CONSULTATION REPORT

Report on the public consultation regarding the study on the BRP perimeter adjustments applied in case of the activation of mFRR or redispatch energy bids

27/10/2023

Contents

1. Introduction

Elia organized a public consultation from 7 July 2023 to 31 August 2023 regarding the study on possible evolutions of the BRP perimeter adjustments applied in case of the activation of mFRR and/or redispatch energy bids.

The scope, objectives and planned approach of the study have been presented during the Working group Balancing meeting of 2 February 2023. In a dedicated workshop, organized on 6 June 2023, Elia presented the preliminary conclusions and recommendations of the study. Following the public consultation, Elia presented the feedback received during the consultation and Elia's response in the Working Group Balancing meeting of 27 September 2023.

The purpose of this report is to consolidate the feedback received during the public consultation and to reflect Elia's response and position.

2. Feedback received

During the public consultation, Elia received the non-confidential replies from the following parties:

- CBS
- FEBEG
- Febeliec

All responses have been appended to this report.

3. Instructions for reading this document

This consultation report is structured as follows:

- Section 1 contains the introductory context,
- Section 2 gives an overview of the responses received,
- Section 3 contains instructions for reading this document,
- Section 4 discusses the various comments received during the public consultation and Elia's position related to the provided comments,
- Section 5 contains the annexes of the consultation report.

This consultation report is not a 'stand-alone' document but should be read together with the study published for consultation, the reactions received from the market participants (annexed to this document) and the final study.

Section 4 of the document is structured as follows with additional information on the content per column below.

Subject	Stakeholder	Comment	Justification
A	B	C	D

A. Subject matter covered by the various responses received.
B. Stakeholder making the comment. In general, the comments are listed alphabetically in the name of the parties concerned.
C. This document contains an overview of the main, but also specific comments on the document submitted for consultation.
    - In doing so, an attempt was made to list/consolidate all comments received.
    - In order to maintain authenticity, the comments have been copied as much as possible in this document. However, the comments have sometimes been shortened and the terminology has been harmonized to make the report easier to read.
D. This column contains Elia's arguments as to why a comment was or was not included in the final study report.

4. Comments received during the public consultation

4.1 General comments received during the public consultation

This section provides an overview of the general reactions and concerns of market players that Elia received to the document submitted for consultation.

SUBJECT	STAKE-HOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
Elia's conclusion to not retain perimeter adjustments based on the delivered volume *in case the activation of mFRR and/or redispatch energy bids*[1] ***(i.e., Option 2a and 2b)*** *as well as* ***Elia's conclusion to not retain Option 1b*** *for the perimeter adjustments.*	***CBS***	Centrica supports Elia's conclusion to rule out Options 1b, 2a and 2b. We agree with Elia's conclusion that perimeter adjustments based on the delivered volume (Option 2a & 2b) as well as perimeter adjustments during the quarter hour of delivery using the assumed activation profile (Option 1b) have significant drawbacks. These include issues related to balance responsibility, the split of roles between BRP/Supplier and BSP/SA, potential impacts of imbalances on the BRP_{FSP}, and increased complexity.	Elia would like to thank all stakeholders for their support of Elia's recommendation to not retain the presented options 2a, 2b and 1b. Elia further confirms FEBEG's point that a Supplier or BRP should not be negatively affected by activations triggered by a BSP/SA (possibly being a different party in the future). On this point, Elia would like to highlight that the perimeter adjustments that are related to models for splitting the roles (such as Transfer of Energy) are foreseen to remain to be based on the actually delivered energy volume.
	FEBEG	FEBEG concurs with ELIA's perspective that correcting the balancing perimeter based on delivered energy introduces complexities and disadvantages. We can only stress that a	

[1] This does not consider complementary perimeter adjustments based on the delivered energy volume that remain applicable in case of Transfer of Energy (or the individual correction model).

