

## Febeliec answer to the Elia consultation on the aFRR Product Design Note

Febeliec would like to thank Elia for the very elaborate and complete aFRR product design note. In general, Febeliec can follow and agree with most of the elements discussed and proposed in the design note. Febeliec is pleased that Elia is again making additional steps to open up the balancing market to a larger range of market players and technologies, in order to increase the liquidity and thus the competition in those markets, which can only lead to lower costs and more efficiency, to the benefit of society as a whole.

However, Febeliec would like to make following comments:

- Elia mentions in many cases DSOs and only sometimes CDSOs explicitly. For clarity reasons and readability, it would be advisable to update the design note to always reflect the point whether or not DSOs also include CDSOs, as the European Network Codes make no distinction nor does the latest draft version of the Clean Energy Package. As a result, it is not always clear when to read DSO as only public DSOs or also including CDSOs, knowing that in some (particular) cases there is a different design proposed. For example, but not limited, to:
  - Section 4.5: *“connected to both the distribution or transmission grid”* → Also including CDS?
  - Section 4.5.1: *“DSO measurements”* → Also referring to CDSO measurements?
  - Section 5.3.: *“DSO if applicable”, “TSO or DSO connected”* → Also including CDSO?
  - Section 5.3.5: *“The aFRR provider contacts the DSO (if DSO connected)”* → Also including CDSO?
- With respect to metering configuration and accuracy (4.3), Febeliec is very pleased that Elia has taken into consideration and account the comments that were provided and has adapted its design accordingly.
- With respect to point 4.4.2, Febeliec wonders whether not participation to the aFRR service means that no service was offered or also when the service was offered but zero volume was contracted/activated. It would bring additional clarity if this point would be specified a bit more clear.
- With respect to point 4.5.2, Febeliec is very pleased that Elia has taken into consideration and account the comments on ex-post data exchange that were provided and has adapted its design accordingly
- With respect to section 4.6, Febeliec is still disappointed that it will not be possible to offer aFRR and mFRR from a same delivery point. Febeliec hopes that Elia will in the very near future investigate the settlement rules needed to allow a combination of both products and come with a proposal that could solve this issue, in order to avoid that market actors have to arbitrate between both products (or not being able to valorise all the potential on a same delivery point, also with volumes not able to fulfil the aFRR product requirements but which could fulfil mFRR requirements), thus reducing liquidity and competition by this additional market entry barrier. Febeliec would like to request Elia to provide a clear timeline on when such analysis would be performed and when such combination could be implemented, preferably as soon as possible.
- On section 5.2, Febeliec is pleased that Elia has taken into consideration and account the comments that were provided on the availability and that Elia has adapted its design to allow for a qualitative approach.
- On section 5.4, principle 12, Febeliec is not sure that it understands correctly the impact of the exclusion of points participating in a simulation test to be excluded from delivering aFRR services. During this test, these points are delivering aFRR volumes (if the test is successful). Moreover, Febeliec does not understand how the initial reserve obligation of the BSP will remain valid, if Elia takes out delivery points for testing. Febeliec would like Elia to elaborate more on this point, in order to understand what is actually meant by this principle.
- On the daily procurement of aFRR with blocks of 4 hours, Febeliec would like to point out that it hopes that this will indeed increase liquidity in the market, and not make it more difficult for a range of assets to participate. Febeliec also hopes that Elia will duly implement operational and organisational elements allowing market parties to provide standing offers already from longer periods in advance, in order to provide as much operational flexibility to market parties as possible to be able to introduce their bids and modify them over time, which will only help participation levels as also smaller market parties will then be able to contribute to the aFRR service.
- On the separate acquisition of FCR and aFRR, Febeliec takes note of the input and analysis provided by Elia on this topic in multiple related studies. Febeliec is not opposed to this. However, Febeliec is concerned that this might lead to a reduction of liquidity and/or a higher sourcing costs as market players might start exerting different bidding behaviour, thus leading to a less efficient overall outcome and thus an unacceptable higher overall costs for consumers. Febeliec would like Elia to provide a more thorough quantitative impact analysis of this proposed split, in order to be able to assess more in-depth the potential impact for consumers. On section 6.2.2, Febeliec has no strong preference, as also Elia does not seem to be complete convinced from

either one of the proposed solutions. From a practical point of view and in order to avoid too numerous changes to internal operational procedures and product designs, Febeliec would rather lean towards a one-step approach, insofar that Elia has a clear view on the availability of sufficient volumes after this split to fulfil all the required volumes at an acceptable price level. Febeliec is mainly concerned about arbitrage and an in the end higher overall balancing sourcing cost.

- On section 8.2, principle 9, Febeliec supports with the pragmatic approach taken by Elia, in order to get a balance between allowing as much flexibility as possible while not creating unnecessary barriers of entry for new market actors that could contribute to the delivery of aFRR volumes.
- With respect to section 8.6, Febeliec is in general not in favour of introducing price caps. However, as the balancing market and the aFRR market in particular are not very liquid, with a very limited number of actors and a very high market concentration as shown by the HHI index, Febeliec would support the introduction of a price cap above the value of the Intraday market price cap in order to limit the margin for abuse from market players, and this until the level of competition and liquidity (both number of actors and volume) have sufficiently increased to allow for the abolition of such price cap. A yearly monitoring process by Elia in coordination with the CREG and all other stakeholders could be organised in order to analyse the evolution and define at which point it would be opportune to remove price caps and let a mature market decide on price levels independently.
- On part 2 with the discussion on Transfer of Energy, Febeliec hopes that already the two options without the requirement for ToE will lead to additional volumes in the aFRR market. However, and insofar feasible, Febeliec is of the opinion, as in all other markets, that ToE should be introduced in order to allow all market players, also those not obtaining explicit permission from their BRP/supplier, to offer their capabilities and capacity on the (in this case aFRR) market. The introduction of ToE in aFRR could lead to the opening up of additional segments of suppliers and as such Febeliec would like Elia together with CREG and the stakeholders to continue to investigate this track and try to implement as soon as possible.