CONSULTATION REPORT

Elia's methodology to determine the required balancing capacity

December 1, 2020

Content

1. Introduction

Elia launched a public consultation of the stakeholders on the LFC Means. In line with Article 228 of the Belgian Federal Grid Code, the LFC Means specifies the methodology to determine for each balancing service the balancing capacity of aFRR and mFRR to be procured. This new proposal introduces a reduction of the upward mFRR balancing capacity to be procured on daily basis following an increase in the contribution of reserve sharing with neighboring TSOs.

Note that the methodology to dimension the required reserve capacity is determined in the LFC block operational agreement which specifies the dimensioning rules for Frequency Restoration Reserves or 'FRR' in execution of Article 228 of the Belgian Federal Grid Code. It should also be noted that only the "Request for amendment of Elia's LFC Means" was subject to consultation. The explanatory note, as well as the LFC Means with track changes compared to the previous version, were published for information.

This consultation aimed to receive any comments from market participants and stakeholders regarding the consulted document and the consultation period was set from Friday October 9 to Friday November 6, 2020. In total, Elia received two non-confidential answers to the public consultation:

- **FEBELIEC**
- **FEBEG**

Elia also received one confidential answer to the public consultation.

All relevant information to this consultation can be found on Elia's webpage (**link**). The feedback received during the consultation did not result in modifications of Elia's proposal. The request for amendment is submitted for approval to CREG on December 1, 2020.

2. Answers to the feedback of FEBELIEC

- *"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."*

It is explained in Section 3.2 of the explanatory note that taking into account reserve sharing in the determination of balancing capacity is subject to several legal and technical constraints.

Elia refers again to these justifications being the non-guaranteed nature of the capacity, subject to available cross-border transmission capacity (i.e. availability of remaining capacity after the last intra-day gate) and the service availability (i.e. following the use of the capacity by the reserve providing TSO, or due to operational constraints) of the reserve providing TSO. Following a relatively high service availability (cf. also specified in the explanatory note), Elia identified the remaining transmission capacity after intra-day as the main constraint for accounting reserve sharing in the calculation of its balancing capacity. As explained in the explanatory note, an analysis of historical data revealed

that between July 1, 2019 to June 30, 2020, 250 MW of remaining transmission capacity after the latest intra-day gate closure was observed to be available in import direction during at least 99.0% of the time. Taking into account the additional contribution of the new sharing agreement with Amprion, Elia assumes that 250 MW can be considered sufficiently firm to cover part of the mFRR needs.

By taking itself the initiative to reduce its balancing capacity following higher availability of sharing, Elia does not agree to be conservative. Elia also refers to the numerous remarks given by FEBEG on this matter. However, if later in time, it is assessed that the availability of the transmission capacity remaining after the intraday timeframe would be higher (e.g. following the contribution of the sharing agreement with Amprion), and taking into account other operational constraints, Elia will take steps to further increase the contribution of reserve sharing (or again decrease it if availability would decrease).

Please note that Article 157 of the System Operation Guidelines does not allow to account more than 30% of the dimensioning incident, currently resulting in a legal limit of 312 MW. Consequently, referring to a potential of 1400MW does not really make sense in practice.

- *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.*

Elia confirms it has studied the availability of non-contracted balancing energy bids, in line with Article 32 of the Electricity Balancing Guidelines. Elia also accounts them to cover the downward mFRR needs, where they, together with the availability of reserve sharing, avoid the procurement of downward mFRR balancing capacity. However, for the upward mFRR needs, Elia's analysis over the period from July 1, 2018 to June 30, 2020 contradicts the statements of FEBELIEC as the analysis of the available positive non-contracted energy bids (in Figure 3 of the explanatory note) shows that no substantial capacities are available at sufficiently high reliability levels, e.g. 99.0%. This is not adequate for a 'static' methodology requiring 'firm' capacities to replace contracted balancing capacity.