		Supplier or BRP should not be negatively affected by activations triggered by a BSP or SA.	
	Febeliec	Febeliec is not in favor of option 2, as it would impact the balancing responsibility, which Febeliec continues to consider the key component of maintaining balance in the Belgian system, with Elia only being responsible for residual imbalances. Any evolution that would undermine this principle would be considered sub-par by Febeliec.	
Elia's ***recommendation to maintain Option 1a (the block approach)*** *for adjusting the perimeter of the BRP in case of activation of mFRR or redispatch energy bids*	***CBS***	Centrica expresses its disagreement with Elia's decision to rule out the perimeter adjustment during all quarter hours based on the assumed activation profile (Option 1c). It appears that Elia has too swiftly dismissed this option without fully considering its potential benefits. While we acknowledge the complexities related to the transfer of energy, measurements, and baselines, we firmly believe that overlooking Option 1c due to perceived limited cost savings for the BRP_{FSP} is unjustified	Elia takes note of the different views expressed by different stakeholders regarding the choice between Option 1a (the block approach) and Option 1c for the perimeter adjustments. Elia would like to emphasize that Elia has not overlooked Option 1c. However, based on the analysis performed, Elia believes that the uncertain and limited potential benefits related to Option 1c do not weigh up to the additional complexity and corresponding costs corresponding to this option. The potential benefits related to Option 1c that are highlighted by CBS and FEBEG correspond solely to the absence of imbalances (and corresponding financial exposure) for the BRP_{FSP} in case the new activation profile would be exactly followed. While Elia recognizes this theoretical benefit, Elia considers the actual benefits of changing to this way of adjusting the perimeter of the BRP to be highly uncertain and limited. This because: • mFRR and redispatching are currently energy products without activation control on the ramps up and down. As a result, different activation profiles can and are being followed in practice. The result is that potential imbalances and resulting financial exposure to the BRP_{FSP} cannot be fully avoided. Indeed, even if the perimeter
	FEBEG	FEBEG disagrees with the maintenance of the existing block approach given the evolving market dynamics and ELIA's aspirations for decoupling RD, mFRR, and imbalance prices. Option 1C, despite it is not a status quo and hence perceived as complex, aligns more effectively with the changing landscape and addresses concerns related to unjustifiable financial risks.	
	Febeliec	Febeliec fully supports Elia's analysis and considers option 1a (or basically mainly maintaining the current situation) to be the best alternative for BRP perimeter adjustments, as it strikes the best balance between benefits and the avoidance of any	

		new issues that should be resolved, while keeping implementation complexity minimal.	would be adjusted according to option 1c, the BRP_{FSP} could have imbalances and related financial exposures. • The analysis has shown that even if the MARI activation profile would be exactly followed, the average financial impact on the BRP_{FSP} is highly limited. With a possible decorrelation between energy bid and imbalance prices in the future, the expected financial impact on the BRP_{FSP} is rather expected to further decrease (see a more detailed response below). Considering that the public consultation did not reveal new elements, **Elia maintains its recommendation to maintain using the block approach** for the perimeter adjustments in case of the activation of mFRR and/or redispatch energy bids. **However**, as described in the final study report, **in case market parties would demonstrate in the future (and based on clear evidence) that -by exactly following the activation profile- the financial impact on the BRPFSP has increased and has become significant, Elia is ready to re-investigate the matter of a possible evolution towards perimeter adjustments fully corresponding to the assumed activation profile (Option 1c), alongside necessary changes to the mFRR product design.**
Feasibility study and implementation plan of Option 1c	*CBS*	we strongly urge Elia to reconsider its stance on Option 1c and explore avenues to simplify its implementation if necessary, such as through pragmatic handling of the transfer of energy.	As indicated above, Elia maintains its recommendation to keep applying the block approach for the perimeter adjustments in case of the activation of mFRR and/or redispatch energy bids. Nevertheless, a detailed impact assessment of Option 1c has been conducted and is included in the final version of the study report (Section 8.2).
	FEBEG	We urge ELIA to consider a detailed implementation plan and feasibility study for Option 1C, whereby also a representative ramp rate per technology is being applied in the assumed activation profile.	

			Regarding the representative ramp rate per technology referred to by FEBEG, Elia would like to remind that the MARI activation profile is harmonized at EU level and that Elia strives towards technology neutral rules. In addition, this topic is considered out of scope of the current study as applying different ramp rates would not only impact the perimeter adjustments but also for instance the settlement and/or activation control.

4.2 Specific comments received during the public consultation

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
	CBS	Elia argues that the financial impact on the BRP_{FSP} would be minimal, with potential revenue losses representing less than 2%. This estimation is based on the average imbalance price difference before and after an activation, which varies between 85 and 90 EUR/MWh for the period between April 2022 and April 2023.	Elia believes there is **no increase in balancing costs** to be expected as potential imbalance-related costs are already considered by the BSP and are expected to decrease with the new activation profile and the possible decorrelation of prices.

