

**CONSULTATION REPORT**

# **Elia's study on procurement strategies for a dynamic calculation of FRR means**

**December 21, 2022**



# Content

1.	Introduction .....	3
2.	Answers to the feedback of FEBEG .....	4
3.	Answers to the feedback of FEBELIEC .....	9

# 1. Introduction

In line with Article 157 of the SO Regulation, Elia determines the dimensioning rules for Frequency Restoration Reserves or 'FRR' (also referred to as aFRR and mFRR). The last years, Elia focused on the implementation of dynamic dimensioning methodologies, i.e. calculating the reserve capacity needs for the next day based on the expected system risks.

With its studies on the daily prediction of non-contracted balancing energy bids (published in 2021<sup>1</sup>) and on procurement strategies for a dynamic calculation of FRR means (subject of this consultation), Elia is widening the scope to the calculation of the volumes of balancing means to cover the reserve capacity needs. Up to now, these were covered by means of a 'static' calculation of the available non-contracted balancing energy bids, reserve sharing and balancing capacity. While the methodology currently in place meets all legal requirements, Elia investigates the possibility of implementing a dynamic calculation of the contribution of non-contracted balancing energy bids in the determination of balancing capacity requirements. The consulted study is the second step in an implementation roadmap presented in 2021, after the predictability of non-contracted balancing energy bids for the next day was demonstrated.

The objective of the study is to assess the opportunities and risks of procurement strategies which can be facilitated by the dynamic calculation of the contribution of non-contracted balancing energy bids in the determination of balancing capacity requirements. The study contains:

- solutions for accounting non-contracted balancing energy bids in the allocation of balancing means;
- identification of risks, including operational security and market stability;
- recommendations and an implementation roadmap.

Note that the consulted document is complemented with an annex containing the full study of the consultant Compass Lexecon, including the detailed analyses of different procurement strategies, as well as the conclusions of the workshops with market parties. This annex was attached for information but was not the subject of the consultation.

This consultation aimed to receive any comments from market participants and relevant stakeholders regarding the consulted document and the consultation period was set from **Tuesday September 15 to Tuesday October 13, 2022**. In total, Elia received two answers, which are both completely non-confidential :

- FEBELIEC
- FEBEG.

All relevant information to this consultation can be found on Elia's webpage ([link](#)). **The feedback received during the consultation did not result in a modification of the conclusions and recommendations but a few modifications for clarifications were integrated following the remarks given by the stakeholders.** The final study will be published on Elia's website.

---

<sup>1</sup> [https://www.elia.be/en/public-consultation/20211001\\_public-consultation-on-the-daily-prediction-of-non-contracted-balancing-energy-bids](https://www.elia.be/en/public-consultation/20211001_public-consultation-on-the-daily-prediction-of-non-contracted-balancing-energy-bids)

## 2. Answers to the feedback of FEBEG

We support the necessary studies to move to an even more dynamic procurement than today –specifically also the implementation of a dynamic dimensioning of the aFRR needs- as was presented by ELIA in 2020. The qualitative study under consultation is interesting and provides interesting insights in the future potential of such a methodology. ELIA also highlights the limitations of this study and FEBEG appreciates this transparency and honesty. There are several improvements needed to further assess the potential of partial procurement and obviously, quantitative analysis using representative datasets is a must-have before taking conclusions.

As a first and necessary next step, FEBEG believes that a quantitative study is needed to provide more robust conclusions and recommendations. Also, such a study will need to rely on representative datasets. Past data can be misleading as the power landscape evolves in a fast and non-linear way (speed up of renewable integration, industry and mobility electrification, assets commissioning / decommissioning, CRM). Furthermore, some major changes in the market design just happened recently or are not even live yet (Core flow-based with more EU countries, EU balancing platforms and subsequent available ATC's, etc).

Elia takes note of this remark and stresses that it tries to quantify benefits and costs where possible. It refers to the study on the daily prediction of non-contracted balancing energy bids (published in 2021<sup>1</sup>) which quantified the potential benefits of such dynamic procurement strategies in terms of balancing capacity. Elia wants to remark that its studies and projections can never rule out uncertainty provided by foreseen and unforeseen evolutions and this uncertainty might as such not be a reason to hold off the implementation of new methodologies or market design improvements.

