



# Consultation report on the study regarding the implementation of ToE in DA/ID markets

## Market Development

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## Introduction

Elia publicly consulted a study on the development of the Transfer of Energy in the Day-ahead and Intraday markets (hereafter referred to as ToE-study) from the 17<sup>th</sup> of June until 15<sup>th</sup> of July 2019 in order to gather feedback from the market players. The documents under consultation can be found on [Elia's website](#).

The proposed ToE-study consists of two parts: a design study and a market study.

The design study describes the necessary design elements for an extension of the ToE mechanism to the DA/ID markets, as well as the possibility of a simultaneous activation of a Delivery Point on different market segments (called Combo activation) or a simultaneous activation of a Delivery Point by different Flexibility Service Providers (called "Multiple FSP activation").

The market study analyses the economic opportunity of the extensions described in the design study based, on one hand, on the feedback from market players and, on the other hand, on the experience feedback and the relevant lessons learned from markets where ToE is already deployed (namely mFRR market segments in Belgium and the NEBEF mechanism in France).

Elia received feedback on the ToE-study submitted to public consultation from the following market players:

- CENTRICA BUSINESS SOLUTIONS (RESTORE)
- FEBEG
- FEBELIEC
- SYNERGRID

All non-confidential received feedback can be consulted on Elia's website.

This consultation report consolidates the contributions received and provides Elia's response to the comments made.

The contributions are explained in detail and integrally published here below.

# 1 General comments on the conclusions of the ToE-study

Elia received during the public consultation following general remarks on the conclusions and observations of Elia regarding an extension of ToE to DA/ID markets, Combo functionality and Multiple FSP functionality.

Stakeholder	General feedback on an extension of ToE in DA/ID markets
<b>FEBEG</b>	<p>FEBEG reflects on the benefits to the extension of the ToE mechanism to the DA/ID markets. FEBEG notes that Suppliers already offer a range of contracts that allow customers to react to prices in the DA and ID timeframe. Extending the ToE mechanism to these timeframes rather, enlarges the scope of potential contractual conflicts between supply contracts with DA and ID flexibility and the ToE process.</p> <p>As the Day-ahead and Intraday markets differ significantly from the Balancing timeframe in terms of products, counter-parties, geographic scope and market size, a simple copy-paste of the current ToE design elements such as price formula and baseline is not possible.</p> <p>FEBEG questions why existing Day-Ahead Market and Continuous Intraday Market are not sufficient to foster Demand Side Management:</p> <ul style="list-style-type: none"> <li>- If a party is in need of some extra volumes, they can be requested using the usual bidding mechanisms of DAM/CIM.</li> <li>- In extension of the latter, a “Pass -through”-like contract is sufficient to offer extra flexibility in the DAM/CIM. Such users are already willing to shed their offtake whenever spot prices reach a certain level.</li> <li>- Moreover, the ToE extension towards DA/ID seems to create a non-level-playing field between parties. The mechanism requires the BRP source still having to pay the requested fees for accessing DAM/CIM (fixed + variable costs), while other parties access the same volumes “Over-The-Counter” without paying such fees. Those fees should be included as part of the compensation formula.</li> </ul> <p>FEBEG therefore reiterates the need for an evaluation of the current ToE framework before a decision on its extension is taken.</p>
<b>FEBELIEC</b>	<p>Febeliec would like to emphasize the importance of the extension of ToE from the balancing timeframe to the Day-ahead and Intraday timeframes, as it is of the utmost importance in a flexible energy system that consumers are able to valorise their flexibility across markets and timeframes, in order to allow them to reap the maximum benefit, while at the same time delivering crucial flexibility to the system and thus benefiting all Grid Users.</p> <p>Febeliec would in the framework of the DA/ID timeframe also like to take the</p>

opportunity to indicate that the success of ToE in any timeframe, including balancing, is not measured only by the volumes but also (and even more so) by the impact it has had on the market, by opening a discussion on participation of Grid Users to demand response services and products. Not only does the option of ToE create an additional channel for valorising flexibility, it also increases bargaining power of consumers with Suppliers, BRPs and aggregators.

Febeliec strongly believes that the discussions on and the introduction of ToE in balancing markets have led directly to the introduction of the Opt-out and Pass-through solutions, have created visibility and in general increased, according to Febeliec, the dynamics in the balancing market (in the strategic reserve market it has not yet been applied due to other circumstances), to the benefit of all Grid Users through a lower system cost. Febeliec is convinced that this can also be the case in the day-ahead and intraday markets and that it is again a no regrets solution on the short but definitely on the longer term, as more and more Grid Users will have the possibility to market their flexibility. This also aligns strongly with all the long term plans on Belgian and European level and the unlocking of the full potential of flexibility. Febeliec also wants to indicate for the day-ahead and intraday markets that the success of ToE will not only be measured by the volumes that are traded under a ToE regime but (and more so) by the better market functioning and more dynamic interaction, by the increase of the elasticity of the demand curve, thus leading to benefits for the entire system and a positive impact on the total system cost.

With respect to the Opt-out and Pass-through solutions, Febeliec would like to reiterate that all three solutions are not mutually interchangeable, different options can cater better for the specific situation of different consumers, as all three create options for increasing the valorisation of flexibility and are all long term no regret solutions. For Febeliec it is clear that all three solutions have their place and should be allowed, but it is essential to also allow consumers to valorise their flexibility outside of Opt-out and Pass-through solutions, which require still acceptance by other market actors to valorise their flexibility. For Febeliec all three solutions are intrinsically part of the market design and will continue to deliver value ad vitam once their development and implementation has been done

Febeliec is and has always been a strong supporter of the avoidance of gaming by market actors, but also believes in the possibilities of post-hoc penalisation and in any case trusts in the capacity of the regulator to counteract such behaviour. Febeliec strongly wants to urge to apply intelligent ways to counteract gaming by increasing the chances of being caught and by removing the incentives for doing so, for example by introducing sufficient random elements making gaming constructions less interesting and by applying very severe penalties in case of proven gaming.

<p><b>Synergrid</b></p>	<p>Les gestionnaires de réseau de distribution encouragent le développement de la participation de la flexibilité dans le marché de l'énergie. Ils sont donc prêts à faciliter l'implémentation du mécanisme de transfert d'énergie dans les marchés day-ahead et intraday, pour ce qui concerne la flexibilité offerte par les clients raccordés à leurs réseaux, comme ils le font dans le cadre des marchés de balancing. Dans ce contexte, les GRD rappellent qu'ils sont responsables de la gestion et de l'allocation des données des utilisateurs du réseau de distribution. Ils devront donc jouer un rôle actif dans les processus qui seront mis en place pour le transfert d'énergie dans les marchés DA et ID.</p> <p>En première analyse et sous réserve d'une étude plus approfondie, les GRD considèrent que, à l'exception majeure des questions relatives aux 'Multiple FSP's per DP' (chapitre 7 du document d'Elia), la mise en place à leur niveau des processus nécessaires pour rendre possible le transfert d'énergie dans les marchés DA et ID pour les clients de la distribution, pour autant qu'ils soient raccordés aux réseaux moyenne tension, ne devrait pas poser de difficulté importante<sup>(*)</sup>. En effet, la plupart des processus développés pour mFRR (NFS<sup>(**)</sup> contrat FSP-GRD, échanges de données Elia-GRD) seront également applicables à ces marchés, moyennant certaines adaptations du Datahub.</p> <p><sup>(*)</sup> Une extension de ces processus aux clients raccordés en basse tension n'est pas envisagée actuellement.</p> <p><sup>(**)</sup> A l'instar de mFRR, les GRD sont d'avis que les activations de flexibilité pourraient générer des problèmes de congestion lorsqu'elles ont lieu simultanément. Il est donc important que les GRD puissent effectuer une analyse de réseau au préalable pour garantir la sécurité de leur réseau.</p>
<p><b>CENTRICA BUSINESS SOLUTIONS</b></p>	<p>Centrica Business Solutions (REstore) asks Elia to publish an implementation timeline for the entry into force of the ToE for DA and ID, at the earliest possible. As highlighted by Centrica Business Solutions (REstore) in the survey conducted by Elia, the ToE in DA and ID would have been very useful during the last winter 2018/19: with the DA/ID ToE in place last winter, Centrica Business Solutions (REstore) is of the opinion that it could have brought additional flexibility to the market.</p> <p>Additionally, looking at the results of the recent 2020-2030 adequacy study of Elia it appears that, following recent decisions taken in Germany to start the coal phase-out, the Belgian market is already at risk for the winter 2020-2021 (as well as the following winters), with a potential negative margin for Elia to fulfil the legal LOLE criteria. Therefore, having the DA/ID ToE available and operational for the start of the winter 2020/2021 period will provide valuable support to the security of the Belgian grid.</p>

## Answer Elia

Elia notes that FEBELIEC, CENTRICA BUSINESS SOLUTIONS and SYNERGRID are positive regarding the extension of ToE in DA/ID markets while FEBEG questions its necessity given several contractual schemes in supplying contracts already exist today and allow Grid Users to access the DA/ID markets via their Supplier/BRPsource.