		Firstly, we contend that even 2% of the total mFRR balancing energy costs can be significant for BRP_{FSP}s, with financial repercussions that are not easily recoverable. As Elia highlights, these additional costs would be socialized through an increase in energy bid prices by the BSPs. To gain a better understanding of the financial impact, we urge Elia to quantify the total annual costs for balancing energy in mFRR in euros, information which is currently not publicly available. This data will enable a more informed decision on whether to consider or discard Option 1c.	
	CBS	Secondly, Elia's calculation is based on the volume-weighted average imbalance price difference, which does not accurately reflect the full picture. Imbalance price volatility has been observed, with spikes ranging from very negative (-500 EUR/MWh) to very positive values (up to 2.000 EUR/MWh) within a single day, as presented during the Working Group Balancing of 16 May 2023. This is confirmed in CREG's monitoring report 2022, which highlights the strong volatility as well as the increase of imbalance prices in 2022. Based on these observations, let's consider a concrete example of a 100 MW activation in the morning of 14 May 2023: • Before the activation (10:00-10:15): Imbalance price = 490,57 EUR/MWh • During the ramping quarter-hour (10:15-10:30): Imbalance price = 3.439,14 EUR/MWh • After the activation (10:30-10:45): Imbalance price = 900,49 EUR/MWh Using Elia's method, the costs for the BRP_{FSP} amount to 13.4% of the remuneration, significantly higher than the 2% estimated	Elia confirms that its analysis is based on average imbalance price spreads in moments mFRR has been activated. While Elia recognizes that a single value never gives the full picture, Elia is convinced that **looking at specific moments does not provide a representative image of the impact** of the block approach. Indeed, counterexamples exist in which the imbalances that would be observed in case the assumed activation profile is followed would be beneficial to the BRP_{FSP}. **Elia is thus convinced that the average value is the most relevant element to consider for a BSP** (e.g., when pricing its bids). Elia sees no reason why a BSP aiming at maximizing its profits would price its bids based on a worst-case scenario as this could lead to missed opportunities.

		by Elia. Such high costs, when reflected in the energy bid prices, would cause further imbalance price peaks. Calculation: • Remuneration: 85.978,5 EUR = 100 MW x 3.439,14 EUR/MWh x 1/4h • Cost during ramp up: 6.192,00 EUR = 2,1 MWh x (3.439,14 – 490,57) EUR/MWh • Cost during ramp down: 5.331,17 EUR = 2,1 MWh x (3.439,14 – 490,57) EUR/MWh • Total costs for the BRP_{FSP}: 11.523.16 EUR = 13.4% of the remuneration	
	FEBEG	One of the main objectives (as explained by ELIA) is to avoid incentives not to deliver an activation. While FEBEG understands the importance to correctly deliver an activation, we hope ELIA can support that a correct activation should not lead to unjustified exposure. In this perspective, we believe that ELIA should equally ensure that delivering a perfect activation should not create exposure for BSP, SA, BRPs.	Elia considers that as long as mFRR is a quarter-hourly energy product without activation control during the ramping quarter hours, different activation profiles could be followed that all meet the product characteristics. In addition, even in case the activation profile would be followed exactly, the impact currently is assessed to be highly limited.
	FEBEG	FEBEG believes that some major evolutions in the balancing market design requires the block approach to evolve. First, the connection to MARI will lead some BSPs to activate energy bids for foreign TSO's needs. These activations can occur at a moment where Belgian needs are in the same direction, in the opposite direction or when there is no need for mFRR. Second, iCAROS design will refine the way congestions are managed and the entire scheme of redispatching bids along with CRI is done. The increase of renewable production will	**Elia confirms that there could be a decorrelation between imbalance prices and mFRR/redispatch energy bid prices (in certain moments).** However, **Elia expects that such a decorrelation would rather reduce the potential impact the block approach could have on the BRP_{FSP}**. Indeed, in case the BSP/SA would exactly follow the assumed activation profile, the average financial impact on the BRP_{FSP} depends on the average imbalance price spread between the quarter hour in which the ramp is initiated and the first quarter hour of the activation as well as the imbalance price spread between the last quarter hour of the activation and the quarter hour in which the ramp is terminated. Currently, mFRR balancing energy bid prices and imbalance prices are strongly correlated, meaning that the imbalance price tends to be