Nevertheless, Elia agrees with FEBEG that in this specific case, upcoming evolutions in the mFRR product bring too much uncertainty to rely on historic data which is why Elia proposes to wait with deciding on the implementation until sufficient data is available following explicit bidding on mFRR, the evolution from 15' to 12.5' mFRR full activation time and the implementation of the European balancing energy platforms. This is elaborately justified throughout the study as well as in the recommendations: *“Considering the postponement of the connection to the European balancing platform for mFRR, the robustness check of the algorithms and results can only be conducted in 2025 (instead of 2023-24), i.e. when disposing of sufficient reliable data after the implementation of the balancing platform, explicit bidding and the shorter full activation period.”*

For the sake of clarity, FEBEG wishes to remind that current mFRR 'dynamic' procurement methodology is actually not fully dynamic. In fact, ELIA considers a fixed amount of TSO sharings through the year - accounting for 250 MW – and expects the energy across the border is available 100% of the time (no matter what). FEBEG is of the opinion that low availability (or exhausted means) in one country is highly correlated with low availability in another surrounding country (situation with high load, high renewable volatility, low generation availability, etc). Actually, the winter plan issued by the government and inviting ELIA not to rely on TSO sharings confirms the above statement.

Elia clarifies that its methodology to dimension the mFRR needs is dynamic, i.e. a day-ahead dimensioning of the mFRR needs based on the imbalance risks for the next day. However, the allocation of these reserve needs to the different balancing means, reserve sharing, non-contracted balancing energy bids and balancing capacity, currently remains a static exercise. It is with this study that Elia is considering dynamic procurement methods for taking into account non-contracted balancing energy bids based on daily forecasts.

Elia thus agrees that the current methodology to determine the reserve sharing contributions remains static in general, and agrees with FEBEG that it should not count on the contribution of reserve sharing when information would be available that this contribution would likely not be available for certain periods during the next day, in particular during periods in which shortages are expected in neighbouring countries. It is for this reason that Elia proposes temporary / dynamic reductions of this contribution (hence increasing the balancing capacity requirements with 250 MW) in its request for modification in the framework of the Winter plan. Elia also refers to its answer on this matter in the consultation of the LFC Means<sup>2</sup>

*“Elia reminds that it takes into account the availability of energy and transmission capacity in the calculation of the contribution of reserve sharing dimensioning. It refers to the answers given to the remarks of FEBELIEC and stresses that it implements a relatively high reliability level to avoid over-dimensioning the availability of reserve sharing.*

*Nevertheless, Elia agrees that a static determination of the reserve sharing has its limits. The occurrence of large-scale cross-border events are indeed a concern and is being discussed with TSOs on a regional level in the framework of the proposals being drafted on new roles and responsibilities of the Regional Coordination Centers in line with the Clean Energy Package. According to Elia, the proposed measure in the LFC Means based on a reduction of the sharing contribution following regional adequacy problems is already a good example of how regional issues should be considered in the calculation of reserve sharing contributions.”*

FEBEG agrees with ELIA that it will be key to monitor the evolution of non-contracted bids. They appeared to be limited at the time of the study (certainly for aFRR) and we have no relevant data on the cross-border bids. We want to emphasize that the assessment of non-contracted energy bids is highly dependent on the procurement strategy that will be chosen. If the future strategy selected by ELIA differs from the current methodology, we fear that past data on non-contracted bids are simply not usable. More concretely, partial procurement is expected to decrease market liquidity and non-contracted offers of some technologies. For example, a CCGT that was partially selected in FRR auction – consequently with its costs of running that should be paid – will offer non-contracted energy bids. This way, the remaining band of the CCGT can be valorized on the FRR market. However, decreasing FRR capacity might lead to less units of this type to be selected and consequently lower the amount of noncontracted bids.