Elia's market study concludes that, although the above-mentioned specific supplying contracts exist, the extension of ToE in the DA/ID markets would provide additional options for Grid Users, to valorize their flexibility on the DA/ID market on top of those proposed by their own Supplier. Hence, ToE provides also a new market entry for the flexibility that does not participate in the existing framework (f.e. "slow" assets not meeting the requirements for mFRR, willing to work independently from BRPsource/Supplier).

Moreover, implementing ToE for DA/ID markets is in line with the Belgian Law and the European directives of the Clean Energy Package (directive and regulation).

ToE also has a facilitating role in the implementation of a CRM as it provides same access to all markets for all technologies and allows in this way a technology neutral CRM.

**Taking into account the above elements Elia recommends the implementation of the ToE in DA/ID markets.**

The design described in the ToE-study aims at providing as much as possible a level playing field while trying to avoid gaming possibilities (ex. for the baseline). Moreover the described design covers the extension of the ToE mechanism but also the extension of the Opt-out and Pass-through mechanisms to the DA/ID markets.

Elia also reminds that the BRPfsp<sub>DA/ID</sub> has to fulfill all necessary conditions to access the DAM/CIM as any other BRP.

Elia is currently analyzing the implementation impact, in concertation with the DSOs, and foresees to communicate an implementation timing by the end of 2019/beginning of 2020.

Stakeholder		General feedback on Combo functionality
<b>FEPEG</b>	<p><b>Page 84</b> <i>Combo activations add complexity on the proposed design by allowing simultaneous activations in different services on the same Delivery Point.</i></p> <p>FEPEG reminds its position about Combo activation: the more markets a DP can be active, the better.</p>	
<b>FEBELIEC</b>	<p>Concerning the explicit question from Elia on Combo activations (both in the balancing and the DA/ID timeframes), for Febeliec this is essential for any complete solution for ToE. It is unimaginable for Febeliec that such an essential key part of the market would not be developed. Febeliec does also not agree with the hypothesis from Elia in point 6.2 that maximum one FSP is active per Delivery Point (see also below). There are industrial processes (a.o. electrolysis) where a same process (and thus Delivery Point) can react with part of the consumption within the fast timing requirements of the balancing timeframe, whereas another part of the consumption on this Delivery Point requires more time to be activated (and thus is better suited for the DA/ID timeframe). A Combo would then bring added value, as a much larger volume of flexibility could be addressed.</p>	
Answer Elia		
<p>Elia understands that market players consider the Combo functionality as a positive feature. The design elements necessary to allow a Combo between the DA/ID product and respectively mFRR and aFRR are described in section 6 of the ToE-study.</p> <p>Although the Combo functionality can provide in theory more options for an optimal valorization of the flexibility on a Delivery Point, Elia is at his point not convinced that this functionality will effectively be used as:</p> <ul style="list-style-type: none"> <li>- The existing Combo between non-reserved and reserved mFRR has until now never been used by BSPs : BSPs don not offer on the non-reserved mFRR market segment (“Bidladder”) the remaining share of their flexibility that is not retained in the capacity auctions for reserved mFRR .</li> <li>- There is no concrete information provided by market parties whether the Delivery Points currently providing mFRR or those providing aFRR in the future have also additional ‘slow’ flexibility that would participate to the DA/ID markets.</li> </ul> <p>Elia is of the opinion that the example of electrolysis does not fit to the Combo functionality.</p> <p>Indeed, in this example, one first layer of flexibility can be activated quickly and the remaining flexibility needs more time to be deployed. This implies that the layer of ‘slow flexibility’ comes after the activation of the layer of ‘quick flexibility; this is not compatible with the timings of activation of the DA/ID product (activated hours in advance) and mFRR (15 minutes in advance).</p>		

**Given the theoretical advantages of the Combo on one hand and the uncertainty regarding its usage on the other hand, Elia is ready to develop the Combo functionality if the additional implementation efforts it implies are manageable and marginal.** Otherwise, Elia recommends postponing a decision regarding the implementation of the Combo functionality to later on, after more experience with ToE in the DA/ID markets is gained and after a re-assessment that could demonstrate the effective usage of the Combo functionality.

Elia will further analyze this together with the implementation impact analysis mentioned in previous point.

Stakeholder	General feedback on Multiple FSP functionality
<b>FEPEG</b>	<p><b>Page 52, 7.1 What is a Multiple FSP activation</b></p> <p>The given explanation illustrates how complex Multiple FSP activations can quickly become, with simultaneous/contractual combinations, different/same services, etc. FEPEG advocates not to pursue the Multiple FSP design.</p> <p><b>Page 85</b> <i>Allowing Multiple FSPs to activate simultaneously on a same Delivery Point creates, on top of the Combo design, another additional layer of complexity with constraints for involved parties</i></p> <p>In accordance with our previous comment (see comment on page 52), FEPEG supports the exclusion of Multiple FSPs on one DP.</p>
<b>FEBELIEC</b>	<p>Concerning Multiple FSP activations, this is also essential from the point of view of Febeliec, as any other solution would force consumers to select only one single FSP for all their flexibility, creating a lock-in effect and a barrier for other parties as well as substantial market power for that FSP that has a contract with a consumer, whereas the composition of the portfolios of FSPs could be such that different FSPs can offer more suitable and attractive offers for different products to a single consumer.</p> <p>The latter should thus have the possibility to valorise his flexibility in all its forms through different FSPs, by selecting those that are the best match to his flexibility and/or provide him the best money for value.</p>
<b>SYNERGRID</b>	<p>Les GRD émettent les plus grandes réserves quant à l'option envisagée d'autoriser plusieurs FSP d'être actifs sur un même DP. Ces réserves sont justifiées par les raisons suivantes :</p> <ul style="list-style-type: none"> <li>- L'impact sur les processus et sur les bases de données (en particulier sur la structure du registre d'accès et sur le Datahub) serait très important, en raison de la complexité inhérente à cette option. Les coûts associés seront donc, eux aussi, très importants.</li> <li>- Sur le marché belge de l'énergie, il n'est pas possible actuellement pour un client raccordé en distribution d'avoir plusieurs fournisseurs sur un même point d'accès (à l'exception du cas où le fournisseur en prélèvement est différent du fournisseur en injection). Il paraît donc exagéré de prévoir une telle option pour la valorisation de la flexibilité, qui ne représente aujourd'hui qu'une composante infime du marché.</li> <li>- Au cours des dernières années, il a été régulièrement demandé à Elia et aux GRD de développer (souvent en urgence) de nouveaux processus et/ou des outils afin de 'libérer le potentiel de la flexibilité'. Citons notamment l'ouverture du produit FCR à la basse tension ou le Bidladder pour le produit mFRR non-reserved. A ce jour, le succès de ces outils est très relatif. Il paraît donc recommandé de faire une analyse coûts-bénéfices approfondie avant d'envisager des</li> </ul>

développements d'une telle complexité.

- Il sera plus complexe pour les GRD d'assurer que les contraintes réseau imposées lui permettant de garantir la sécurité du réseau soient respectées, ce qui entraîne davantage de risques.

Pour ces raisons, qui ne sont pas exhaustives, les GRD sont totalement opposés à l'option 'Multiple FSPs per DP', pour ce qui concerne les clients raccordés à leurs réseaux.

### Answer Elia

Elia understands from market parties that there is no unanimity regarding the advantages and need of the Multiple FSP functionality.

