbalance price calculation applied to Belgian BRPs during negative to zero system imbalances and during structural capacity shortages. We objected before that in case a TSO identifies the need for stronger incentives in scarcity situations, the TSO should not propose to its relevant regulatory authority to apply a scarcity or an incentive component in imbalance pricing<sup>1</sup>.

Art. 44.1(b) EBGL states that the imbalance settlement price should reflect the “real time value of energy”. The real time value of energy naturally takes account of the risk of scarcity. Therefore, if properly set according to the EB GL principles, the imbalance settlement price mechanism should *de facto* provide an adequate price in situations of scarcity.

In addition, if implemented in a non-coordinated way, such additional components would lead to different imbalance price behaviour with similar imbalance volumes in the different control areas. Their use should be harmonised through the definition of an imbalance price methodology, instead of creating additional components as currently proposed.

Only in case of a scarcity caused brown-out (load shedding), the value of that intervention must be reflected in the imbalance price. For this reason, it must be checked whether for these periods the imbalance price would remain below (an assessment of) the VoLL and in such case the imbalance price must be increased to the VoLL.”

<sup>1</sup> See also [EFET response to the ACM consultation on the TSOs proposal for the harmonisation of balancing energy pricing](#)