Elia agrees and identified this risk (as well as Compass Lexecon in its main study) under section 2.3.2 of its study *“Firstly, avoiding balancing capacity procurement during some periods may impact the dispatch of certain units which were observed to deliver non-contracted balancing energy bids in the past. Indeed, some units might be dispatched following the delivery of balancing capacity and offer their remaining flexibility as non-contracted balancing energy. If these units would not be dispatched due to the absence of the balancing capacity tender, the non-contracted balancing energy would neither be available anymore, resulting in an under dimensioning. This issue can likely be addressed in the prediction method by filtering non-contracting balancing energy bids related to units delivering balancing capacity from the historic data on which the prediction algorithms are trained.* Elia also refers to this attention point in its conclusions (Section 4.2): *“Even if it is demonstrated that non-contracted bids available in the balancing market would likely*

---

<sup>2</sup> [https://www.elia.be/en/public-consultation/20220920\\_public-consultation-on-a-modification-of-the-methodology](https://www.elia.be/en/public-consultation/20220920_public-consultation-on-a-modification-of-the-methodology)

*be present as well in case of intermittent or partial procurement, it is shown that situations occur in which a reduced procurement induces changes in dispatch behaviour and therefore also in the availability of non-contracted bids. This risk needs to be well covered in the algorithms used to make the predictions.” Elia further elaborates on this attention point in Section 2.3.2*

The three methods presented could each have a different impact on the reliability level that currently is calibrated to cover 99% of the events. FEBEG is wondering whether ELIA did make an assessment of the physical and financial risks – i.e. serious grid issues – of the remaining uncovered 1%. Or to put it differently, are the potential costs of this uncovered 1% (should it materialize) lower than the total cost increase resulting of larger procurement for the grid users?

*Elia wants to clarify that no decision has been made on the reliability level to be pursued. In general, Elia agrees that the reliability level needs to be set sufficiently high and refers to Section 2.3.2 of its study “Secondly, as any forecasting application, the prediction of non-contracted balancing energy bids is subject to a certain forecast accuracy. This can be managed by setting sufficiently high confidence intervals, such as 99.0% or higher. Note that the dimensioning of reserve capacity already assumes a reliability level of 99.0%, i.e. covering 99% of expected imbalances and that TSOs are ought to cover the resulting needs with ‘firm’ capacity. Question is which confidence interval when assessing the availability of non-contracted balancing energy bids can be considered sufficiently firm. In addition, one has to account that machine learning methods base their forecasts on historic data and are generally not performing well in capturing sudden evolutions. These issues can likely be addressed by setting a high confidence interval, e.g. above 99.0%, and by combining this with additional fallback measures such as the escalation procedure currently specified in the LFC block operational agreement.”*

Elia did not conduct any cost and benefit analysis on the reliability level as it believes reserves should be dimensioned and contracted following the system needs (Article 157 of the SO Regulation) and availability of the means (Article 32 of the EB Regulation), regardless of economic optimizations.

The recent discussions on aFRR procurement decrease (at the expense of grid security) and the subsequent fears of high balancing costs for PICASSO go-live (on the back of expensive technologies in a smaller merit order) are particularly worrying to FEBEG's members. When going through this study - which aims to decrease the procurement costs - we yet have another example of an analysis that is disregarding the impact on balancing costs.

The three options presented by ELIA could highly impact the indirect balancing costs; those costs that BRPs are exposed to and that will be passed through to the final customers in the end. Specifically and solely analyzing the direct costs – that is to say the procurement cost – only shows a part of the picture and is risky as it can, in the end, lead to higher overall costs for society.

We believe that units having opportunity costs on EPEX are offered at higher capacity prices than those without (or very limited) opportunity costs. Hence, these units would be the first to suffer from intermittent or partial procurement. Nevertheless, those units by definition have lower activation costs and consequently, they would not drag the balancing costs (imbalance tariffs) to extreme levels. Similarly, the units with low EPEX opportunity costs are most likely to have large activation costs. With partial or intermittent procurement, they would set more frequently the imbalance price and consequently inflate the total indirect costs.