The design elements necessary to allow a simultaneous activation of a given Delivery Point by different FSPs are described in section 7 of the ToE-study. The adaptations described in the ToE-study illustrate the additional design, implementation and operational complexity for Elia, for the DSOs but also for the Grid Users and the involved FSPs (registration procedures, updated Tetris approach, Multiple contractual regimes,...). More particularly a continuous coordination and alignment between the Grid User and the involved FSPs is necessary to allow a Multiple FSP design (f.e. a master-baseline implying that FSPs inform each other of their biddings and activations).

In addition, allowing a simultaneous activation by Multiple FSPs would not reduce the eventual lock-in effect: the continuous alignment needed between FSPs and GU could on the contrary lead to a strengthening of the commercial conditions requested by the first FSP active on a Delivery Point.

Grid Users are already today not constrained to choose only one party to valorize their flexibility: the possibility exists to valorize one part of the flexibility with an independent FSP and the rest of the flexibility with their Supplier and/or to use the existing sub-metering solutions to separate among different FSPs the flexibility of their industrial site.

Moreover, market parties have provided no concrete insights regarding the number of Delivery Points and volumes that are blocked without this feature.

Finally, as there is already a doubt regarding the effective usage of the Combo functionality on a same Delivery Point, the probability regarding the usage of the Multiple FSP feature (which is a particular case of Combo) seems even lower.

**To conclude, the high implementation and operational complexity on one hand and the serious doubts regarding its effective usage on the other hand lead de facto to a negative cost-benefit analysis. Therefore, Elia does not recommend implementing the Multiple FSP feature.**

## 2 Detailed comments on the Design study

Elia received the following reactions from market players related to specific design elements.

### 2.1 Extension of ToE to DA/ID markets

#### Asymmetric Imbalance Adjustment (*Section 5.3.1, pg. 26*)

**Context:** The Asymmetric Imbalance Adjustment mechanism (AIA) was introduced in 2016 during the design of the Bidladder project. In first instance and for harmonization reasons, Elia foresaw an identical approach for the ToE in DA/ID markets.

During the pre-consultation workshops organized on 2/4/2019 and 15/5/2019, some stakeholders expressed concerns about this mechanism. More specifically one stakeholder noticed that the over-delivery could have negative impact on the BRPsource as the direction of the activation (decided in DA/ID) is not correlated to the direction of the imbalance of the control area in RT neither to the imbalance price. Another stakeholder asked if it was not better to remove the AIA.

Following this Elia requested explicitly in the note the formal position of the stakeholders regarding the application of Asymmetric Imbalance Adjustment.

Stakeholder	Feedback on Asymmetric Imbalance Adjustment
<b>FEBELIEC</b>	On the application of an Asymmetric Imbalance Adjustment, Febeliec has no specific position, but wants to stress that the introduction of this mechanism, for the reasons mentioned by Elia, should not lead to the perverse effect of creating a new and undue barrier for new entrants in this market
<b>CENTRICA BUSINESS SOLUTIONS</b>	Centrica Business Solutions (REstore) understands the concerns raised by some market parties on the fact that the asymmetric imbalance adjustment that was chosen as a solution for the mFRR ToE back in 2016 could appear as not being a relevant design to copy/paste for DA/ID, as it could offer a possibility of arbitrage not justified for the BRPfsp towards the imbalance price in case of over-delivery, which could be detrimental to the BRPsource. Centrica Business Solutions (REstore) would therefore accept a symmetric imbalance adjustment for ToE in DA or ID, if this was the conclusion taken by ELIA. However, as this creates a market with two different design for FSPs depending if the flexibility is sold in DA/ID or in mFRR, Centrica Business Solutions (REstore) also asks Elia to consider options to mitigate the additional burden this would create for FSPs.

## Answer Elia

Based on the feedback received during the public consultation Elia understands that market parties are against or rather neutral regarding AIA and mainly want to avoid additional barriers or administrative burden.

Taken into account remarks during the workshops Elia analyzed, at CREG's request, the relevance of the AIA.

The purpose of the AIA in the Bidladder project was to avoid "marker bids" of the BSP characterized by a, potentially systematic and/or important, deliberate over-delivery in order to receive the imbalance price.

Any over-delivery (when  $E_{\text{requested}} < E_{\text{delivered}}$ ) during an activation is allocated to the perimeter of the BRPsource(s). This cancelled the incentive for BSPs to over-react during any activation of mFRR and had no negative effect for the BRPsource as the imbalance created in his perimeter by the over-delivery was in the right direction.

However, as noticed during the pre-consultation workshops, dynamics in the DA/ID markets are different: there is no direct link between the direction of an activation decided in DA/ID and the direction of the imbalance control area in real time. This implies that:

- An over-delivery<sup>1</sup> of an activation triggered in DA could have negative effect on the BRPsource if not in the "right direction".
- The incentive to systematically over-deliver is not present in the DA/ID markets.

Therefore, the application of AIA seems indeed not relevant for the DA/ID product and can on the contrary have negative effects.

Note that implementing different approaches of ToE in DA/ID and in mFRR may not be suitable (as also mentioned by CENTRICA BUSINESS SOLUTIONS), among others because it can make the Combo implementation not possible. Therefore, all markets where ToE is applicable should be taken into account and a same regime (AIA or no AIA) should be applied to all of them.

When looking at the balancing markets and their evolutions, it appears that the AIA becomes also non-relevant for them:

- In the context of the EU balancing market integration, balancing products in Belgium could be activated by other TSOs independently from the direction of the Belgian imbalance area implying the same risk of a negative impact on the BRPsource(s) due to AIA as in DA/ID.
- The pay-as-clear methodology for the settlement of mFRR balancing energy bids, that

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<sup>1</sup> Even those that are non-premeditated by the FSP<sub>DA/ID</sub>.

will be applied as of Q1 2020<sup>2</sup>, will reduce the incentive for “marker bids”.

Taken into account all those elements, Elia proposes to implement no AIA for ToE in DA/ID markets and to remove the use of AIA for all the other markets where ToE is applicable.

Elia wants to remind that:

- The removal of AIA does never negatively impact the BRPsource(s) as this later will always be neutralized by  $E_{\text{delivered}}$ .
- Even without AIA, the  $E_{\text{delivered}}$  per Delivery Point may never exceed the contractual maximum value of flexibility authorized for that Delivery Point. This means that the calculation of  $E_{\text{delivered\_DP}}$  will still be capped by  $DP_{\text{max\_up}}$  and/or  $DP_{\text{max\_down}}$

⇒ **Elia adapted the design note accordingly to integrate this approach and an example of settlement can be found in section 5.3.1.**

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<sup>2</sup> The R3 2020 design note can be consulted on [Elia's website](#)

Stakeholder		Feedback on content of FSP notification 0 (Section 5.2.2, pg. 17)	
<b>FEPEG</b>			<p><b>Page 19, footnote 23:</b> <i>It is important to remark Elia will calculate only the maximum flexibility for one direction (upwards or downwards) for all impacted BRP sources, which implies all impacted BRP sources receive the maximum upwards flexibility for all the Delivery Points in their perimeter or all impacted BRP sources receive the maximum downwards flexibility for all the Delivery Points in their perimeter. In other words for the same activation it is not possible BRP source A with DP 1 is notified with a maximum upwards flexibility and BRP source B with DP 2 is notified with a maximum downwards flexibility.</i></p> <p>For FEPEG, this disposition leads to disinformation, as actors are not aware how much of the max capacity will be activated here. FEPEG wonders how a BRP Source is supposed to balance his position if he only has an indication of the Max capacity at 3 min before the activation. If only a fraction is used but the other DP significantly deviate, you have to know if this is your responsibility or not. This set-up is making it very difficult for a BRP source to assess his balancing position.</p>

