

## Febeliec answer to the Elia consultation on the methodology to determine the required balancing capacity

Febeliec would like to thank Elia for this consultation on the request for amendment on Elia's methodology to determine the required balancing capacity.

Febeliec would like to insist that it regrets that despite soon four interconnections with neighbouring countries after the introduction of Alegro, and with a foreseen additional capacity of 350 MW on top of the 350 MW per existing interconnector (for a total of 1400 MW), Elia still limits the impact of positive sharing capacity to 250 MW and of negative sharing capacity of 350 MW. While Febeliec appreciates that the positive sharing capacity is increased from 50 to 250 MW, it still considers this value too low in light of the total of 1400 MW of sharing agreements and the fact that this total is over soon four interconnectors and thus not linked to any individual neighbouring country or interconnector. Febeliec insists that this value is too low, to the detriment of cost for consumers as they as a result have to pay for an additional volume of locally sourced balancing reserves.

On the on-going discussion on the availability of non-contracted balancing energy bids for mFRR, where Elia does not want to take them into account, Febeliec refers to its previous comments on this topic in previous years, and regrets that it these ever-increasing volumes are not taken into account for the determination of balancing capacity. Febeliec still does not understand the argumentation, as it is clear that if one takes into account all non-contracted balancing energy bids and adds to this the volume of contracted balancing capacity, this volume at any time largely surpasses the requirements in balancing energy. In case no balancing capacity would be reserved, Febeliec would find it very unlikely that all this capacity, and thus the related energy bids, would suddenly leave the system and no longer offer any energy bids. As a result, and by not taking into account this effect, in combination with according to Febeliec artificially limiting the reserve sharing capacity as well as actively reducing the possibility for market actors to participate to certain products (in particular the R3Flex product which Elia already wants to abolish for many years, despite it being less costly than the mFRR Standard product and a better fit for a range of market actors that used to participate to the R3DP product which has been abolished by Elia and for which the R3Flex product was offered as a (more stringent) alternative, before itself being put on the scrap list by Elia shortly afterwards), Elia creates according to Febeliec an undue pressure towards the reservation of balancing capacity, which comes at a cost for consumers. Febeliec strongly insists that this matter is investigated in a more open mindset, in order to reduce any undue system costs for consumers. In particular, Febeliec also wants to know what the impact will be of the go live of the European MARI project on the balancing capacity reservation volumes for Belgium, as Belgian market actors and the TSO would then be able to also source (and provide) energy in this much larger pool.

Febeliec also and as already indicated before opposes the on-going over-conservative view of Elia regarding units providing contracted mFRR balancing capacity which according to Elia risk leaving the system when losing their remuneration for contracting mFRR. Febeliec opposes such view, as firstly energy bids in the balancing market will also provide revenues while it is also clear that (most) BRPs, who are responsible for the balancing of their portfolios as opposed to Elia who is only responsible for the residual balancing of the system, will themselves also need sufficient flexibility in their portfolios to cover increasing shares of intermittent generations and thus from a conservative and prudent perspective should ensure to maintain sufficient flexibility and the related assets, which will then of course also be available to provide balancing energy bids (unless they are used to maintain balance in the portfolio of the BRP, in which case also the remaining residual balancing obligation for Elia would decrease) and in any case will not leave the system (or be replaced by other flexible assets based on investment decisions or flexibility contracts from BRPs).

On the mFRR standard product volume increase, at the detriment of the R3Flex product, Febeliec strongly reiterates the previous comments as well as its longstanding position on the split between both products and the overall cost impact for consumers through the tariffs. Febeliec insists that a minimum volume of R3Flex is maintained, as it is cheaper but more relevant even, as it was presented by Elia as an alternative for the R3DP product and as such market actors have made considerable efforts and investments to evolve towards the R3Flex product, would be disrespectful towards the concerned parties and could even lead to a reduction in liquidity if actors would stop offering their flexibility at all due to the never-ending and too frequent modifications to balancing products and schemes. Febeliec would like to remind Elia that liquidity still remains a very prominent concern in the Belgian balancing market and as such cannot

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*Febeliec vertegenwoordigt de industriële energieverbruikers in België. Zij ijvert voor competitieve prijzen voor elektriciteit en aardgas voor industriële activiteiten in België, en voor een verbeterde bevoorradingszekerheid in energie. Febeliec telt als leden 4 sectorfederaties (Chemie en life sciences, Glas, papierdeeg & papier en karton, Textiel en houtverwerking, Baksteen) en 35 bedrijven (Air Liquide, Air Products, Aperam, ArcelorMittal, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kuraray-Eval Europe, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Proximus, Sol, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, Umicore, Unilin, Vynova en Yara). Samen vertegenwoordigen zij ruim 80% van het industriële verbruik van elektriciteit en aardgas in België en zo'n 230.000 industriële jobs.*

condone any modifications that could jeopardize the existing liquidity before other measures have resulted in a clear and enduring increase of aforementioned liquidity.

On the impact of NEMO Link on the balancing capacity, Febeliec wants to draw the attention to the very large difference in FRR needs based upon the fact whether NEMO Link is in import, export or undefined mode. Febeliec urges strongly to conduct a clear CBA on the impact of NEMO Link on the total balancing cost for consumers as opposed to the benefits NEMO Link brings to Belgian consumers (as consumers pay for NEMO Link) and this as soon as possible but also and explicitly in the framework of any future additional interconnectors and/or interconnector capacity from Belgium towards bidding zones beyond the European continental zone. Febeliec insists that this has become a major element for the determination of the necessity and business case of any interconnector and regrets that this has in the past not been included in such analysis.