

Feedback in response to the public consultation on the proposal of amendment of the T&C BRP

In this reaction, Belgian Offshore Platform responds to the public consultation on the proposal of amendment of the T&C BRP as launched by Elia on the 12th of July 2023.

1. Long term visibility of regulatory and market changes is key

Even though BOP has not been overly involved in the technical details of the dossier in the past we do wish to express and repeat a few generic remarks.

In an energy market dominated by renewables, market-access to flexibility at reasonable and predictable prices, is crucial. BOP recognises that Elia has pushed for certain reforms to attract additional flexibility (e.g., reforms of the mFFR and aFRR products). But in order to ensure that new and potentially smaller players can enter this market, the complexity must be managed.

BOP calls for more visibility on all regulatory or market changes ahead, and a more incremental approach to changes, allowing the market to learn, and to adopt gradually. A conservative implementation timeline of all related changes (to Picasso, Mari, and iCAROS) is therefore supported.

2. General concept of imbalance prices

The imbalance price is a tool that is predominantly aimed at providing a correct incentive to BRPs to assist in solving a market imbalance. Under normal market circumstances, the imbalance price will reflect the price at which Elia, as the actor of last resort, can solve the imbalance. If the market can do so cheaper, it will, if not, Elia resolving the imbalance is the most economically efficient solution. For the imbalance to provide a correct incentive, it must (i) reflect the market imbalance that is to be solved, and (ii) acts as a proper short-term incentive for BRPs that have the ability to react to do so, and provide a proper long-term incentive for BRPs to develop flexibility if required.

Without negating a BRP's inherent responsibility to -as much as possible- limit its' imbalance, imbalances are an inherent and unavoidable part of an electricity system driven by weather-dependent energy sources, and our system needs to be able to deal with such imbalances. The imbalance price should therefore not be seen as a punishment for (potentially unavoidable) individual BRP's imbalances, but much more as a guide for *the market* to respond correctly to these imbalances on an aggregated level.

Thus, an imbalance price should, in our opinion, have the following characteristics:

- **Limited volatility, without excesses (in either direction):** over and above a certain price level (or under and below), excessive imbalance prices are merely penalties for technologies that might not even be able to respond to the signal due to technical limitations, rather than incentives. BOP therefore calls for reasonable floors and caps to the imbalance prices, to avoid significant price increases when connecting to the EU platforms. Excessively high prices merely increase the risk for market actors (and thus increase the price for end-consumers), and do not necessarily incentivize new investments in flexible assets, as long-term asset investment decisions are not made on price spikes but on consistent averages. Excessive

prices can thus lead to the contradictory results of having less flexibility available, and disproportionately punishing BRPs with renewable energy portfolios.

- **Understandable and predictable price formation:** the right information should be given to market actors so that they can anticipate the evolution of the market problem and thus the price evolution. This is crucial if the price is to incentivise appropriate (re)action on a quarter-hourly basis.

Based on Elia's observation round performed in Q3 2022, it appears that the change from paid-as-bid to paid-as-cleared, and the increase of the price cap from +-1,000 EUR/MWh to +-15,000 EUR/MWh for local aFRR bids has a much larger impact than the new imbalance price calculation (and whether or not such calculation introduces a dead band and or a cap/floor).

BOP calls for a continuous monitoring of the imbalance price, to assess its volatility and predictability, as these factors underpin the incentive-value of the imbalance price. Any imbalance price design should be evaluated on these criteria. From a theoretical perspective, BOP therefore opposes the excessive price caps on the new platforms but can support measures such as the dead band that would smoothen price formation. For a more informed positioning however, BOP would require monitoring of actual (price) data.

3. Remarks related to EU harmonisation

It seems to us that there are still many uncertainties about the introduction, detailed working and outcome of the European reserve platforms (both MARI and PICASSO). We propose to continue to carefully evaluate and discuss the ongoing evolutions (f.i. regarding the timing and connection of the other connecting countries) in the workings groups before making firm decisions on connecting Belgium to the EU platforms.

We support Elia's observation that a long-term vision with regards to the imbalance price formation needs to be developed, taking into account connection to both Mari and Picasso. We also understand that not all European countries support a further development of intraday and real time market integration. This already today leads to suboptimal conditions in the market, such as limited intraday ATC availability. A European wide supported approach seems to us a prerequisite for Belgium to use harmonized imbalance prices. Otherwise, Belgian market actors will bear the cost of the inefficiencies that arise- that is not at all their responsibility.