Note that Elia is currently carrying out a study to 'dynamically' determine / estimate the availability of non-contracted energy bids for the next day. This should enable to reduce the balancing capacity to be procured accordingly. If the availability of non-contracted energy bids can be predicted with a sufficient reliability, such approach could increase the average contribution of non-contracted capacity in the determination of balancing capacity. Such approach should be compatible with the integration of the balancing exchange platforms, although the impact of the available non-contracted balancing energy bids on these platforms can only be known after the 'go live' of the project.

For the remarks on the mFRR Flex product, Elia refers to its answer below. On the remark concerning 'artificially' limiting the contribution of reserve sharing, Elia refers to its answer on the previous question.

- *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).*

Elia takes note of this remark. As mentioned in previous studies (cf. Elia's study on the evolution towards a dynamic procurement of mFRR[1]), Elia acknowledges the risk that the loss of the capacity reservation revenues can lead to a market exit (cf. also the remarks of FEBEG on this matter) of specific mFRR balancing capacity providing thermal units. It assessed that it is therefore uncertain if this capacity will be available as non-contracted balancing energy bids during the period for which the balancing capacity requirements are calculated. As long as a 'static' calculation is conducted, where the volumes are fixed on regular basis, Elia needs to make a 'robust' estimation of the needs for the upcoming period.

- *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*

[1] https://www.elia.be/-/media/project/elia/elia-site/electricity-market-and-system---document-library/balancing---balancing-services-and-bsp/2018/2018-implementation-plan-evolution-towards-daily-procurement-of-mfrr.pdf?la=en

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

This question is out of scope of the consultation as no modifications towards the allocation of mFRR balancing capacity to mFRR standard and mFRR flex are proposed in this request for amendment. The current split has been consulted and approved in the previous version (and Elia refers to the answers given in the related documents). It is however foreseen to assess the further phase out of the product only after an analysis by Elia in Q1 2021. The results of this analysis, and Elia's proposal, will be shared with the stakeholders in due time.

- *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.*

Elia does not see the relevance of such analysis for Nemo Link, as it has currently not had any substantial impact on the costs of procuring balancing capacity. The upward FRR needs are not impacted as these are generally determined by the largest nuclear unit and while the downward FRR needs are impacted, there is no procurement of downward mFRR capacity.

3. Answers to the feedback of FEBEG

- *Reserves dimensioning is at the same time critical for the grid security and critical in the framework of investments in existing and new capacities. Furthermore, it is an important opportunity to confront utilities and Elia's views on the upcoming trends to expect for the future. In this perspective, FEBEG considers this document as an indication on what to expect for the coming year. We wish to underline the importance of a stable and long-term regulatory framework.*

Elia takes note of this remark.

- *FEBEG has some reserves on the approach of using historical data (for example only from 1 July 2018 to 30 June 2020 for non-contracted capacity…). This concern is twofold. First, relying on past data hides the reality behind an ever-changing energy world. Power landscapes evolve in a non-linear way (for example: renewables increase, industry and mobility electrification, assets commissioning / decommissioning) with unprecedented uncertainty (decommissioning of nuclear assets, volume to be auctioned in the CRM, coal phase-out in neighboring countries). As an example, the BE offshore capacity was 877 MW on 01/07/2018, 1671 MW on 30/06/2020, 2044 MW as of this date and will be 2262 MW by the end of the year. Second, the 24 months period does not take into account a very recent moment where the CWE grids were simultaneously in danger, specifically, an event such as that of 15 September should undoubtedly be part of the analysis and used as a stress test.* ***How much historical data was used for the contracted capacity? How are non-linear trends***

and recent events taken into account in the study of LFC means? How does Elia take into account future events and uncertainties?

The quantitative analysis is mainly based on historical observations. Some trends are taken into account such as:

- increased downward flexibility from larger installed capacities of wind power is taken into account in the non-contracted balancing energy bids by means of extrapolating via the installed capacity projections towards 2021;
- the 'go live' of ALEGrO is qualitatively taken into account when determining the contribution of mFRR reserve sharing for upward and downward flexibility.

