

Subject: FEBEG's position regarding the public consultation on the T&C BRP  
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Contact: Jean-François Waignier  
Telephone: +32 485 77 92 02  
Mail: jean-francois.waignier@febeg.be

## Introduction

FEBEG thanks ELIA for the opportunity to give its inputs to ELIA's *Public consultation on the proposal of amendment of the T&C BRP*<sup>1</sup>. This document is not confidential.

## Context

In the context of this consultation and specifically on the imbalance price calculation, FEBEG wants to repeat the considerations already shared in previous consultations:

- **FEBEG members, as well as other stakeholders, have invested considerable time and effort in designing and implementing connections to the European integrated balancing market.** These stakeholders share a common goal: to realize the advantages of integrating and harmonizing balancing markets across Europe, which should ultimately be beneficial for the market and all the grid users.
- **FEBEG expresses deep concerns about the ongoing absence of consensus within Belgium among ELIA, CREG, and market participants regarding the balancing philosophy.** Specifically, the difficulty to find a compromise around the calculation of imbalance settlement prices in the long term. FEBEG is troubled by the lack of progress in this matter, despite concerted efforts and attempts at reaching middle-ground compromises. This impasse is worrisome as it sends a very undesired signal to the market.
- **FEBEG believes that – in a European integrated balancing market – the value of energy towards real-time should be defined by the price formation on the EU platforms and translated in imbalance settlement prices based on harmonized principles. TSOs should refrain from integrating local particularities in the imbalance settlement price calculation for their balancing zone as these could de-optimize the functioning of the European balancing market.**

We are indeed in favour of a swift progression towards a well-functioning and seamlessly integrated European balancing market. Despite the above principle of a free price formation at the EU level, **we are open to accepting mitigating measures, on the condition that this would facilitate the coupling with European balancing platforms.**

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<sup>1</sup> [https://www.elia.be/en/public-consultation/20230712\\_public\\_consultation-on-the-proposal-of-amendment-of-the-tc-brp](https://www.elia.be/en/public-consultation/20230712_public_consultation-on-the-proposal-of-amendment-of-the-tc-brp)

## General comments

The imbalance price formula outlined in the T&C BRP, reflecting a lengthy and debated compromise, seeks an equilibrium between coupling with European platforms, mitigation measures for both TSOs (cap and floor, deadband) and BRPs (price cap and deadband) thereby circumventing undesirable effects due to still-incomplete market integration (including insufficient cross-border capacities within the balancing timeframe and the lack of liquidity of the Belgian FRR markets). FEBEG firmly believes that Belgium should continue its prudent and pragmatic steps toward a fully integrated European balancing market without unnecessary delays.

It is important to note that this feedback should not bring prejudice to previous reactions submitted by FEBEG to previous consultations. FEBEG's primary objective is to start with a compromise (a stance positioned as a middle ground meeting the diverse demands of the different stakeholders). This approach aims to initiate progress and, with time, refine the imbalance price formula based on the insights gained from factors such as integration with EU platforms, increased market liquidity, increase of non-contracted energy bids enabled through iCAROS implementation, and other pertinent elements, and overall based on the availability of more data to analyze how markets behave once coupled through the European Balancing platforms.

## Specific Comments on the follow-up and next steps

**If the compromise proposal as it was detailed in last FEBEG and FEBELIEC's common reply to the consultation initiated by the CREG<sup>2</sup> – which would still be FEBEG's preference – is not retained, FEBEG can agree to go live with the imbalance formula as proposed by ELIA in the current proposal submitted to consultation, under the following conditions:**

### **1. Commitment to Test Alternative Price Formulas**

FEBEG appreciates the commitment made by Elia in the chapter 9 of the explanatory note to come up with an evaluation plan by the connection to MARI and a potential review of the IP calculation after the connection to the balancing platforms. It is indeed necessary to factually confirm the relevance of the safeguards added in the IP calculation such as cap, floor, deadband and possibly relax or decommission them.

