

Febeliec answer to the Elia consultation on the LFC Block Operational Agreement

Febeliec would like to thank Elia for this consultation on the LFC Block Operational Agreement (LFCBOA). In the framework of this consultation, Febeliec wants to refer to its answers in other balancing consultations (e.g. on the mFRR and aFRR design) as well as the discussions during the numerous workshops on balancing products.

On most of the methodological issues, Febeliec refers to its comments in previous years, but also wants to add that it is very strongly of the opinion that exceptional data points should be filtered out in the analysis, in order to avoid that these negatively impact the volume determination during several years, negatively impacting costs for consumers. This should for example be the case for imbalances resulting from design flaws that have in the meantime been addressed or at least mitigated. One notable example that might be implemented in the near future will presumably be the relaxation of the day ahead balancing obligation for BRPs. Febeliec insists that in case part or all of this relaxation would be reversed or otherwise modified in light of potential negative effects on the system imbalance, that such imbalances would be filtered out as the cause of the imbalances would have been removed or at least mitigated and as such maintaining such datapoints in the analysis could severely and unduly skew the results towards overprocurement of balancing capacity at the detriment of costs for consumers.

On point 2.1 and the mutual assistance between TSOs according to NC E&R, Febeliec wonders to which extent this point is still relevant for Great Britain, as NC E&R is no longer applicable (or at the least, not enforceable) and wonders to which extent thus this should be taken into account (which does not mean that Febeliec is opposed to avoid to create an emergency situation in the UK, but rather concerned on the potential impact for the costs of consumers in Belgium, especially if such mechanism is no longer warranted under European legislation vis-à-vis a non-EU Member State). In any case, Febeliec wonders to which extent European legislation is in this case still applicable to the interconnector with the UK and what thus is the legal framework under which Elia is taking these elements into consideration.

On the dimensioning element for the balancing needs, Febeliec wonders what will be the volume to be covered in the future when all nuclear plants are to be considered closed and NEMO would be in export modus. Will this have a significant impact on the balancing needs and if not, why would there be no impact. In any case is the dimensioning element crucial for many elements linked to the LFCBOA and as such it is important to understand its evolution, also towards the future.

Concerning outage rates and as already expressed before, Febeliec is concerned that these are considered constant over time, despite in some classes assets being added, renewed or refurbished. Febeliec is also concerned that the data is based on ENTSO-e's transparency platform, completed with internal (yet not public) data which makes it impossible to audit the proposed values.

On the forecast improvement factors, Febeliec challenges Elia to carefully track their evolution as the impact can be very high and should be clearly monitored. The same applies (potentially even more so) to the improvement factor representing the improvement in system imbalance following Elia's efforts to incentive BRPs to balance their portfolio (although Febeliec is not convinced that some of the future steps envisaged by Elia, such as the relaxation of the day ahead balancing obligation actually go in that direction). As Febeliec as well as other stakeholders are continuing to closely monitor and support such endeavors by Elia, Febeliec is of the opinion that this improvement factor might be underestimated.

Febeliec is also very surprised to see that in a consultation that takes place mid 2021, the analysis still is based on an analysis of imbalances in the period 07/2017-/062019 or the adequacy study for winter 2019-2020. Febeliec wonders why Elia did not use more recent data to justify its choices (which does not necessarily mean that Febeliec opposes the conclusions, rather that they could be based on outdated analyses and thus could raise questions over their relevance).

Febeliec is surprised to see that for the so-called slow start units, Elia in all documents is only referring to gas-fired power plants. Febeliec wants to stress that such product should be made technology-neutral (which currently is not the case) as also a.o. some demand side response requires some longer lead times to deliver than that allowed by balancing

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 38 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Proxiums, Recticel, Sol, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

products, yet also can offer flexibility to help maintain system integrity and security. Febeliec insists that such flexibility is also looked at and not discarded as is currently still the case, in order to remove discrimination and ensure that the balancing needs can be covered at the lowest possible cost. Moreover, Febeliec still remains, as already previously indicated during the discussions and previous consultations, with reservations towards the cost impact of this measure, which is in some cases entirely to be borne by consumers, and this because Elia estimates that BRPs might not be able to fulfill their balancing obligations. Febeliec is also afraid that with Elia's proposal to relax the day head balancing obligation of BRPs, such instances where these reserves need to be activated (or at least required to prepare for activation, with the corresponding costs) might become more frequent, leading to additional costs for consumers.

On reserve sharing across borders, Febeliec welcomes the efforts done by Elia to finally increase the volume taken into account, especially in light of the large volume agreements in place with most neighboring countries, and insists that these values are adapted based on a.o. new agreements or larger volumes being made available under the current agreements.

On the FRR means point, Febeliec most strongly want to refer to its comments on the extension of the Belgian mFRR Flex product. Febeliec also already here wants to specify that it cannot agree with a split between an mFRR Standard and mFRR Flex product that is based on a fixed minimum volume of mFRR Standard to be procured, but rather asks to revert to the previous situation in which the split between both products was based on relative thresholds. Febeliec insists, a.o. in light of the ever smaller margin of total mFRR capacity offered versus capacity procured, that it would be unwise and imprudent to completely abolish the mFRR Flex product, as this could already in the (near) future lead to insufficient liquidity in the balancing market, as market actors will have left the market altogether, which would not be beneficial for the overall system costs and the cost to consumers in particular, and could in the long run lead to insufficient balancing assets still available to help the system, when actors stop investing time and resources in the balancing market as their efforts are being voided. Febeliec insists that over time the ICH product was transformed into an R3DP product to an mFRR Flex product and then an adapted mFRR Flex product which would now be to be abolished, at the detriment of participation (especially direct participation) of demand side response flexibility, flexibility Febeliec believes will be very much needed in the near future, if not just in light of Elia's own plans towards customer centricity and market modifications.

On the interconnector with the UK, Febeliec regrets that Elia has not provided an argumentation why this interconnector is now taken into account in the analysis based on a real-time flow and not on a price difference as currently still is the case. Febeliec not necessarily opposes this modification, yet finds it strange that this is not explained nor that a justification of the switch and its (costs) impact are given.

On the formality of the consultation process, Febeliec wants to point out that in the actual LFCBOA document, Elia states that the consultation will run until July 19, 2021, while on its website and in its communication it lists July 15, 2021. Febeliec insists that Elia provides consultations without ambiguity and thus clearly checks consistency across its communication. Febeliec insists that in such case, the latter of any communicated deadlines should be applied, but hopes Elia will in the future do a more thorough cross-check of its communication.