Answer Elia	
	<p>Based on the feedback of FEPEG, Elia adapts the design related to this first notification to provide more accurate and clear information to the BRPsource.</p> <p>Elia believes the FSP<sub>DA/ID</sub> can already have a view on the Delivery Points and their contribution in volume to the activation at the moment of the FSP-Notification 0.</p> <p>Therefore, Elia proposes to align the content of FSP-Notification 0 to the content of FSP-Notification 1 and asks the FSP<sub>DA/ID</sub> to provide in FSP-Notification 0 (thus 15 min to 5 min before RT) a first estimate of the distribution of the total activated volume among the activated Delivery Points. In FSP-Notification 1 (up to 3 minutes after the start of the activation period), the FSP<sub>DA/ID</sub> will then confirm or adapt the values provided in FSP-Notification 0.</p> <p>In addition, Elia will provide in the BRP notifications, together with this best estimate of the distribution, a range of maximum and minimum impact on the BRPsource based respectively on the sum of the DP<sub>DA/ID,max_up</sub> and DP<sub>DA/ID,max_down</sub> of all Delivery Points included in the notification of the FSP<sub>DA/ID</sub>.</p> <p>⇒ <b>Elia adapted the design note in section 5.2.2 accordingly to integrate this approach.</b> Elia nevertheless wants to precise that even if those notifications become more detailed they remain a best indication of the volume that is supposed to be activated in the perimeter of the BRPsource. The exact volume activated and included in the correction of perimeter of the BRPsource is calculated ex-post during the settlement phase.</p>

Stakeholder		Feedback on ID nominations/notifications (Section 5.2.2, pg. 18)	
<b>FEBELIEC</b>		On p18 (first remark), the last part of the sentence of the remark should be deleted or modified, as it has no meaning in its current form.	
<b>FEBEG</b>		Page 18, §1: The sentence seems incomplete and therefore is unclear, even though it covers an important element on the timing of nomination/notification during ID. FEBEG request to clarify, that even if flex nomination in ID can be performed ex-post, the notification has to happen before real-time. It also has to be clarified what happens if a notification is send, but no related nomination has been introduced afterwards.	
Answer Elia			
<p><b>Elia made the necessary adaptation in the design note to correct this typo and to clarify the sentence as follows:</b></p> <p><i>Remark: This implies that, although the BRPfsp<sub>DA/ID</sub> is allowed to introduce his ID Flex nominations till 14h00 CET D+1 he has to inform the FSP<sub>DA/ID</sub> on time of the volumes to be activated, so that the FSP<sub>DA/ID</sub> can send his notifications to Elia before the start of the activation.</i></p> <p>In addition, Elia clarifies here below the timings regarding ID Flex nominations and FSP-Notifications.</p> <p>Flexibility volumes exchanged in the ID market need to be nominated by the BRPfsp<sub>DA/ID</sub> before 14h00 D+1 (with D as the day of the activation). This timing is aligned with the existing processes for intraday nominations.</p> <p>Elia confirms that the FSP-Notifications by the FSP<sub>DA/ID</sub> must start before the real time as follows (as described in section 5.2.2):</p> <ul style="list-style-type: none"> <li>- FSP-Notification 0 at the earliest 15 minutes before the start activation and at the latest 5 minutes before the start of the activation.</li> <li>- FSP-Notification 1 at the earliest immediately after the FSP-Notification 0 and at the latest 3 minutes after the start of the activation.</li> <li>- FSP-Notification 2 at the latest within 3 minutes after the end of the activation period.</li> </ul> <p>Elia can thus receive ID Flex nominations introduced by the BRPfsp<sub>DA/ID</sub> several hours after the FSP-Notifications from the FSP<sub>DA/ID</sub>.</p> <p>Finally, any notification from the FSP<sub>DA/ID</sub> will serve as trigger to do the settlement (calculation of E<sub>delivered</sub> per DP and corrections of perimeter of the BRPsource and the BRPfsp<sub>DA/ID</sub>). If a notification is submitted by the FSP<sub>DA/ID</sub> while no equivalent Flex nomination is introduced by the BRPfsp<sub>DA/ID</sub> Elia will proceed to the correction of perimeter of the BRPfsp<sub>DA/ID</sub> based on the information received by the FSP<sub>DA/ID</sub> during the notification phase.</p>			

Stakeholder Feedback on additional rules regarding notifications (Section 5.2.2.7, pg. 21)	
<b>FEBEG</b>	<p><b>Page 21, 5.2.2.7 Additional rules regarding notifications:</b></p> <p><i>FSP-Notification 2 will be used for settlement: Delivery Points for which the volume reported by the FSP<sub>DA/ID</sub> in this Notification 2 is equal to 0 MW are further excluded by Elia for the settlement calculations. If Elia does not receive FSP-Notification 2, FSP-Notification 1 will be used for the settlement.</i></p> <p><i>If both FSP-Notification 1 and FSP-Notification 2 are not received by Elia, the activation is considered as not proceeded and no correction of perimeters will be done. In this situation FSP<sub>DA/ID</sub> will be suspended from the mechanism for a period of 30 calendar days because by doing so he creates an imbalance in the perimeter of BRPsource that Elia cannot neutralize.</i></p> <p>FEBEG notes there is no mention of a financial compensation for the BRPsource, even though he is financially impacted. A suspension of the FSP does not alter the fact that the BRP source has been impacted.</p>
<b>FEBEG</b>	<p><b>Page 25: Elia sends the 3rd BRP-Notifications to all BRP sources, as soon as FSP-Notification 2 is received, confirming of the volumes aggregated for all their Delivery Points within their perimeter:</b></p> <ul style="list-style-type: none"> <li><i>o BRP source A : Volume = + 10 MW Activation period X</i></li> <li><i>o BRP source B : Volume = + 2 MW Activation period X</i></li> <li><i>o BRP source C : Volume = + 1 MW Activation period X</i></li> </ul> <p>The activation volumes can be significant. Therefore, for FEBEG, no option should exist where the BRP source is penalized due to actions of another player. Cost of imbalance in 1 hour can be much higher as the turnover of a FSP<sub>DA/ID</sub>. FEBEG questions how a BRP source is protected for this situation.</p>
Answer Elia	
<p>FEBEG remarks that when the FSP<sub>DA/ID</sub> proceeds to an activation and informs Elia via a FSP-Notification, Elia should proceed to the settlement of this activation even when FSP-Notifications 1 and 2 are missed because any activation (if not neutralized) has an impact on the imbalance of the BRPsource.</p> <p>Elia agrees with FEBEG and adapt the design as follows:</p> <ul style="list-style-type: none"> <li>- All Delivery Points for which the volume announced in FSP-Notification 2 is not equal to zero are considered for the settlement.</li> <li>- If FSP-Notification 2 is missed, all Delivery Points for which the volume announced in FSP-Notification 1 is not equal to zero are considered for the settlement.</li> </ul>	

- If FSP-Notification 2 and 1 are missed, all Delivery Points for which the volume announced in FSP-Notification 0 is not equal to zero are considered for the settlement.

⇒ **Section 5.2.2.7 of the design note is adapted accordingly.**

Stakeholder		Feedback on suspension due to missing notifications (Section 5.2.2.7, pg. 21)
<b>FEBEG</b>	<p><i>Page 21, 5.2.2.7, Additional rules regarding notifications: Any FSP-Notification within the above-mentioned notification process not received by Elia is considered as a missing notification (regardless if it is FSP-Notification 0, FSP-Notification 1 or even FSP-Notification 2). If Elia notices three or more missing notifications within a period of 30 calendar days, it will notify the FSP<sub>DA/ID</sub> and suspend him from the mechanism for a period of 5 calendar days.</i></p> <p>FEBEG considers that the penalties for missing notifications by the FSP seems limited: a suspension of 5 calendar days for a product with very limited activations is not really penalizing.</p>	
Answer Elia		
<p>Elia understands that FEBEG considers that a suspension of 5 calendar days in case of missed notifications during a period of 30 calendar is not efficient and not enough discouraging as the frequency of the activations is not known and could be limited.</p> <p>Elia adapts the suspension mechanism in case of missed notifications as follows:</p> <ul style="list-style-type: none"> <li>- In case of three or more missing notifications during a period of 90 consecutive days, Elia reserves the right to suspend, after notification to the CREG, the concerned <u>ToE Delivery Points</u> of the FSP<sub>DA/ID</sub> for 30 calendar days.</li> <li>- If the same issue (i.e. three or more missing notifications in a period of 90 days) happens again during the 12 months following the first missed notification, Elia reserves the right to disqualify, after notification to the CREG, the concerned <u>ToE Delivery Points</u><sup>3</sup> of the FSP<sub>DA/ID</sub> for 90 calendar days and the FSP<sub>DA/ID</sub> needs to pass the communication test again.</li> </ul> <p>⇒ <b>Elia adapted the design note in section 5.2.2.7 to meet the stakeholder's remark.</b></p>		