As already stated by FEBEG and its members at multiple occasions, we consider it to be highly important to look at the global picture and analyze the impacts of dynamic dimensioning jointly on direct plus indirect costs.

Elia disagrees that the impact on the balancing energy costs would be disregarded in Elia's study. The elements put forward by FEBEG are highlighted by Elia as risks and Elia refers to the conclusions (Section 4.1) and (Section 2.3.3):  
[...]  
*Secondly, a balancing capacity reduction may risk to increase balancing energy prices as less balancing energy bids might be available and bids with higher energy prices at the end of the merit order would then be used more often.*  
[...]  
*It is clear that a partial procurement strategy would impact the allocation of costs to the grid incurred to ensure system security. While balancing procurement costs and energy market costs are expected to be reduced, the balancing energy costs, re-dispatching costs and capacity remuneration market costs are expected to increase. [...]*

Elia also refers to the sections on economic efficiency in the report of Compass Lexecon in which this risk is put forward, e.g. on page 62, *The reduction in procured mFRR capacity would likely impact mFRR energy market outcomes as well. Indeed, some of the no-longer contracted capacity may no longer participate in the mFRR energy market. As a result, Elia may need to activate more expensive bids to balance the system, resulting in higher mFRR energy price and higher imbalance settlement price. This effect is considered in the real-time dispatch efficiency presented above.*

Elia therefore thinks that this issue is well treated in the study but agrees that the arguments given by FEBEG could be further clarified in the main report and proposes to, based on the comment of FEBEG, integrate the given argument in section 2.3.3. *Secondly, a balancing capacity reduction may risk to increase balancing energy prices as less balancing energy bids might be available and bids with higher energy prices at the end of the merit order would then be used more often. This effect can even be re-enforced when units falling outside the capacity tender due to higher balancing capacity prices offer low energy activation costs.*

All three options are worrying when looking at it from a Security of Supply (SoS) perspective and its associated costs.

- ⇒ What would be the expected impact on the cost of the CRM in case of the three scenarios? For instance, if no/small mFRR revenues for DSM, will the missing money increase?
- ⇒ What would be the impact on SoS? Nowadays, an important part of mFRR offer is provided by technologies that are not eligible for CRM in the upcoming functioning rules due to CO2 requirements, but are still accounted for in SoS. In absence of mFRR capacity revenues do we expect these capacities to remain in the market? (no missing money?)
- ⇒ Are possible conclusions on wholesale market liquidity and cost of procurement robust in case of capacities leaving the market?

Also here, Elia refers to the risks identified in the study in Section 2.3.3 : *Thirdly, part of the cost for balancing capacity might be transferred to the capacity remuneration mechanism following increased missing money of units formerly counting on revenues from the balancing capacity market.* However, Elia does not see an immediate risk on security of supply as closures need to be announced sufficiently in advance so that these can be taken into account as such in the adequacy needs. Elia also refers to slide 17 of the presentation of Compass Lexecon presented in the second workshop. It was also explained during the workshop that the missing money might also be impacted by mFRR energy prices, which are likely to increase with lower procurement volumes of mFRR capacity. As a result, this could lower the impact on CRM costs.

Regarding the important topic of market stability and long-term regulatory framework for investments, FEBEG wishes to again emphasize on the long-term visibility needed to enable the market to be adequate when it comes to means and needs. Implementing a solution only valid for this winter will not provide enough certainty nor give an appropriate

investment signal. One can notice that FRR procurement (LFC BOA) has decreased in the recent past – which seems counter-intuitive with the increase of intermittent generation – and that some flexibility has left the market as a result of this. It is a fear that FEBEG expressed multiple times in its position papers and we can only regret that it became a reality. Such an evolution is very unfortunate and FEBEG believes that a stable and regulatory framework is a prerequisite to mitigate that risk. A stable and long-term regulatory framework is key when it comes to investments/ divestments. We call ELIA's attention on dimensioning reserves consistently through the years. Reserves size is a key element looked at when it comes to investing in existing or new projects (visibility is key to encourage business case developments). Lowering reserves needs is a discouraging message sent to existing assets participating actively and reliably to balancing markets and security of supply.