		further increase the need of redispatching activations as renewable production is not scattered all over the country. Furthermore, redispatching energy bids will be remunerated in a cost-based way and hence decoupled from the local imbalance price. Third, the long debated imbalance price calculation will at many occasions reflect the sole system imbalance of Belgium and hence be decoupled from the cross-border marginal price of the mFRR activated energy bid. These three elements lead to a context where a BSP (resp. SA) activates an mFRR (resp. RD) energy bid with CBMP being strongly decorrelated from the imbalance prices. The current so-called block approach does not seem consistent with those design evolutions and will breach the important principle to FEBEG's members which is that a correct activation should not lead to unjustified financial exposure. While FEBEG undeniably acknowledges the merits of the block approach in a design without decorrelation of the RD, mFRR & imbalance prices, we believe that it is no longer suitable at the moment those prices are not correlated. The following (non-exhaustive) situations will occur according to FEBEG's members: • An upward mFRR bid activated for a foreign TSO while Belgian imbalance price will be very low / negative during the ramp preceding the activation. This will create a	higher in moments where upward mFRR is activated than in the quarter hours where the ramp is initiated/terminated. The result of this quite strong correlation is that the imbalances that would occur if the BSP would exactly follow the activation profile on average result in a cost for the BRP_{BSP} (albeit highly limited). In a world where imbalance prices are less correlated with mFRR activations (e.g., in the example provided by FEBEG where mFRR is activated in Belgium while there is no mFRR satisfied demand in Belgium), the average financial impact on the BRP_{BSP} is expected to rather become lower. Indeed, if the locally activated mFRR energy bid is not considered in the calculation of the imbalance price (as there is no local mFRR satisfied demand), there is no reason to assume that the imbalance price during the activation would on average be higher than just before/after the activation. In addition, Elia would like to highlight certain other changes that reduce the impact of the block approach compared to the situation at this moment (i.e., before the local go-live of the new mFRR design): • The new activation profile resembles more closely the block approach, which means that the volumes of the imbalances to which the BRP_{FSP} would be exposed when exactly following the activation profile are significantly reduced compared to the situation today. • The imbalances that would be realized if the new activation profile would be exactly followed happen in consecutive quarter hours, while with the current activation profile, the imbalances would occur in the first quarter hour of the activation and the quarter hour after the activation. Although Elia recognizes that imbalances have become more volatile, the average imbalance price spread is still reduced with the new activation profile Because of all these elements, Elia considers that the impact of applying the block approach with the new mFRR/redispatch design and after connection to MARI would be significantly lower than the impact today.

		long position during the ramp settled against low imbalance price, hence leading to a loss. • An upward RD energy bid on a slow starting unit (e.g. gas-fired plant) with low imbalance prices during the QH's of the ramping up (preceding the activation). SA cannot estimate those imbalances prices ex-ante and include these in the RD energy price, nor can easily trade a profile on the illiquid ID market.	However, Elia recognizes that there is some uncertainty regarding the correlation between imbalance prices and energy bid prices, in particular after connection to MARI. For this reason, and as described in the final study report, Elia would be open to re-investigate a possible evolution towards Option 1c (alongside necessary changes to the mFRR product design) in case market parties would demonstrate based on clear evidence that the financial impact on the BRP_{FSP} (in case the activation profile would be followed) would have increased and have become significant.
Penalty scheme to avoid incentives for not delivering the requested service	*FEBEG*	Penalties consulted in MARI & iCAROS design (summer 23) already include to take back the gain of imbalance. FEBEG understood this rationale and agreed with it. However, we do not want to make a loss resulting of (i) ramps not corrected and (ii) block approach not considering the correct volume to be delivered with requested QH of activation. The provisions within T&C SA & mFRR offer a suitable mechanism to align incentives with accurate activations.	Elia would like to thank FEBEG for its support for the incentive schemes proposed in the T&C SA and the T&C BSP mFRR. Elia agrees that the combination of the incentive scheme related to the activation control and the exposure to imbalance prices ensures avoiding incentives for not delivering the requested energy. However, Elia considers the incentive scheme (aiming to avoid incentives for not delivering the requested service) to be independent from the discussion on the choice between Option 1a and 1c for the perimeter adjustments. Indeed, as shown in Section 4.2 of the study report, the incentive scheme required to avoid incentives for not delivering the requested energy is independent of whether Option 1a or Option 1c would be used for the perimeter adjustments.
Timing of the consultation	*FEBEG*	FEBEG wishes to highlight certain concerns regarding the timing of this consultation. The countless consultations launched during the summer months have posed significant challenges for stakeholders, who have found it difficult to meet the stringent deadlines and provide comprehensive responses. In this sense, we regret the parallel launch of this consultation; which seems to ignore the feedback provided by stakeholders to ELIA during the WG Balancing of June 2023 (namely to not overwhelm stakeholders with too many consultations, and to focus on priority issues such a MARI/iCAROS/PICASSO projects).	Elia understands FEBEG's concerns regarding the timing of this consultation. Where possible, Elia always aims to avoid (excessive) consultations during the summer period and/or too much parallel consultations. However, given that the deadline imposed by the CREG for submitting the final study and consultation report related to this incentive was fixed to the end of October, and that time is needed to duly consider the feedback provided by the market, the options to schedule the public consultation related to this incentive study at a different moment were unfortunately limited (this was already indicated by Elia during the WG Balancing of 2nd of February 2023). Elia has nevertheless made a best effort to provide maximal flexibility to the stakeholders by extending the period of the public consultation to a period of 8 weeks.

