

Febeliec answer to the Elia consultation on the study concerning the conditions to enable Transfer of Energy on the Day-ahead and Intraday markets

Febeliec would like to thank Elia for this consultation on the study concerning the conditions to enable Transfer of Energy on the Day-ahead and Intraday markets. Febeliec would like to refer to the discussions during the task force and expert group meetings on this topic, the comments made during the discussion on the introduction of ToE in mFRR/SDR and to the interview with FTI-CL on this topic on the request of Elia as well as the corresponding consultation from Elia.

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.

Febeliec would in the framework of the DA/ID timeframe also like to take the 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

Concerning simultaneous participation of a delivery point in both the balancing and DA/ID timeframes (and this also between balancing products and DA and ID trades) as well as the simultaneous activation of a delivery point by multiple FSPs, Febeliec will go into more detail on these points later, but wants to stress that from a market perspective, it is undeniable that both situations must be allowed and this simultaneously (so simultaneous participation in balancing and DA/ID timeframes and this with multiple FSPs) in order to avoid lock-in effects and potential for market power abuse by certain market actors. Febeliec understands from the Elia design note that both topics come with challenges to overcome, but nevertheless insists that if Elia really wants to develop markets and truly strives for good market functioning, both topics should be treated and introduced.

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.

Specific comments/questions:

- 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?
- 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.
- 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.
- 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
- On p29 in step 0. of the table, presumably a reference to the correct section is missing (section “-“)
- 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 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.

- 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.
- 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.
- 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. 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.
- On points 7.2.2 and 7.2.3, Febeliec wonders whether this would not entail a risk of breach of confidentiality.

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 *“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”* is incorrect, as it is allowed for BRPs (rather than suppliers) to **contract** the flexibility of the consumers in the portfolio and use this **contracted** flexibility to manage its balancing perimeter.

Concerning the final observations and conclusions of Elia, Febeliec was very negatively surprised to read points 2 and 4. In point 2, Elia mentions that *“demand would be offered at high prices and during stressed periods”* as if this would not be a correct behaviour. 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. 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. 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! 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!