<sup>3</sup> Indeed for Delivery Points under Pass-through contract one can assume that the BRPsource does ( counter-react) to deviations of those points and for Delivery Points under Opt-out regime the BRPsource and the FSP have a bilateral agreement where they handle among others the information exchange regarding the activations

<p>3. The <math>FSP_{DA/ID}</math> operates his pool of Delivery Points and asks the Grid User to reduce his net-offtake in order to deliver the volume sold by the <math>BRP_{fsp_{DA/ID}}</math>. The <math>FSP_{DA/ID}</math> also announces to Elia this activation and <u>the purpose of it</u> via a FSP-Notification.</p>	
<p><b>FEBELIEC</b></p>	<p>On p10 (point 3), Elia mentions “the purpose of it via a FSP-Notification”: What does Elia mean with purpose in this context? Does this refer to the nature of the activation (DA or ID)? If not, which information is Elia looking for with this?</p>
<p><b>Answer Elia</b></p>	
<p>One of the goals of the FSP-Notifications is to provide Elia with information on the pool of Delivery Point used for the activation.</p> <p>The information provided by the <math>FSP_{DA/ID}</math> consists of the Activated volume, the Activation period and the pool of Delivery Points, as well as the share (in MW) of the Activated Volume.</p> <p>Elia adapted the sentence to clarify it as follows:</p> <p style="padding-left: 40px;"><i>3. The <math>FSP_{DA/ID}</math> operates his pool of Delivery Points and asks the Grid User to reduce his net-offtake in order to deliver the volume sold by the <math>BRP_{fsp_{DA/ID}}</math>. The <math>FSP_{DA/ID}</math> also announces to Elia this activation as well as <b>its characteristics</b><sup>(*)</sup> via a FSP-Notification.</i></p> <p><sup>(*)</sup> Activated Volume, Activation Period and list of Delivery Points used for the activation as well as their contribution (in MW) to the Activated Volume</p>	

Stakeholder	Feedback on the proposed baseline methodology (Section 5.3.2, pg. 29)
<b>CENTRICA BUSINESS SOLUTIONS</b>	<p>Following previous remarks made on the baseline choice, Centrica Business Solutions (REstore) would like to bring to the table additional elements to help Elia come to a decision and implement a workable solution. Our internal analysis regarding the efficiency of the High X of Y methodology based on existing assets shows that it can come up with good results, but under the assumption that it comes with an adjustment. In case there is no adjustment, the baseline obtained can deviate significantly from the real one and compromise the settlement of the activation. We do however understand that Elia has taken the option to propose for DA and ID ToE a High X of Y without adjustment of the curve.</p> <p>Centrica Business Solutions (REstore) understands that this proposal aims at avoiding arbitrage, e.g. by artificially increasing the reference point and using the adjustment of a consumption shape to benefit from MWs which are not really activated. However, completely removing the possibility of an adjustment puts at risks the MWs that we analysed. Therefore, we ask Elia to further assess available options to secure a workable design, among which:</p> <ul style="list-style-type: none"> <li>- Allowing the use of alternative baselines, in the case the FSP can demonstrate that the High X of Y without adjustment puts at risk the volumes activated;</li> <li>- Allowing an adjustment of the high X of Y, under the condition that an external factor (not in the hands of the FSP) is added as a pre-condition to do this. Centrica Business Solutions (REstore) believes that if the FSP does not have all the cards in hands, for example not knowing ex-ante if the baseline can be adjusted or not, it reduces significantly the opportunities of arbitrage.</li> </ul> <p>To conclude, Centrica Business Solutions (REstore) asks Elia to further analyse the best solution to secure a workable compromise between a secure baseline on the one hand, not offering obvious arbitrage opportunities to FSPs, and a baseline that will best work for the assets that will participate to DA and ID ToE on the other hand.</p>
<b>FEBELIEC</b>	<p>Concerning the baseline, Febeliec is not opposed against the “High X of Y*” methodology proposed by Elia, but nevertheless, as also already indicated during the task force and expert group meetings, wants to stress that whereas balancing events are not necessarily correlated to a.o. weather driven events and more randomly spread across the spectrum, thus leading to less issues with the selection of representative days, this is not necessarily the case for the DA/ID market, where a period with e.g. high wind/solar infeed is most often not comparable with a period of low wind/solar infeed and thus such situations will impact the relevance of the selected “representative days” in the</p>

	<p>methodology proposed by Elia. This issue should not be neglected and it should be considered which approach can be taken in order to nullify to the extent possible the negative impact that this could have on the baseline relevance and thus the potential for consumers to activate and valorise their flexibility.</p>
<p><b>FEBEG</b></p>	<p><b>Page 32:</b> <i>The FSP<sub>DA/ID</sub> may ask to exclude one (or more) days of the representative days at the following conditions only:...</i></p> <p>The exclusion of a peak price day if activation day is not peak price day is appropriate for FEBEG, but the other way around should also be considered: a peak price day in the representative days should be foreseen if the activation day (or hour) is a peak price moment. Otherwise, the ToE ID/DA may cannibalize price-sensitive customers from existing contracts with ID/DA exposure contracts.</p>

### Answer Elia

The High X of Y baseline methodology is a robust baseline well known by market parties and used in other markets for the participation of Demand Response in DA/ID markets (ex: *High X of Y* is used by PJM for participation of DR in DA/ID products; in France a similar baseline based on historical consumption is proposed for the NEBEF Mechanism).

Market parties agree that the baseline methodology proposed by Elia is acceptable. Nevertheless they ask to take into account the influence on the profile of the Delivery Point of several parameters such as weather conditions (wind, solar) or prices of the DA market.

The introduction of such parameters has a different influence on each Delivery Point (ex: one industrial site could be sensitive to the weather conditions and the price of the DA market while the other not). Simulations with “real” Delivery Points participating to the DA/ID product would be necessary to analyze the effect of each of those parameters on the accuracy of the baseline and to fine-tune it. Elia thinks that such an evolution of the baseline methodology can be analyzed after usage of the service during a relevant period to be able to identify lessons learned and potential improvements.

That being said, the adjustment of the baseline, as proposed by Centrica, could answer to the requests of the other stakeholders: if an industrial site is sensitive to some specific parameters the occurrence of those parameters the day of the activation would influence the profile of the Delivery Point before the activation and therefore be gathered by the adjustment.

⇒ **Therefore, Elia proposes to allow under strict conditions an uncapped symmetric additive adjustment of the baseline.**

This adjustment can be applied only after explicit request from the FSP<sub>DA/ID</sub> and after a 3 month prequalification period proving that the adjustment provides better results than the basic High X of Y\* without adjustment.

The uncapped symmetric additive adjustment is similar to the existing adjustment applied for

mFRR. The adjustment period will cover a 3 hours period 3 hours before the activation.

Elia will monitor the results and ask the FSP<sub>DA/ID</sub> for a justification when the consumption during the adjustment is 15% higher than the consumption during the same time-period over the X relevant days. If this justification is insufficient, Elia reserves the right to stop the adjustment for the considered Delivery Point after notification to the CREG.