5. Next steps

On the basis of the feedback received from market players and Elia's response, as set out in this consultation report, Elia has finalized its study on the BRP perimeter adjustments applied in case of the activation of mFRR and/or redispatch energy bids.

The final study, together with the consultation report and the implementation plan will be finally submitted to the CREG before October 31, 2023.

6. Attachments

Contact

Elia Consultations
Consultations@elia.be

Elia System Operator SA/NV
Boulevard de l'Empereur 20 | Keizerslaan 20 | 1000 Brussels | Belgium

centrica

Public consultation on the BRP perimeter adjustment study

31 August 2023

Executive summary

Centrica thanks Elia for the opportunity to provide comments to the consultation on the BRP perimeter adjustment study.

The study aims to determine the most suitable design for adjusting the balancing perimeter of BRPs following an mFRR or redispatch energy bid activation. The optimal solution must consider the allocation of balance responsibility, the financial incentives for correct delivery and split of roles between BRP/supplier, Scheduling Agent and Balancing Service Provider.

Centrica would like to share following comments:

- We support Elia's conclusion to rule out Options 1b, 2a and 2b.
- We urge Elia to reconsider Option 1c.

Centrica supports Elia's conclusion to rule out Options 1b, 2a and 2b

We agree with Elia's conclusion that perimeter adjustments based on the delivered volume (Option 2a & 2b) as well as perimeter adjustments during the quarter hour of delivery using the assumed activation profile (Option 1b) have significant drawbacks. These include issues related to balance responsibility, the split of roles between BRP/Supplier and BSP/SA, potential impacts of imbalances on the BRP_{FSP}, and increased complexity.

Centrica urges Elia to reconsider Option 1c

Centrica expresses its disagreement with Elia's decision to rule out the perimeter adjustment during all quarter hours based on the assumed activation profile (Option 1c). It appears that Elia has too swiftly dismissed this option without fully considering its potential benefits.

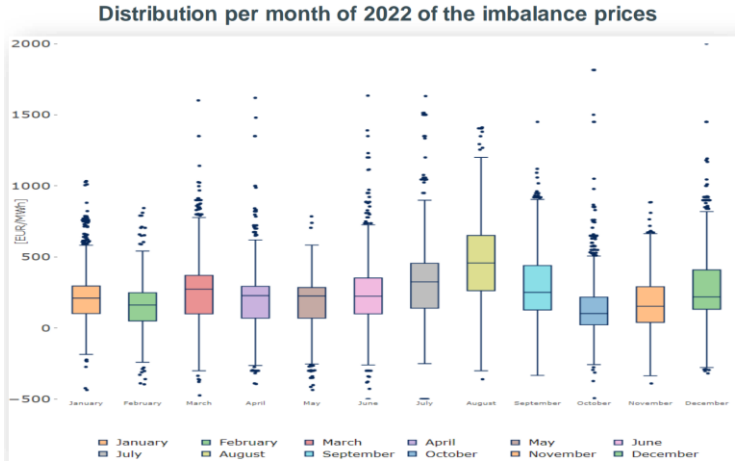
While we acknowledge the complexities related to the transfer of energy, measurements, and baselines, we firmly believe that overlooking Option 1c due to perceived limited cost savings for the BRP_{FSP} is unjustified.