Elia recognizes the limitations of looking to historical observations and is investigating a more 'dynamic' approach (cf. answer above) to determine the balancing means while reacting faster to observed trends (e.g. increasing renewable capacity, changing import / export ratios, evolutions of the generation mix, market prices impacting the availability of non-contracted balancing energy bids). Specific 'stress tests' are not conducted as the objective of Elia's reserve dimensioning and balancing capacity determination is to cover the LFC block imbalances under 'normal' conditions (including covering the dimensioning incident).

- *As reserves sharing leads to a strong decrease of reserve procurement, FEBEG expects the LFC methodology to be done in close collaboration with surrounding TSO's. Relying on foreign reserves implies that other TSO's would rather be conservative in their dimensioning.* ***Did Elia perform this analysis in collaboration with surrounding TSO's or is it a stand-alone exercise? Does Elia consider that more than 250MW is available simultaneously with the available cross border capacity 99% of the time? Next to this, how can Elia ensure that reliability level while "sharing agreements on mFRR are voluntary and can be subject to modifications on request of the counter-party and these reserves are never guaranteed as the availability of cross-border capacity is not ensured and are therefore subject to the operational availability of interconnection capacity at borders, as well as internal network operating constraints such as congestions"? Note that we consider such assumption as very optimistic and clearly very risky.***

As explained in the explanatory note (Section 3.2), based on the mFRR sharing agreements with neighboring TSOs, the assessment on the availability of transmission capacity and the high service availability (taking into account the use of the capacity by the reserve providing TSOs) follow the legal requirements specified in Article 157 of the System Operation Guidelines. However, in order to maintain a high service availability, it is important that the activations are limited to exceptional conditions, as is specified contractually in the sharing agreements (cf. explanatory note).

Elia confirms that the possibility to activate the reserve sharing is not used frequently. On the basis of data from 2016 to September 2020, Elia has made 12 requests over the last 5 years and the TSOs of our neighboring countries (RTE - French TSO, TenneT - Dutch TSO) 21 times. Since the commissioning of the Nemo Link Interconnector at the beginning of 2019, NGESO (TSO for Great Britain) has requested 5 imports (all in 2020). The table below gives a complete picture for the Netherlands and France, distinguishing between the reserve requesting TSO (Elia, RTE, TenneT) and the direction (import or export).

Amount of reserve sharing activations with RTE												
	2016		2017		2018		2019		2020		Totaal	
Reserve Requesting TSO	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Elia		2	3	2		1	1	1			4	6
RTE		2		1	2	2	2	1	2	2	6	8

Import FR→BE, Export BE→FR

Amount of reserve sharing activations with Tennet												
	2016		2017		2018		2019		2020		Totaal	
Reserve Requesting TSO	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export		
Elia				1				1			0	2
TenneT		2		1		2		1		1	0	7

Import NL→BE, Export BE→NL

Taking into account the above-mentioned constraints, Elia confirms it observes to dispose of this capacity during 99.0% of the time which is expected to further increase with ALEGrO. Note that Elia will regularly assess this and increase of reduce the contribution of reserve sharing in the FRR means when appropriate. It is under these conditions that Elia proposes to increase the contribution of mFRR reserve sharing in the calculation of the upward mFRR balancing capacity requirements.

- ***Large-scale cross-border events:*** *Counting on exchange from neighboring countries seems to be a good solution to solve local problems such as outages, storms on specific regions,… . However, there are a series of events that may take place on a much larger geography affecting several domestic markets such as for example severe weather conditions (sunny, high temperatures and nearly no wind). The recent past (15 September 2020) showed an example with very tense and unprecedented situations on CWE grids as negligible wind production occurred while thermal plants suffered from severe temperature de-ratings. More than 600 MW of contracted mFRR were activated on that day. FEBEG regrets that this occurrence is not part of the period of analysis (stops on 30 June 2020). Some infographics on the events of 15 September can be found in ANNEX for illustration purposes.* ***How does Elia take into account the fact that above-mentioned circumstances do not occur at domestic level but at a much wider spectrum (e.g. European)?***

Elia thanks FEBEG for this concrete example. Due to the timing of the analysis, i.e. the consultation started begin October, this event is indeed not taken into account in the dataset used for determining Elia's balancing capacity requirements. A preliminary analysis of that day confirms that, though the reserve sharing with TenneT and RTE were indeed not available that day, the reserve sharing with NEGSO did remain available all day. Furthermore, at least 350 MW of available transmission capacity after the last intra-day gate remained available between 17h30 and 20h45 (the period that day in which the largest imbalances were observed).