⇒ **The design note has been adapted accordingly in section 5.3.2.**

Stakeholder		Feedback on determination of representative days (Section 5.3.2, pg. 30)	
<b>FEBEG</b>			
		<p><b>Page 32:</b> <i>Peak price day, which is defined as a day with at least one hour with EPEX BE DA price &gt; 150EUR/MWh.</i></p> <p>FEBEG considers that 150EUR the Peak price becomes irrelevant in tight market situations and should be considered in a relative price indicating a peak versus the ongoing average as you perform reference day identification.</p>	
Answer Elia			
<p>Elia understands that FEBEG agrees with the possibility to exclude a peak price day if the day of the activation is not a peak price day but considers that 150€/MWh is not enough and suggests to adapt the condition for exclusion to a “relative condition” (price of the peak day compared to the price during the activation period).</p> <p>Elia agrees and adapts the design note so that the FSP<sub>DA/ID</sub> may exclude a day of the average DA price during the time-period corresponding to the activation period during that day, if the price is &gt; 150€/MWh and higher than the average DA price for the activation period.</p> <p>For example, for an activation during Day D between 13h and 14h with an average DAM price between 13h and 14h for day D of 3000€/MWh, Day X can be excluded if the average DAM price between 13h and 14h for day X is &gt; than 150€/MWh and &gt; than 3000€/MWh.</p> <p>⇒ <b>Elia adapted the design note accordingly in section 5.3.2.</b></p>			

Stakeholder		Feedback on lay-out (Section 5.3.1, pg. 29)	
<b>FEBELIEC</b>			
		<p>On p29 in step 0. of the table, presumably a reference to the correct section is missing (section “-“ )</p>	
Answer Elia			
<p>Elia adapted the typos and verified that all references are correctly showed in the document.</p>			

## 2.2 Combo activations

Stakeholder	Feedback on Combo activation vs iCAROS
<b>FEPEG</b>	FEPEG would like to receive more insights on the case where the FSP needs to be the scheduling agent (cf. iCAROS Proposal) in case of Combo activation.
<b>Answer Elia</b>	
<p>The Scheduling Agent<sup>4</sup> (SA) is the responsible party for the provision of active power schedules of PGMs and ESDs as well as offering flexibility for congestion. The SA may be the Grid User or a third party designated by him.</p> <p>In case the Delivery Point is also used for balancing services offered via a third party BSP, according to the iCAROS design (which was consulted in 2018) when a BSP is active on a Delivery Point with such a scheduling obligation, either the Grid User takes on the role of SA or the Grid User designates the concerned BSP as SA.</p> <p>The SA should be informed of a balancing activation of flexibility on a Delivery Point otherwise he might counteract the balancing activation by returning to the original schedule.</p> <p>As explained in the iCAROS design, if for balancing services this Delivery Point falls under the ToE regime then the Grid User would have to take on the role of SA because the SA also bids the flexibility for congestion. As ToE is not allowed for congestion management the SA has to foresee an agreement with the BRP implying that the SA cannot be a BSP with ToE.</p> <p>The principles above remain valid with a Combo, when the BSP is also FSP<sub>DA/ID</sub>. In this case the Grid User has to be SA or designate the BSP/FSP<sub>DA/ID</sub> (if the later has no ToE contractual regime) as SA.</p> <p>For situations with Multiple FSPs/BSPs on a same Delivery Point, the Grid User has to be SA or designate one of the FSPs (who has no ToE contractual regime) as SA considering that, as already mentioned in the design of the ToE-study, both FSPs already must continuously coordinate with each-other.</p>	

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<sup>4</sup> This design note (2018 Design Note ICAROS Future Scheduling & Redispatching) can be consulted on [Elia's website](#).

Stakeholder Feedback on Publication of Imbalance volumes with Combo activation (Section 6.4.5, pg. 44)	
<b>FEBEG</b>	<p><b>Page 46, 6.5 Combo activation between aFRR and DA/ID</b></p> <p>In case of a Combo activation, the cross-product aggregated volumes will be published to the Supplier and FSP. Published volumes will not be split and aggregated per product. For FEBEG, this raises the important question how a detailed compensation – with potentially different compensation per product – is possible if there is no split published.</p>
Answer Elia	
<p>Elia does not agree with the request of FEBEG to split volumes communicated to the FSP and Supplier for the settlement of the ToE.</p> <p>As for all other market segments for which the ToE has been implemented or analyzed, volumes are meant to be published on an aggregated manner. This is a direct application of one the main principles of ToE (as defined by the CREG<sup>5</sup>) to guarantee the confidentiality of commercial sensitive data.</p> <p>Elia does not see any reason to split activated volumes per product or per voltage level of the Delivery Point as it can hamper confidentiality.</p> <p>Moreover, Elia would also like to remind that the transfer price by default is also a unique formula independent from the balancing product.</p>	

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<sup>5</sup> Study of the CREG can be consulted on the [website of the CREG](#).

**Stakeholder**      **Feedback on Settlement of Combo activation aFRR and DA/ID**  
*(Section 6.5.4, pg. 46)*

**FEBELIEC**      On point 6.5.5, Febeliec wonders whether no alternative solution exists for overlapping pools than enforcing a same regime for all Delivery Points in a pool, thus potentially limiting the contribution of pools/Delivery Points as they will have to be split across different pools according to this characteristic.

**Answer Elia**

The AIA principle implies that if at least one Delivery Point is under a ToE-regime during a Combo activation, Elia has to calculate  $E_{\text{delivered\_DP}}$  for each Delivery Point of the pools participating to the Combo activation (as well for the Combo Delivery Points as for the Pure Delivery Points independently of those are under ToE or Pass through regime).

	<ul style="list-style-type: none"> <li>- DP 1 = Opt-out regime</li> <li>- DP 2 = Opt-out regime</li> <li>- DP 3 = ToE regime</li> </ul> <p>If one Delivery Point (even if it is a Pure Delivery Point like DP3 or DP1) is under ToE-regime, <math>E_{\text{delivered\_DP}}</math> on a 15' basis has to be calculated for each DP of the pool: DP1 and DP2 and DP3</p>
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Following the conclusions of the aFRR study, the calculation of  $E_{\text{delivered\_DP}}$  on a 15' basis is not compatible with the decision not to implement ToE in aFRR. As a result, with AIA, all the Delivery Points participating to a Combo activation had to be in Pass-through or Opt-out regime.

Since AIA adjustment will no longer be maintained, the implication explained here-above no longer holds and the above-illustrated constellation is now allowed.

Note: as foreseen in the aFRR design note, all Delivery Points providing aFRR are, de facto, Delivery Points under Pass-through or Opt-out regime.

⇒ **The design note in section 6.5.4 has been adapted consequently.**

## 2.3 Multiple FSP activations

Stakeholder Feedback on bidding and activation phase with Multiple FSP activation (Section 7.2.2 and 7.2.3 on pg. 50-51)	
<b>FEBELIEC</b>	On points 7.2.2 and 7.2.3, Febeliec wonders whether this would not entail a risk of breach of confidentiality.
<b>Answer Elia</b>	
<p>During the bidding phase (section 7.2.2) and the activation phase (section 7.2.3) with Multiple FSPs involved, the FSPs need to coordinate:</p> <ul style="list-style-type: none"> <li>- For the bidding phase: FSPs have the option to coordinate among each other in order to have the most efficient use of the maximum upward or downward flexibility allowed on the “Multiple FSP Delivery Point” so that the one FSP can bid up <math>DP_{max}</math> when the other does not use the Delivery Point, or, they can decide to do a split-up of the usage of this <math>DP_{max}</math> among them ex ante and never bid more than their part of the decided split-up.</li> <li>- For the activation phase of a Multiple FSP Delivery Point, independently from the design, the behavior of one FSP will always impact the result of the other FSP (an example is described in section 7.2.4 of the design note) implying again that coordination is necessary.</li> </ul> <p>Coordination and alignment among the FSPs and the Grid User is inherent to a Multiple FSP activation and implies indeed that those parties decide to share (potentially confidential) information.</p>	

### 3 Detailed comments on the Market study

Elia received following reactions during the public consultation from market players related to the market study.