Elia argues that the financial impact on the BRP_{FSP} would be minimal, with potential revenue losses representing less than 2%. This estimation is based on the average imbalance price difference before and after an activation, which varies between 85 and 90 EUR/MWh for the period between April 2022 and April 2023.

Firstly, we contend that even 2% of the total mFRR balancing energy costs can be significant for BRP_{FSP}s, with financial repercussions that are not easily recoverable. As Elia highlights, these

additional costs would be socialized through an increase in energy bid prices by the BSPs. To gain a better understanding of the financial impact, we urge Elia to quantify the total annual costs for balancing energy in mFRR in euros, information which is currently not publicly available. This data will enable a more informed decision on whether to consider or discard Option 1c.

Secondly, Elia's calculation is based on the volume-weighted average imbalance price difference, which does not accurately reflect the full picture. Imbalance price volatility has been observed, with spikes ranging from very negative (-500 EUR/MWh) to very positive values (up to 2.000 EUR/MWh) within a single day, as presented during the Working Group Balancing of 16 May 2023. This is confirmed in CREG's monitoring report 2022, which highlights the strong volatility as well as the increase of imbalance prices in 2022[1].



Based on these observations, let's consider a concrete example of a 100 MW activation in the morning of 14 May 2023:

- **Before the activation** (10:00-10:15): Imbalance price = 490,57 EUR/MWh
- **During the ramping quarter-hour** (10:15-10:30): Imbalance price = 3.439,14 EUR/MWh
- **After the activation** (10:30-10:45): Imbalance price = 900,49 EUR/MWh

Using Elia's method, the costs for the BRP_{FSP} amount to 13.4% of the remuneration, significantly higher than the 2% estimated by Elia. Such high costs, when reflected in the energy bid prices, would cause further imbalance price peaks.

Calculation:

- **Remuneration**: 85.978,5 EUR = 100 MW x 3.439,14 EUR/MWh x 1/4h
- **Cost during ramp up**: 6.192,00 EUR = 2,1 MWh x (3.439,14 – 490,57) EUR/MWh
- **Cost during ramp down**: 5.331,17 EUR = 2,1 MWh x (3.439,14 – 490,57) EUR/MWh
- **Total costs for the BRP_{FSP}**: 11.523.16 EUR = 13.4% of the remuneration

Considering these compelling facts, we strongly urge Elia to reconsider its stance on Option 1c and explore avenues to simplify its implementation if necessary, such as through pragmatic handling of the transfer of energy.

[1] https://www.creg.be/sites/default/files/assets/Publications/Studies/F2537EN.pdf

POSITION

Subject: FEBEG's position regarding the public consultation on the study on the BRP perimeter adjustments
Date: 31 August 2023

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 of the study on the BRP perimeter adjustments applied in case of the activation of mFRR or redispatch energy bids*[1]. This document is not confidential.

As preliminary remark, FEBEG wishes to highlight certain concerns regarding the timing of this consultation. The countless consultations launched during the summer months have posed significant challenges for stakeholders, who have found it difficult to meet the stringent deadlines and provide comprehensive responses. In this sense, we regret the parallel launch of this consultation; which seems to ignore the feedback provided by stakeholders to ELIA during the WG Balancing of June 2023 (namely to not overwhelm stakeholders with too many consultations, and to focus on priority issues such a MARI/iCAROS/PICASSO projects).

Objectives & Rationale

One of the main objectives (as explained by ELIA) is to avoid incentives not to deliver an activation. While FEBEG understands the importance to correctly deliver an activation, we hope ELIA can support that a correct activation should not lead to unjustified exposure. In this perspective, we believe that ELIA should equally ensure that delivering a perfect activation should not create exposure for BSP, SA, BRPs.

Correction of Perimeter with Energy Delivered (Option 2)

FEBEG concurs with ELIA's perspective that correcting the balancing perimeter based on delivered energy introduces complexities and disadvantages. We can only stress that a Supplier or BRP should not be negatively affected by activations triggered by a BSP or SA.