**FEBEG wishes to be specific on this commitment and expects a testing – along with studies and presentation of the learning made – which should include:**

- A. Test IP formula without deadband;**
- B. Test IP formula without cap and floor using VOAA;**
- C. Test IP formula without deadband and without cap and floor using VOAA.**

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<sup>2</sup> We refer to the document *FEBEG and FEBELIEC's position regarding the consultation on the review of the "T&C BRP" in the context of the integration of the calculation of the imbalance price* dated of 06/02/2023.

For the avoidance of doubt, FEBEG asks that this test contains at least an analysis on a relevant dataset of 12 months, the **output of the tests should be twofold**:

- (i) Present what the imbalance price would have been in the alternative scenario's over those 12 months
- (ii) Evaluate the delta and if possible impacts on BRPs reaction (what if analysis)

The analysis should be organized in a transparent and fair way with the practical modalities and parameters being defined in cooperation with market-parties and the results should be presented to the stakeholders and trigger a recommendation that is publicly consulted. FEBEG has the strong conviction and agrees with Elia's viewpoint in its explanatory note that each future and further changes to the imbalance price formula are based on such an analysis. FEBEG also strongly supports and looks forward to participating to the evaluation plan as referred to in the chapter 9 of the same document which we quote: "*Practically, Elia commits to discuss with market parties and CREG in order to propose an evaluation plan by the connection to MARI on how to best execute such periodical reviews*".

Initially, FEBEG expected the commitment from ELIA regarding the testing of alternative price formulas to be part of the T&C. FEBEG kindly urges Elia to incorporate this commitment, alongside the specified procedures described in this answer, in the T&C, or alternatively for the CREG to list it as conditions for the acceptance of the T&C.

## **2. Commitment to investigate and implement mitigation measures to tackle the risk of high imbalance price set by aFRR in case of lack of ATC's**

FEBEG repeats its strong willingness to connect to MARI/PICASSO as soon as it is possible. Nevertheless FEBEG wants to point out that, for aFRR, when we fall in a local merit order, there is very little liquidity because the Belgian aFRR merit-order is significantly smaller than in other EU countries which risks to lead to high imbalance prices for BRPs.

Effectively, this lack of liquidity causes already higher prices today, even with a weighted average of the activated bid prices. Transitioning towards a mechanism where the imbalance price component for aFRR will be solely set by the highest price, exposes BRPs to extreme price signals.

With the increase of renewable generation in the coming years, the imbalance will increase leading to more frequent activations. As a result, the end of the Belgian merit-order will be reached several times.

Sufficient liquidity and availability of ATCs is key to ensure a successful European integration for the aFRR market. FEBEG is of the opinion that:

- Elia should work on removing possible barriers preventing more aFRR energy bidding today and increasing liquidity in the local aFRR merit order.
- In the meantime, Elia should investigate and implement - at the moment of the go-live to Picasso - mitigating measures that solve the issue of these extreme prices incurred by the Belgian BRPs. At least, a temporary price cap on the Belgian aFRR energy bids should be implemented to prevent a strong increase of the activation costs and BRP costs. The temporary price cap can be re-evaluated every x months when observed prices are getting better due to more batteries, for instance, offered in aFRR.

## Additional comments on the formula

### Finally, there are two aspects that FEBEG would like to address:

1. FEBEG's initial understanding was that **all optimization cycles within an Imbalance Settlement Period (ISP) would contribute to the calculation of the Imbalance Price (MIP/MDP)**, regardless of the activated aFRR energy bid's direction or the system imbalance's sign within that ISP. However, the **provided formulas appear to deviate from this principle** in situations where ELIA is disconnected from the aFRR platform. Specifically, the formula outlined in the T&C BRP proposes that MIP (respectively MDP) should solely incorporate optimization cycles with upward (respectively downward) aFRR activated bids. **FEBEG's standpoint is that all optimization cycles should be included, likewise other scenarios where ELIA is connected to the aFRR platform.**
2. **FEBEG has consistently stressed that the inclusion of activated FRR energy bids, solely, in the calculation of imbalance prices is crucial. Introducing additional components such as alpha distorts the market by diminishing the ability of imbalance prices to reflect real-time energy value.** This, in turn, could undermine the essential signaling function of an efficient imbalance settlement price.