However, the occurrence of such large-scale cross-border events is indeed a concern and is being discussed with TSOs on a regional level. Regardless of additional actions that may be taken in the future, if such events start to systematically impact the availability of transmission capacity and service availability of the reserve sharing on the four borders simultaneously, the next analysis would result in a reduction of the contribution of reserve sharing.

The strong increase of available import capacity in Belgium for the studied period seems to be coming largely from Nemolink being in export mode as the explanatory note indicates that "the figure 3 is based on figures data

observations from July 1, 2018 to June 30, 2020, which also takes into account periods before the commissioning of Nemo Link. This explains why the 250 MW of positive sharing capacity put forward in Section 3.2 is not yet available at a reliability level of 99%" However, on one hand, recent decisions of UK government waiving current CO2 policies may discredit past data on UK – BE flows. The possible scenario where UK CO2 scheme would be less stringent on market players could revert the UK-BE flows and increase the percentage of time electricity is imported in Belgium. In these circumstances, no reserve sharing from UK would be possible. See infographics below in ANNEX. On the second hand, the transition period of the Brexit will end on 31/12/2020. The partnership between the EU and the UK that will come after that date is still being negotiated. ***Did Elia include this recent publication in its assumptions on UK-BE imports vs exports? Can Elia guarantee that the sharing of reserves agreement with NGESO will still be in place after the end of the transition period, whatever its outcome is, so even in the case of a hard Brexit, while "those agreements are voluntary and can be subject to modifications on request of the counter-party"?***

Elia did not make future projections / scenarios on the import / export position with GB for this analysis. Based on the results of Elia adequacy analysis, it assumes a predominant export until the nuclear phase out is realized. Concerning Brexit, Elia, Nemo Link and National Grid will maintain their agreements for the operation of the interconnector and the cooperation between the TSOs. At this point, Elia does not see any reason why NGESO would back out of the voluntary, symmetrical agreement on reserve sharing.

Elia also wants to remark that with sharing agreements with all its neighboring LFC blocks, the availability of reserve sharing capacity benefits from a large diversification. Nevertheless, as mentioned before, new evolutions might always trigger a revision of the reserve sharing contribution via the LFC means if appropriate.

- *ID cross-border capacities is a prerequisite for sharing reserves with neighboring countries. Some ongoing projects (cf. DA balance obligation removal, offshore integration, etc) do consider that enough cross-border capacities will be left over for ID maturity. Nevertheless, FEBEG feels that the trend is going in the direction of allocating large share of cross-border capacities to maturities preceding the ID time frame.* ***Which assumptions did Elia take on the cross-border reservation per time frame/ maturity? Which percentage will be left for the ID time frame?***

Elia based its analysis on the remaining available transmission capacity after the last intra-day gate over the last two years. No pre-allocation of capacity on a certain time frame is assumed. Elia repeats again that certain trends will be captured by regular analyses and may be translated in an appropriate revision of the contribution of reserve sharing.

- *Elia aims at an availability service of 100% when contracting mFRR balancing capacity. If a BSP fails to achieve a 100% availability, he will get penalized for this.* ***Why is a reliability level of 99% sufficient when counting on sharing agreements on mFRR but not when contracting mFRR balancing capacity?***

In fact, Elia aims to cover the FRR needs in compliancy with Article 157(4) of the System Operation Guidelines. It therefore assumes a firm availability of all means. This 99.0% is therefore set sufficiently high and Elia assumes it will have a contribution of 100% counting future evolutions (cf. mFRR sharing agreement with Amprion).