[1] https://www.elia.be/en/public-consultation/20230707_public-consultation-of-the-study-on-the-brp-perimeter-adjustments

Option 1C as a logical consequence of the market design evolution brought by MARI & iCAROS

FEBEG believes that some major evolutions in the balancing market design requires the block approach to evolve.

First, the connection to MARI will lead some BSPs to activate energy bids for foreign TSO's needs. These activations can occur at a moment where Belgian needs are in the same direction, in the opposite direction or when there is no need for mFRR.

Second, iCAROS design will refine the way congestions are managed and the entire scheme of redispatching bids along with CRI is done. The increase of renewable production will further increase the need of redispatching activations as renewable production is not scattered all over the country. Furthermore, redispatching energy bids will be remunerated in a cost-based way and hence decoupled from the local imbalance price.

Third, the long debated imbalance price calculation will at many occasions reflect the sole system imbalance of Belgium and hence be decoupled from the cross-border marginal price of the mFRR activated energy bid.

These three elements lead to a context where a BSP (resp. SA) activates an mFRR (resp. RD) energy bid with CBMP being strongly decorrelated from the imbalance prices.

The current so-called block approach does not seem consistent with those design evolutions and will breach the important principle to FEBEG's members which is that a correct activation should not lead to unjustified financial exposure.

While FEBEG undeniably acknowledges the merits of the block approach in a design without decorrelation of the RD, mFRR & imbalance prices, we believe that it is no longer suitable at the moment those prices are not correlated.

The following (non-exhaustive) situations will occur according to FEBEG's members:

- An upward mFRR bid activated for a foreign TSO while Belgian imbalance price will be very low / negative during the ramp preceding the activation. This will create a long position during the ramp settled against low imbalance price, hence leading to a loss.
- An upward RD energy bid on a slow starting unit (e.g. gas-fired plant) with low imbalance prices during the QH's of the ramping up (preceding the activation). SA cannot estimate those imbalances prices ex-ante and include these in the RD energy price, nor can easily trade a profile on the illiquid ID market.

Penalties

Penalties consulted in MARI & iCAROS design (summer 23) already include to take back the gain of imbalance. FEBEG understood this rationale and agreed with it. However, we do not want to make a loss resulting of (i) ramps not corrected and (ii) block approach not considering the correct volume to be delivered with requested QH of activation.
The provisions within T&C SA & mFRR offer a suitable mechanism to align incentives with accurate activations.

Conclusion and Preferred Approach

In conclusion, FEBEG disagrees with the maintenance of the existing block approach given the evolving market dynamics and ELIA's aspirations for decoupling RD, mFRR, and imbalance prices. Option 1C, despite it is not a status quo and hence perceived as complex, aligns more effectively with the changing landscape and addresses concerns related to unjustifiable financial risks. We urge ELIA to consider a detailed implementation plan and feasibility study for Option 1C, whereby also a representative ramp rate per technology is being applied in the assumed activation profile.

FEBELIEC vzw/asbl
BluePoint Brussels, Bld. A. Reyerslaan 80, 1030 – Brussel/Bruxelles
Tel: +32 (0)496 59 36 20, e-mail: febeliec@febeliec.be, www.febeliec.be
RPR Brussel - TVA/BTW BE 0439 877 578

Febeliec answer to the Elia consultation on the study on potential evolutions of the BRP perimeter adjustments in case of the activation of mFRR or redispatch energy bids

Febeliec would like to thank Elia for this consultation on the study on potential evolutions of the BRP perimeter adjustments in case of the activation of mFRR or redispatch energy bids. Febeliec wants to refer also to its comments made during the Elia WG Balancing meeting where this study was presented.

Febeliec fully supports Elia's analysis and considers option 1a (or basically mainly maintaining the current situation) to be the best alternative for BRP perimeter adjustments, as it strikes the best balance between benefits and the avoidance of any new issues that should be resolved, while keeping implementation complexity minimal. Febeliec is not in favor of option 2, as it would impact the balancing responsibility, which Febeliec continues to consider the key component of the maintaining balance in the Belgian system, with Elia only being responsible for residual imbalances. Any evolution that would undermine this principle would be considered sub-par by Febeliec.