

# Minutes of Meeting of WG Balancing on 17<sup>th</sup> of November.

## Meeting

<b>Date</b>	17/11/2022
<b>Organiser</b>	Patrik Buijs

<b>Participants external</b>		<b>Attended</b>	<b>Excused</b>
Adigbli Patrick	Centrica Business Solution	<input checked="" type="checkbox"/>	
Baudson Axel	European Commodities	<input checked="" type="checkbox"/>	
Catrycke Mathilde	Engie	<input checked="" type="checkbox"/>	
Donnay de Casteau Loic	Engie	<input checked="" type="checkbox"/>	
Harlem Steven	Luminus	<input checked="" type="checkbox"/>	
Jong Dieter	Eiya Consult	<input checked="" type="checkbox"/>	
Laleman Ruben	Engie	<input checked="" type="checkbox"/>	
Lazarescu Anca Manuela	RWE	<input checked="" type="checkbox"/>	
Libert Brice	CREG	<input checked="" type="checkbox"/>	
Maenhoudt Marijn	CREG	<input checked="" type="checkbox"/>	
Peeters Marijn	Vynova	<input checked="" type="checkbox"/>	
Verrydt Eric	BASF	<input checked="" type="checkbox"/>	
Van Bossuyt Michaël	Febeliec	<input checked="" type="checkbox"/>	
Verlinden Pieter	Eneco	<input checked="" type="checkbox"/>	
Waignier Jean-Francois	Febeg	<input checked="" type="checkbox"/>	
Williame Jean-Francois	Eneco	<input checked="" type="checkbox"/>	
Wilmart Gilles	CREG	<input checked="" type="checkbox"/>	
Adrien Rosen	TotalEnergies	<input checked="" type="checkbox"/>	
<b>Participants Elia</b>			
Buijs Patrik	Elia	<input checked="" type="checkbox"/>	
Hardy Simon	Elia	<input checked="" type="checkbox"/>	
Vanderlinden Loup	Elia	<input checked="" type="checkbox"/>	
Vidales Ferro Carlos	Elia	<input checked="" type="checkbox"/>	
Voet Jan	Elia	<input checked="" type="checkbox"/>	

## Report

<b>Author</b>	Sebastiaan Coppenholle
<b>Function</b>	Internal consultant
<b>Date report</b>	
<b>Status</b>	<input checked="" type="checkbox"/> Draft <input type="checkbox"/> Final version

## 1. Agenda

1. General introduction and Validation of minutes
2. Introduction + storyline
3. Balancing incentive study
  - a. Intro
  - b. What is the relevance of developing short-term procurement?
  - c. To what extent is the procurement by Elia on both federal and regional losses more efficient?
  - d. Further optimizing the losses compensation
4. Results of the POC
5. Implementation plan
6. Conclusion

## 2. Report

### 1. General introduction and Validation of minutes

No comments from the stakeholders.

### 2. Introduction + storyline

No comments from the stakeholders.

### 3. Balancing incentive study

#### Intro

Febeliec asked a question as to the clarification of the supply gap. Elia clarified that the supply gap is a value showing the difference between the actual (realised) volume of network losses and all compensation foreseen (i.e. procured volumes and compensation in kind), showing that it is not solely based on the forecasted compensation. Febeliec thanks Elia for the clarification.

In addition, CREG asks why the supply gap regional is always positive, which would mean that Elia would buy too much energy on a constant basis. Elia clarifies this by responding that a positive supply gap means not enough compensation.

#### What is the relevance of developing short-term procurement?

With regards to the compensation of the regional losses, Eneco asks if the short position of Elia is on purpose and with what purpose this position is formed. Elia responds that it targets a good compensation of the losses and that the position is that of a good housefather and finds its origin in different aspects: Elia is prudent to not 'overcompensate' grid losses (injecting too much energy into the system). The granularity of today's products to cover regional losses (baseload, peak and off-peak blocks) makes this an even more challenging task. Eneco shows its general concerns about the influence of a resulting pressure on the imbalance market due to this short position. Elia explains that the supply gap, either positive or negative, can both help and hinder the system imbalance at times.

Eiia Consult (Dieter Jong) asks if the supply gap is settled in the system afterwards to which Elia responds that the regional part will be settled by the products that handle the system imbalance, whilst for the federal losses the supply gap is valued and taken into consideration when defining the percentage of compensation for a next year, striving for (long-term) financial neutrality. The handling of the latter still throws up some questions from his side to which Elia refers to ongoing and further discussions in Belgium Grid.

Regarding the federal losses, Febeliec shows concerns regarding the evolution of transit flows, their impacts on our grid, the capacity of the remuneration schemes and eventually the costs coming down to the connected customers in Belgium. Elia explains that the Inter-TSO compensation (ITC) mechanism is a

redistribution mechanism exactly foreseen for this purpose. Elia indicates that the mechanism is not perfect, but robust and serving its purpose. The ITC mechanism is enshrined in EU law. Febeliec concludes saying that they would like to see the amount of compensation being given for the costs correlated to these transit flows. Elia refers to regular reportings of ENTSO-E & ACER on the ITC mechanism.

Febeliec requests more explanation to the manner in which Elia would split its short-term procurement. Elia refers to a later part of the presentation.