Stakeholder	Feedback on positions made by market parties during the survey
<b>FEBEG</b>	<p><b>Page 76:</b> <i>FEBELIEC is not directly concerned, but wants to stress that at market prices above 500, but definitely above 1000 €/MWh, many consumers that are exposed to market price signals and have the possibility to react (either through their contracts or in the future through a.o. ToE) will no longer consume electricity as this price level will start to be higher than the opportunity costs involved in not consuming this electricity. This effect will only continue to increase as prices increase, to the level of VoLL where consumers should be indifferent to consume or not consume. The basic premise is that consumers are however exposed to price signals and that they can react to these, implying the significance of ToE in DA/ID or alternatives.</i></p> <p>FEBEG do not see the link between customers being exposed to ID/DA prices, and the ToE allowing them to react to that. If today customers are exposed to DA/ID prices, they can generally also react if those prices are high (which is exactly the point of contracts with such exposure). FEBEG questions this argument in favor of extension of ToE to ID/DA.</p>
<b>FEBELIEC</b>	<p>Concerning the market study and the feedback of market parties, Febeliec does not want to go into detail into all the comments received from other market parties, but whoever wants to stress that it is essential to take into account that the development of demand side flexibility creates an alternative to other (already developed and allowed) sources of flexibility and thus the abolishment of barriers for the participation of consumers with their flexibility could go against the vested interests of several parties. Moreover, Febeliec does want to react to a specific comment from FEBEG on question 5 in point 9.1, as FEBEG mentions that the <i>“reduction of such flexibility [for the sake of managing their balancing perimeter optimally and reacting to unpredictable circumstances] from its portfolio through unsolicited activations during the DA/ID timeframe is therefore detrimental for the Supplier and comes at a cost”</i> is incorrect, as it is allowed for BRPs (rather than Suppliers) to <b>contract</b> the flexibility of the consumers in the portfolio and use this <b>contracted</b> flexibility to manage its balancing perimeter.</p>
<b>FEBEG</b>	<p><b>Page 67, 8.1 Feedback of market parties</b> ToE has an added value by offering an additional channel to Grid Users to valorize their flexibility and increases dynamics of the balancing market.</p>

	<p>FEBEG is quite surprised that ToE success cannot be measured or seen directly. As Compass Lexecon indicates (see 8.2. §3), there is no measurable impact of the existing ToE on any market. FEBEG considers therefore that the value of ToE should be assessed rather critical, if no effect can be observed.</p>
<b>FEBEG</b>	<p><b>Page 69:</b> Low liquidity on Bidladder could be explained by the lack of guaranteed revenue and by the fact that mFRR product specifications are stringent</p> <p>The description of ToE (and its extension to ID/DA) as a no-regret solution is questionable for FEBEG, given that there is currently no measurable impact of the ToE in any market, and the implementation/operational costs are in fact very real.</p>
<p><b>Answer Elia</b></p>	
<p>These remarks are reflecting a position of market parties on a position of other market parties expressed during the questionnaire. Elia understands that these are not questions addressed to Elia. Therefore, no answer is required.</p>	

<p><b>Stakeholder Feedback on the facilitating role ToE in DA/ID could have on a CRM (Section 9.3, pg. 79)</b></p>	
<b>FEBELIEC</b>	<p>On point 4, Febeliec is appalled that Elia sees no added value of the extension of ToE to the DA/ID timeframes to facilitate the functioning of the market, and as requested by market actors, but rather as a means to facilitate the introduction of yet another distortion to the market! For Febeliec, Elia has its priorities completely wrong here. As also indicated in the Clean Energy Package for all Europeans, everything possible should be done to make the Energy Only Market function properly by removing all barriers, while new distortions such as capacity remuneration mechanisms are only allowed as a last resort under strict conditions, not the other way around!</p>
<p><b>Answer Elia</b></p>	
<p>FEBELIEC expressed their concerns regarding the fact that Elia mentions the facilitating role of the ToE in DA/ID for the implementation of a CRM.</p> <p>Without expressing any opinion on the implementation of a CRM mechanism, the ToE-study observes that an extension of ToE to DA/ID markets creates a level-playing field among all technologies and facilitates demand response participation in the Energy Only Market, which are conditions facilitating the implementation of a correct CRM design.</p>	

Stakeholder	Feedback on the expected volumes on ToE in DA/ID (Section 9.3, pg. 78)
<b>CENTRICA BUSINESS SOLUTIONS</b>	<p>To complete the results of the survey and the conclusions presented by Elia in June 2019, Centrica Business Solutions (REstore) underlines that ToE for DA and ID does differ significantly from ToE in non-reserved mFRR, both regarding (i) the eligible assets from a technical requirements perspective, and (ii) the economic model and opportunities for these assets:</p> <ul style="list-style-type: none"> <li>• First, the technical requirements for DA and ID do differ significantly from mFRR. Some assets which, due to technical reasons or high opportunity costs outside of the activation window only, can't currently take part to mFRR are on the other hand eligible for DA and ID. With the introduction of ToE for DA and ID, the activation is decided by the FSP (and not by Elia) and with sufficient notice (several hours ahead of time vs. 15min in mFRR), to allow slower reacting assets or with a longer cease time to take part to the product, as well as to allow recovering more costs linked to the activation.</li> <li>• Secondly, the economic model can also be very different than for non-reserved mFRR, with much more options available than the sole €/MWh activation price available for non-reserved mFRR<sup>(*)</sup>.</li> </ul> <p>For those reasons, Centrica Business Solutions (REstore) does believe that one cannot take the conclusion that if limited volumes have been proposed on non-reserved mFRR until now, the same would happen on DA and ID.</p> <p>(*) Centrica Business Solutions (REstore) remains at the disposal of Elia to further discuss these options, if needed.</p>
<b>FEBELIEC</b>	<p>In point 2, Elia mentions that “<i>demand would be offered at high prices and during stressed periods</i>” as if this would not be a correct behaviour.</p> <p>Febeliec wants to stress that Elia’s role is to maintain a secure grid and guard the balance of the grid by taking actions to compensate the residual imbalances of the BRPs.</p> <p>Elia should not take a position on the level of market prices, and definitely not take a position on what price levels should be in stressed periods, insofar the balance of the system is maintained at such moments.</p> <p>Rather, Elia should do its utmost best to develop all sources of flexibility, including demand response, to allow the markets and system to better cope with such stressed moments, at any price below market cap as such price would indicate system shortages!</p>

<b>FEBEG</b>	<b>Page 82 9.3 Elia observations and final conclusions</b>  FEBEG notes that the positive effects from ToE extension to ID/DA concluded by the study, are not quantified. It also seems to disregard the direct and real implementation costs. Therefore for FEBEG, the conclusion that extension of ToE towards ID/DA makes sense seems to ignore the costs and over-estimate (currently non-existent) benefits.
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**Answer Elia**

Several market parties have some remarks regarding the conclusions of Elia described in section 9.3 on the extension of ToE to DA/ID markets.

Concerns are expressed on the expected volumes that would be offered under ToE in the DA/ID markets. Indeed, it is at this moment difficult to determine and quantify any volumes that could be unlocked by the mechanism. This conclusion was based on input of stakeholders during the survey and on the Compass-Lexecon study:

- Elia did not receive any quantified volumes from any market party, which would be offered on DA/ID markets by the ToE framework and even received the remark by a stakeholder no new volumes would be attracted.
- All market parties indicate they will offer at prices of hundreds to thousands EUR/MWh. Currently such price peaks are rather limited.
- The DA/ID market does not guarantee revenues while market parties seem to prefer to have those revenues to cover their costs.
- In France, where ToE was already implemented (NEBEF mechanism), the framework contributed to the participation of demand response but did not trigger it alone.

Taking into account the above insights Elia can only conclude it is difficult to quantify whether ToE on DA/ID will bring massive new volumes.

## 4 Out of scope remarks

Following reactions from market players are considered as out of scope of the ToE-study as they target elements such as the default transfer price, or the Electricity Law which are not of Elia's competence.

Stakeholder	Feedback on the yearly net-offtake character of ToE DP
<b>FEBELIEC</b>	<p>Although beyond the scope of this design note, Febeliec still regrets that only Delivery Points with a yearly net-offtake character are eligible for the ToE mechanism, due to a specific stipulation in the Electricity Law. Febeliec urges Elia, CREG and government to continue to work on this and make the required modifications to abolish this unwarranted and unneeded barrier for certain actors.</p>
<b>Answer Elia</b>	
<p>Elia takes note of the concern of market parties with respect to the exclusion of net-injection points from the field of application of Transfer of Energy.</p> <p>Elia reminds stakeholders that it is bound to Article 19bis §2 of the Electricity Law which states that Transfer of Energy specifically applies to demand side flexibility.</p> <p>Demand side flexibility is defined in Art.2 66° of the Electricity Law as "the ability of an end customer to voluntarily adjust its net-offtake upwards or downwards in response to an external signal".</p> <p>Furthermore, Elia adds that CREG's decision 1677<sup>6</sup> expresses demand side flexibility as flexibility coming from Delivery Points with a yearly net offtake that is positive, while explicitly excluding flexibility from production installations (hence a yearly net injection that is positive).</p> <p>⇒ In application of the existing legislative and regulatory framework, Elia applies ToE only to Delivery Points with a net-offtake character.</p>	

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<sup>6</sup> This decision can be consulted on the [website of the CREG](#).