Elia recognizes the importance of regulatory stability and long-term visibility on evolutions. It refers to its efforts on creating long-term visibility by creating reserve projections (cf. MOG 2 studies) and involving stakeholders in studies as this one.

FEBEG agrees with ELIA that delaying the accession to EU balancing platforms do have an impact on (i) the timing to conduct the necessary quantitative studies and (ii) on the subsequent implementation planning. Those platforms are game changers and will most likely impact the representativity of the data. After having reliable data, an observation round seems also to be a sound prerequisite before going live.

Elia takes note of FEBEG's support on this recommendation.

FEBEG agrees with the recommendations put forward by ELIA in its study and appreciate the fair assessment of each method. As detailed in the specific comments, we also find that some elements are very worrying. The trend to constantly decrease the procurement while ignoring the potentially important impact on balancing costs is a major concern for all BRPs, and as a consequence should also be a major concern to all end-users. We remind that in Q3-22 ELIA on the one hand decreased the aFRR procurement and on the other hand voiced serious concerns on the impacts of BRPs along with grid users. This dichotomy needs to be studied ASAP according to FEBEG members. We feel that much of the efforts are spent on procurement (direct costs) and a lot less on balancing (indirect) costs.

Elia takes note of this remark and refers to the previous answer on regulatory and long-term visibility on evolutions. It takes note of this remark and refers to the answers given in the framework of the consultation of the proposal to reduce the aFRR needs from 145 MW to 117 MW in the LFC block operational agreement<sup>3</sup>.

On the remark of FEBEG on the asymmetric focus on procurement costs over balancing energy costs, Elia wants to add that :

1. Balancing a portfolio is an individual responsibility of the BRP, and that it is questionable to increase common (socialized) procurement costs to lower the financial impact of balancing on individual BRPs. Elia is continuously working nevertheless on the provision of recent and reliable information to help BRPs balancing their portfolios and/or the Belgian system, thereby mitigating their risk exposure

---

<sup>3</sup> [https://www.elia.be/en/public-consultation/20220516\\_public-consultation-on-a-proposal-for-amendment-to-elia-s-lfc-block-operational-agreement](https://www.elia.be/en/public-consultation/20220516_public-consultation-on-a-proposal-for-amendment-to-elia-s-lfc-block-operational-agreement)



2. We expect BSPs to react to high balancing energy prices by offering (cheaper) free bids if the balancing energy market becomes more attractive. We expect also market parties to react to the imbalance price signals. Both elements are cornerstones of the CCMD and should help mitigating the financial exposure of BRPs while not increasing the socialization of individual costs.
3. Elia does not agree that a lot less efforts are spent on the balancing costs. Some examples are the stimulation of the development of additional liquidity (design evolutions intending to open the market, stimulation of free bids in aFRR), the early release of the profile limits in IGCC and the observation round analyses done in the framework of the connection to the aFRR-Platform, the efforts on the CCMD project,...

### 3. Answers to the feedback of FEBELIEC

Febeliec would like to thank Elia for this consultation on the study on procurement strategies for a dynamic calculation of FRR means, as the reservation of balancing capacity is an ever-increasing cost component and impacts the grid tariffs for the grid users in a negative way. Reserving smaller volumes of (FRR) balancing capacity could significantly decrease this cost for consumers. Febeliec also insists that Elia is only responsible for the residual balancing of the grid, and that the BRPs are responsible for balancing their own portfolios. As such, an increasing share of intermittent renewables and the correlated imbalances should in principle and principal be covered by the BRPs and only in a final real-time setting by Elia. As the residual imbalances due to outages but also, and increasingly, forecast errors are an important driver for dimensioning of reserves and thus procurement of (FRR) balancing means, Febeliec most strongly insists that all possible measures are taken to ensure that the residual imbalances are kept at the lowest possible level, by ensuring adequate signals to BRPs to balance their portfolios. Febeliec insists that as long as BRPs are not sufficiently exposed to the total balancing cost, including the reservation cost (e.g. in relation to their contribution to the system imbalance or any other relevant metric), there remain insufficient incentives to ensure that BRPs strive to minimize the residual imbalance and the correlated impact on volumes to be reserved (and currently paid for by the grid users through the tariffs instead of the BRPs).