### **To what extent is the procurement by Elia on both federal and regional losses more efficient?**

Febeliec concludes that Elia taking active positions in the market opens up a lot of questions and requires a clear framework with regards to the procurement practices. Elia agrees that clarity on such framework is indeed required and to be provided when further developing such approach. Elia considers it part of the implementation plan. Elia refers to the purchasing approach later in the presentation. Elia stipulates its experience in long-term losses and explains that its short-term strategy would have the sole purpose to complement the LT approach -which covers procurement of losses over a period of three years as a hedging strategy- in view of a better coverage of the losses.

**Eiia Consult remarks that in its view Elia is** assuming the volume will remain the same and states that if BRP's and Elia procure the same volume, the presented analysis is correct. However, he states that Elia would be able to buy a more accurate volume compared to a fixed percentage by the BRP. Elia indicates that the later proposed design takes this into account to some extent.

Eiia Consult indicates that there is an effect linked to increasing decentralisation and this creates a different treatment on how this is connected to (distribution or transmission) grid and how it enters the portfolio of the BRP. CREG, European Commodities and Luminus support the relevance of this comment. Elia indicates that the BRP contribution is linked to its net physical offtake position and that whether an asset is located at the same access point as a load centre or separately on the grid makes a difference in the losses it creates.

Febeliec agrees with the analysis of Elia that there is a lack of transparency today in the invoices for end consumers on how the losses contribution by BRPs is taken into account (especially for smaller industries). Without such transparency, there is a risk that end-consumers would pay twice in case Elia would be appointed to also cover federal grid losses. This is a very relevant boundary condition for Febeliec.

**In this context, Febeliec also suggests** regulators to look into what is in the contracts at the moment to obtain a clearer view on the losses into these contracts. Elia indicates that it is anyhow not in a position to pick up such task.

**Luminus is of the opinion that the Elia analysis overlooks some elements** such as the operational burden on the supplier and how it applies in complex situations. Related to the latter element, Elia indicates that in Elia's proposed approach, the case for multiple BRPs on a single action is foreseen to be tackled when deemed useful.

Febeliec asks if there is a possibility to, at a next meeting, provide more insights into the system of "multiple BRP's active on a single access point". Elia will make sure that the relevant colleagues handling this topic are made aware of it.

FELEG asks if their comments are taken up into the study. Elia responds that the study was made in light of the incentive and the final version of the study was published around 30/6, as required by the incentive. This workshop aims to discuss the report in view of the future, but can't serve anymore to update the report itself. The Elia report is however not an end point of the topic. Any feedback received, including the exchanges in this workshop are useful elements to take into account in any next step.

### **Further optimizing the losses compensation**

No comments from the stakeholders.

#### **4. Results of the POC**

Febeliec asks how representative the months of July through September are for taking conclusions. This question was posed with regards to the higher prices in these months and wind energy additions to the grid. Elia responds by saying that the effects will differ for both the federal and the regional losses, but concludes that at this moment the interaction of other factors is still too large to draw direct conclusions from seasonal effects. A study of a longer period of time, with continued AI (re)-training, is needed.

With regards to the coverage of the supply gap, with the use of either option 1 or option 2, Febeliec raises concerns as to “who pays what?”. This latter question is mostly focused towards option one, and Elia therefore also reacts by saying that this is why there are several options on the table. Elia agrees that a decision has to be made at one point, for instance in the wake of the new tariff file as anyhow it needs to clearly involve CREG. Febeliec wants clearly stated that it is not opposed going short-term, but says it wants more insight in how the financial flows would be affected.

Febeliec asks if the POC is representative enough to base an implementation plan onto this, taken into account the sensitivity for cross border flows and seasonal effects. Elia responds that the implementation plan takes into account the fact that further learning for the AI model is needed, but that the results so far are sufficiently promising to already move forward.

Eneco asks whether option 1 and 2 create a different effect towards the compensation in kind by BRPs. Elia replies that option 1 in principle has the potential to reduce the supply gap of the federal losses thereby lowering the impact of the effect of guaranteeing the long-term financial neutrality towards BRPs in the determination of future percentages.

#### **5. Implementation plan**

Whilst discussing the implementation plan, Febeliec states the need to make a decision on the option 1 and 2 approach with regards to the alignment of the regulatory & legal framework and the proceeding purchasing strategy. Febeliec asked the position of CREG on this matter. CREG states that they are aware of the matter and will have to tackle the questions with the involvement of the market parties. The overall objective includes for them also the minimization of the cost of the compensation of the losses. But CREG admits that this is a complex question.

Febeliec also states that it does not want to pay twice, referring to the end consumer effect, switching roles and responsibilities in losses coverage and the transit flow context. CREG agrees these topics being relevant.

On another topic, Eneco states that BRPs/suppliers have problems with the yearly percentages being communicated in July. Eneco asks if any improvement could be done here as to taking away the uncertainty. Eneco hereby presses on the financial risk that could be mitigated by a more transparent/earlier approach. Elia understands the difficulties, but also indicates that an earlier estimation would in principle lead to higher forecast errors, thereby increasing the risk of swings in the percentages even more. Next to the forecast error, there is of course also the expected general trend of increasing losses for the reasons explained in the presentation.

#### **6. Conclusion**

Febeliec asks whether Elia in options 1 and 2 considers combining both long term, short(er)-term and short-term approaches or rather put everything into short-term procurement. Elia proceeds to say that next to a prudent buying approach relying on price differentiation by buying at moments sufficiently spread over time,

it also makes sense to keep options open for other evaluations, e.g. in view of making the losses compensation more sustainable. Elia refers also to its report where this has been further mentioned as well.