

Public consultation on the T&C BRP

28 August 2023

Executive summary

Centrica thanks Elia for the opportunity to provide comments on the consultation of the T&C BRP.

Key objectives of the amended T&C BRP is to prepare for the participation to the European platforms MARI and PICASSO, by describing the calculation of the Imbalance Price components, transferring certain components from the Balancing Rules, and incorporating the ‘alpha’ component from the Tariffs.

In this sense, Centrica would like to share following comments:

- We support the consolidation of Imbalance Price related aspects in the T&C BRP.
- We kindly request Elia to provide clarification regarding the CBMP, VoAA, floor/cap application, Intraday indexed Imbalance Price, redispatching bids and alpha parameter.
- We encourage Elia to avoid complexity in the imbalance price calculation and increase resilience against gaming through robust monitoring mechanisms.

Centrica supports the consolidation of Imbalance Price related aspects in the T&C BRP

We support the transfer of Imbalance Tariff components from the Balancing Rules to the T&C BRP. It is commendable that all aspects related to the Imbalance Price are now consolidated into one document. This simplification is much needed, as it previously caused confusion and complexity.

Centrica kindly requests Elia to provide clarification regarding the CBMP, VoAA, floor/cap application, Intraday indexed Imbalance Price, redispatching bids and alpha parameter

1. Cross-Border Marginal Price and aggravation of the system imbalance

One of the stated objectives of the new Imbalance Price formula is to benefit from the integration with the European platforms MARI and PICASSO without jeopardizing grid security.

Elia has raised an important concern regarding the Cross-Border Marginal Price (CBMP) and its potential decorrelation from the Belgian System Imbalance, which may incentivize BRPs to aggravate the Belgian situation. To gain a comprehensive understanding of this scenario, we kindly request Elia to provide more concrete and quantified scenarios, elaborating on the high-level description provided in the explanatory note.

2. Value of Avoided Activation and partial activations, or activations within the quarter-hour

The amended T&C BRP defines the Value of Avoided Activation (VoAA) for aFRR up and down as the price of the first Energy Bid in the local merit order list available for upward and downward regulation, respectively.

Centrica seeks clarification on how this definition accounts for partial activations or activations that occur within an Imbalance Settlement Period (or quarter-hour). It remains unclear whether such bids are considered available and taken into consideration for the VoAA or not.

3. Application of the cap and floor

There is a lack of clarity in the current documentation regarding the applicability of the proposed cap and floor. It is not clear whether they apply in all situations or solely when Belgium and Europe have opposite system imbalances (cf. table below).

Centrica believes that applying the cap and floor when the Belgian and European systems are in the same direction is unnecessary and would result in an increase in the Imbalance Price. We recommend a careful review and clarification of the rules to ensure that the cap and floor are appropriately applied.

	Belgium long	Belgium short
Europe long	<i>Does cap/floor apply?</i>	Cap/floor applies
Europe short	Cap/floor applies	<i>Does cap/floor apply?</i>

4. Intraday index-based Imbalance Price

We acknowledge Elia's aspiration for the Imbalance Price to align with the last intraday index when the Belgian system is reasonably balanced. However, Elia expresses concerns about the current robustness of the 'ID1' index, which is the weighted average price of all continuous trades executed on the exchange within the last trading hour.

Centrica invites Elia to provide further insights into the specific changes necessary to enhance the robustness of the Intraday index. Furthermore, we are keen to gain a better understanding of the process that would facilitate a transition from the VoAA to an Intraday index-based Imbalance Price. Clear explanations about the steps and timeline involved in this transition are required to prepare and adapt accordingly.

5. Redispatching bids

Centrica acknowledges the proposed clarifications in the T&C BRP regarding the exclusion of balancing energy bids activated for purposes other than balancing from the calculations of the Marginal Incremental Price (MIP) and the Marginal Decremental Price (MDP). The explanatory note also indicates that all activations of mFRR for purposes other than balancing (e.g., redispatching) do not impact the imbalance price.

To ensure a comprehensive understanding, we kindly request Elia to provide further clarification on whether this refers to mFRR activations to compensate for redispatching bids, referred to as 'compensation bids' in section 6.2 of the explanatory note related to T&C OPA and SA¹? Or if it pertains to the activation of redispatching bids themselves?

6. Alpha parameter

The alpha parameter aims to provide an additional incentive to address structural imbalances. Section 30.6 of the proposed T&C BRP mentions that this alpha parameter is expressed in EUR/MWh.

However, we have identified potential issues with the formulas for the correction parameter cp . It appears that they mistakenly refer to α_{ISP} instead of cp . Indeed, the formulas determine a value between 0 and 1, which should apply to the correction parameter cp and not the alpha parameter α_{ISP} . Additionally, there seems to be a missing equal sign in the formula ' $cp = (400 - MIP_{ISP}) / 200$ '.

To ensure accurate calculations, we kindly ask Elia to clarify the formulas for the correction parameter cp as well as the alpha parameter α_{ISP} .

Centrica encourages Elia to avoid complexity in the Imbalance Price calculation and increase resilience against gaming through robust monitoring mechanisms

We recognize that the proposed floor and cap calculation aims at preventing manipulation. Including prices from both the aFRR up/down and mFRR up/down merit order lists makes it more difficult to manipulate the VoAA by submitting low dummy bids in one reserve, thus safeguarding the Imbalance Price from certain forms of manipulation.

However, we share concerns regarding the potential creation of new gaming opportunities. For example, BRPs with long positions may have an incentive to increase the floor through high dummy bids in the merit order. This would result in a higher Imbalance Price for a BRP with a long position if the Marginal Incremental Price (MIP) sets the price (i.e., if Belgium is short).

To maintain the integrity of the Imbalance Price and mitigate the risk of manipulation, it is essential to strike a balance between complexity and effectiveness. Keeping a simpler Imbalance Price calculation may avoid unintended side-effects, while potential manipulation could still be addressed by carefully monitoring bidding behavior, implementing robust surveillance mechanisms, and introducing clear guidelines on bid submission.

¹ https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2023/20230606tc-opa-sa-coordination-rules--explanatory-document_v2.pdf