Elia takes note of this remark of Febeliec but considers this remark out of the scope of Elia's study on procurement strategies for a dynamic calculation of FRR means and considers this more as a topic for discussions on the tariff methodology. Elia wants to stress that it :

- constantly looks for opportunities to decrease balancing capacity, while ensuring operational security.
- Elia strives for providing adequate price signals to BRPs to minimize the residual actions to be taken by the TSO (SI and NRV publications, imbalance price indicator, alpha,...), resulting so far in a stable or even decreasing volume of balancing capacity despite a significant increase in RES. Elia continues these efforts in the context of CCMD.

Concerning the proposed study, Febeliec wants to indicate that it is surprised in a negative way to see that Elia does not foresee any robustness check before 2025 and any possible implementation before 2027. Febeliec considers this timeline a severe lack of ambition from Elia's side for a topic with possible considerable cost implications for consumers and thus most strongly urges Elia to reconsider this unacceptable timeline. As for good reasons (e.g. the current energy crisis) some projects are delayed or connections postponed, this timeline under the assumptions of Elia would continue

to shift ever further in the future. Such additional delays due to a lack of ambition from Elia are unacceptable for Febeliec.

Elia acknowledges Febeliec's disappointment and refers to the technical limitations which constrain sooner implementation. For mFRR, explicit bidding and a reduction of the full activation time foreseen together with the connection to the European mFRR energy platform (MARI) are expected to have a substantial impact on the available volumes offered to Elia. The analysis conducted in the daily prediction of non-contracted balancing energy bids (published in 2021) are therefore not expected to be representative after the implementation of MARI which would entail substantial risks in terms of forecast accuracy and system security due to uncovered reserve needs. Even more problematic is that due to the lack of explicit bidding today, algorithms would be trained on available flexibility which is implicitly calculated by Elia without full view on technical constraints such as energy limits (e.g. pumped-hydro storage).

Elia also implemented some additional further clarifications in the on the recommended timeline in the executive summary to clarify that the implementation can be ready in 2027 *"It considers that subject to a positive outcome of the robustness check (i.e. significant non-contracted volumes can be forecasted with a sufficient reliability), the implementation of a partial procurement strategy could be finished in 2027. In other words, a 'go live' before 2027 is not recommended."* In Section 4.2 it is clarified that *"Considering the postponement of the connection to the European balancing platform for mFRR, the robustness check of the algorithms and results can only be conducted in 2025 (instead of 2023-24), i.e. when disposing of sufficient reliable data after the implementation of the balancing platform, explicit bidding and the shorter full activation period. Note that :*

- *the local go live of the new mFRR bidding and iCAROS phase 1 is currently foreseen for late Q3 2023 and the connection to MARI (EU mFRR balancing energy platform) is currently foreseen in Q4 2023 ;*
- *the data in the first months after the 'go live' end 2023 might not be representative as the market will likely need to adapt to these new evolutions ;*
- *at least one year (and preferably even two years) of representative data (so the entire year of 2024) is needed as input to train the machine learning model which explains that the analyses cannot be started before 2025.*

*If after a positive outcome of this robustness check, sufficient reliability and volumes justify to implement a partial procurement strategy, an implementation can be realized towards 2027. Note that :*

- *the results of the robustness check have to be discussed first with the market (foreseen in 2025 after obtaining the results of the analyses in that same year);*
- *the implementation requires one year (including a proof of concept) and can be started begin 2026 after the discussions with the market which explains that the implementation cannot be finished before 2027.*

Febeliec is very surprised by this extremely conservative approach by Elia as numerous decisions with potentially even larger impacts (some which even materialized and created very adverse effects for consumer tariffs) were and still are (e.g. product changes, design changes, European platforms) rushed through by Elia, despite many comments from stakeholders.