Stakeholder Feedback	
<b>FEBEG</b>	<p><b>Pass-through principle</b></p> <p>FEBEG positively welcomes that the need for a solution for PT customers is recognized. This should be implemented as soon as possible as it immunizes Suppliers to financial impacts and simplifies the administrative burden. At the same time, if the ToE is extended towards ID/DA, a similar arrangement needs to be implemented for customers contractually exposed to the ID/DA (as PT customers are exposed to the imbalance price). Otherwise, such customers/FSP can game the ToE by acquiring energy at regulated price through the ToE on the ID/DA market (by keeping/increasing their purchases through the ID/DA exposed contract) while selling it at possible peak prices on the ID/DA timeframe. FEBEG considers that this parallel between PT-contracts and Belpex-exposed contracts should be reflected in a similar treatment in the ToE BAL vs ToE ID/DA.</p> <p><u>After the public consultation, FEBEG provided more explanations regarding this specific point via a separate note. As it is a clarification of FEBEG's remark, this note was also added in Annex of the present report.</u></p>
Answer Elia	
<p>Elia understands that FEBEG points out a situation where the Grid User (exposed to DA price):</p> <ul style="list-style-type: none"> <li>- Instead of reducing his consumption and therefore buying less volume than normally from his Supplier,</li> <li>- Decides to apply ToE and therefore buys his normal consumption volume from his Supplier at a ToE price<sup>7</sup> and resell it on the market<sup>8</sup>.</li> </ul> <p>The situation raised by FEBEG is linked to the transfer price modalities that are defined by the CREG in application of art. 19bis§3 of the Electricity Law and is out of Elia's competences. This remark is therefore transferred to the CREG.</p> <p>In addition, FEBEG plaits for the application of a "Pass-through type of regime" to the Grid Users exposed to DA prices and participating to ToE in DA/ID markets.</p> <p>Elia reminds that, Opt-out, and Pass-through contractual regimes for the ToE in DA/ID markets are considered and described in the design of the ToE-study. The implementation of the ToE in DA/ID markets would be coupled with the implementation of the Pass-through and</p>	

<sup>7</sup> Potentially at the default transfer price and potentially lower than the supplying price.

<sup>8</sup> At a price that can be  $\geq$  DA price

the Opt-out contractual regimes for DA/ID product as well.

Elia reminds that, to apply the “Pass-through regime” (which consists in no correction of the BRPsource) it is necessary that the Supplier and the Grid User have a specific supplying contract (called “Pass-through contract”) allowing the BRPsource/Supplier to transfer the imbalance responsibility to the Grid user for any deviation between its nomination and its real injection/offtake. Otherwise, even if the Grid User is exposed to the DA prices, the BRPsource remains financially responsible for the imbalance (=the deviation) and a Pass-through contractual regime cannot be applied.

Elia is of the opinion that coupling “Pass-through supplying modalities” and “exposure to DA prices” is a matter of design of the supplying contracts and is not in Elia’s hands.

#### Stakeholder Feedback on the standard transfer price with Multiple FSP

<b>FEBEG</b>	For FEBEG, it is also important to note that if Multiple FSPs are active on one DP with different TOE formulas an inherent arbitrage between the compensation formulas is possible (one FSP buys and other one sells same volume on DP and realize spread between formulas).
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#### Answer Elia

FEBEG illustrates a situation and issue that could happen when Multiple FSPs active on a Delivery Point, negotiate a different transfer price with the Supplier of the Delivery Point or if the transfer price is different in up/down direction of activation.

- ⇒ The situation raised by FEBEG is linked to the transfer price modalities that are defined by the CREG in application of art. 19bis§3 of the Electricity Law and is out of Elia’s competences. This remark is therefore transferred to the CREG.

## Annex

Stakeholder	Additional comments on the Pass-through principle
<b>FEPEG</b>	<p><b>Introduction</b></p> <p>As part of its Position (15.07.2019) to the consultation regarding the extension of Transfer of Energy (ToE) towards the Day-Ahead / Intraday timeframe, FEPEG expressed its appreciation for the Pass-through (PT) regime proposed by Elia.</p> <p>At the same time, FEPEG also expressed its wish that a similar mechanism would be included in a potential extension of the Transfer of Energy mechanism towards the DA/ID timeframe.</p> <p>FEPEG would like to further clarify its position in this regard.</p> <p><b>FEPEG clarification on Pass-through Mechanism</b></p> <p>The PT as proposed by Elia ensures that customers that have exposure to imbalance prices through the contract with their Supplier, are not subject to the fallback formula foreseen in the ToE framework. As deviations from the nomination are directly settled between the Supplier and the consumer, such volumes can also be directly settled in a joint agreement by the FSP, BRPfsp and the Grid User. Elia therefore does not have to perform perimeter corrections, and also no remuneration of the energy has to be performed through the ToE framework.</p> <p>FEPEG supports the creation of a specific regime for the customers that are already able to valorize their flexibility through the contract with their Supplier.</p> <p>However, FEPEG asks the extension of the scope of the PT regime in two ways.</p> <ul style="list-style-type: none"> <li>• The PT regime should be applied to all customers that can valorize their flexibility through the contract with their Supplier on all short-term markets, and not only on the imbalance market. Customers may also adjust their consumption based on prices on the DA or ID market. Just as with the imbalance market, the Supplier is not able to source such volumes that a customer buys or sells on the short-term markets on the forward markets. Such volumes are often sourced 'back-to-back' (meaning on the same market instead of earlier markets) on these markets. As a result, the application of the ToE fallback formula does not reflect the sourcing costs of the Supplier.</li> <li>• The PT regime should be applied to a possible extension of the ToE towards the DA/ID market. The issue described in the previous point</li> </ul>

regarding the sourcing cost of customers with contractual flexibility on the DA/ID market, is also – and perhaps even more – relevant in case the ToE is applied to the DA and ID markets. If customers with a contractual flexibility and price exposure to DA/ID markets can also use the ToE framework, it could cannibalize and distort the contractual valorization of the flexibility that such a customer currently has. A customer could for example choose to buy more energy at times of high prices on the short-term market – instead of less energy that he would normally do – and valorize this through the ToE framework. This would imply that the Supplier had to source this fully on the DA market – at elevated prices – while receiving only the regulated price where the DA prices are only a minority component. In this way, the Supplier is impacted negatively and suffers financially from the normal application of the ToE framework. At the same time, an aggregator can benefit risk-free from ‘recycling’ energy that has already been purchased on the DA (or ID) market at a regulated price and resold by him at the elevated DA price. Such application of the ToE framework brings however no additional volumes to the market, but rather recycles volumes that have been sourced integrally by the Supplier.

### **Example**

FEPEG would like to illustrate the negative impacts of the current framework for the Supplier with the following example:

- A customer could for example choose to buy more energy at times of high prices on the short-term market – instead of less energy that he would normally do – and valorize this through the ToE framework.
- The Supplier sources this fully on the DA market – at elevated prices – while receiving only the regulated price where the DA prices are only a minority component.
- In this way, the Supplier is impacted negatively and suffers financially from the normal application of the ToE framework.
- At the same time, an aggregator can benefit risk-free from ‘recycling’ energy that by purchasing it on the DA (or ID) market at a regulated price and reselling it at the elevated DA price.
- In 2018, volumes bought on Belpex by a Supplier at moments the DA was above 150€/MWh, and then would have been valorized through ToE formula by FSP, would sum up to a total loss of around 5000€/MW or 130€/MWh for the Supplier.

**Conclusion**

FEPEG therefore supports the PT regime proposed by Elia as a first, positive step to immunize existing flexibility arrangements in the market and to ensure that the ToE remains focused on bringing any additional flexibility to the market. However, the current application falls short in two ways to ensure the current contractual arrangements to valorize flexibility are not cannibalized by the ToE framework. It therefore asks that the PT regime is first extended to clients that have contractual exposure and flexibility to the DA and ID market. And in case the ToE is extended to the DA/ID market, the PT regime is also to cover this extension.