Elia wants to stress that it made considerable efforts over the last years to align priorities with all stakeholders, taking into account material, operational and legal constraints.

Furthermore, Febeliec considers the study very much skewed towards risks, without identifying and quantifying sufficiently the benefits of a different procurement strategy for FRR means. Elia for example refers to a potential decrease in mFRR energy market liquidity, while Febeliec considers the possibility for FSPs to participate to the Belgian as well

as the European balancing markets, even if not selected for capacity reservation, an important trigger for an increased participation with free bids in a merit order market with marginal clearing. Febeliec also considers this an element which goes against the reasoning of Elia concerning possible additional missing money, as participants to the energy markets would at least recover their marginal costs and in most cases, for the non-marginal units, an inframarginal rent. While Febeliec is and always has been a very strong proponent of a secure grid exploitation, a too conservative approach can also have very adverse side-effect. Febeliec insists that where an N-1 approach or statistical approach clearly provides valuable insights, the purpose of the analyses should not be to exclude all possible risks as this would be unaffordable. A balance needs to be found between these different elements.

Elia tried to give a balanced overview of the potential gains, costs and risks. Elia reminds that it already considered the implementation of this mechanism as from the first study in 2021. After this study, Elia confirms again the implementation plan but warns to well-manage potential operational risks. It does not have the impression of being conservative, certainly in view of not having any examples of TSOs accounting or considering to account non-contracted balancing energy bids in their dimensioning on a dynamic basis.

It is clearly recognized in the study that a partial procurement strategy would impact the allocation to the grid users of costs incurred to ensure system security. While the study argues that a net benefit is likely to be realized, it also identifies a risk that while balancing procurement costs and energy market costs are expected to be reduced, the balancing energy costs, re-dispatching costs and capacity remuneration market costs are expected to increase. Note that these benefits and costs may impact grid users in a different way as some costs are socialized via grid tariffs or surcharges (balancing procurement costs, re-dispatching costs and capacity remuneration costs), while others are accounted to the user of the service (energy costs). Elia clarifies in the conclusions of its study that it is difficult to quantify the final effect due to the lack of tools which allow to capture the benefits and costs over the entire electricity system. This would require complex simulation techniques which are not available in the framework of this study.

Febeliec sees some issues in the consideration by Elia that market parties which would not be selected in capacity reservation auctions, a.o. because of different procurement strategies, would leave the market and no longer offer their energy as too conservative in light of the very attractive opportunities in the balancing energy markets at this moment as well as additional opportunities under a European framework (which will be in place before the proposed earliest implementation date of 2027 by Elia). Febeliec thinks that at the very least a partial procurement would bring many (costs) benefits to the system, as also indicated (but not quantified) by Compass Lexecon. A net benefit "*is likely to be realized*" and Febeliec considers that any measure that can reduce the overall system costs for consumers should be followed-up on as soon as possible, in order to mitigate the very negative impact of ever higher invoices for consumers. Febeliec would rather find it unacceptable and unimaginable that a regulated monopolist would forego an opportunity to reduce the overall costs. Febeliec also wants to reiterate that it considers an earliest implementation date of such approach as of 2027 as insufficient and lacking in ambition and wonders whether additional incentives should be given to the TSO to ensure that its ambition is aligned with the societal goal of reducing system costs as soon as possible to the benefit of all consumers.

Elia refers to the answers given to FEBEG in this consultation report where it is recognized that units may see an increase in their missing money and identifies a potential cost for the CRM. It also refers to the discussions in the workshops identifying that part of this cost might be offset by higher balancing energy revenues. Bottomline is that Elia

tries to give a balanced overview of potential benefits, costs and risks on which is recommended to pursue implementation after confirming the benefits on representative market data including the required capabilities to manage the risks identified.



**Project spokesperson**

Kristof De Vos | [Kristof.DeVos@elia.be](mailto:Kristof.DeVos@elia.be)

**Elia Transmission Belgium SA/NV**

Boulevard de l'Empereur 20 | Keizerslaan 20 | 1000 Brussels | Belgium