- *The explanatory note says that "these reserves may only be activated under exceptional conditions described in the operational agreements governing the sharing of the mFRR reserve to maintain the balance in the LFC block for a limited number of hours and thus cover part of the mFRR needs. They are generally activated after using all the other available balancing services (the noncontracted balancing energy bids and the contracted*

balancing capacity)". Article 17 – 2.C of the Balancing Rules stipulate that "the price for the upward regulation of the mFRR /sharing agreements between TSOs is the agreed price of the exchanged energy as defined in the bilateral contracts with the other TSOs". ***Could Elia communicate those bilaterally agreed prices since they will impact the BRPs via the imbalance tariff?***

Elia remarks that this question is out of scope of the consultation, as it relates to the Balancing Rules. The requested information is part of confidential bilateral agreements requiring an approval of the other TSOs to be released.

Note that the most relevant information for the imbalance tariffs can be found on Elia's website[2] on the page regarding the available volumes and prices. The published import inter-TSO price equals the highest incremental price over the different sharing agreements, and the export inter-TSO is always valued at the lowest decremental price. Elia expects that the imbalance price is (almost) never impacted by these reserve sharing agreements: in the conditions when these do are activated, a local balancing energy bid with a higher price will likely have been accepted.

- *Several ongoing projects (under consultation) are stressing the importance that BRPs cover their positions. Looking at growing intermittency, increasingly volatile imbalance prices (as a result of alpha component and technology neutral integrated merit order), a large share of the non-contracted reserves - traditionally offered to Elia - will certainly be needed to cover BRP positions / for own use. Again, FEBEG would like to stress the fact that reserves made available in the past must be extrapolated with caution.* ***According to Elia, what will be the impact of these projects on the volumes offered of non-contracted reserves?***

The current method is only based on historical observations. As explained in one of the previous questions, the only extrapolations are those of the downward flexibility of wind power (quantitatively) and the integration of ALEGrO (qualitatively). According to Elia's flexibility study, the needs increase, but also the means and a careful follow up will be needed. For this reason, Elia is investigating methods that 'dynamically' capture these trends and translate this to minimum balancing capacity requirements.

- *Elia considers contracting downward reserves is unnecessary for several reasons explained in the document. However, REMIT publications suggest that some units very active on downward regulation (e.g. Coo pump storage) will be in maintenance for several months in 2021.* ***Beyond past data, how does Elia include REMIT publication in the methodology of LFC means?***

Maintenances are currently not accounted for in the methodology. This is obviously difficult to realize in a 'static' methodology where the determination of reserve capacity is conducted generally before the maintenance planning of assets is known.

Consequently, this means particular maintenances have to be prepared 'ad hoc' by means of analyzing the risk of potential shortages in FRR means, and the need of additional operational measures if needed. Elia will investigate the idea to take into account maintenances in the 'dynamic' method which is currently under investigation (cf. answers given on previous questions).

[2] https://www.elia.be/en/grid-data/balancing/energy-available-volumes-and-prices

- *A stable and long-term regulatory framework is key when it comes to investments. FEBEG calls Elia's attention on dimensioning reserves consistently through the years. Reserves size is a key element when it comes to investing in existing or new units. Lowering reserves needs is a message sent to existing assets participating actively and reliably to balancing markets and security of supply. FEBEG calls Elia's attention on the importance of having a stable reserve dimensioning through the years instead of a yearly stand-alone exercise. As a reminder, in its "Study on the evolution towards a daily procurement of mFRR" of 2018, article 6.2.2., Elia also shared this concern: "Deciding not to procure mFRR balancing capacity could make some flexibility disappear on the long run. While some units consider the capacity remuneration as a side payment and get other revenue streams, some units solely rely on the R3 reservation payment to exist and cover their costs. Without capacity payment those units would simply close. In the long run this might lead to higher costs for society if new peak power units need to be brought to market via a mFRR balancing capacity product. Deciding to procure on some days and not during others or changing the volume to procure often does not promote the stability requested by the BSPs. Those indeed require a foreseeable and stable revenue stream to maintain and further develop the flexibility." **Did the LFC means methodology consider reserves dimensioning further than year 2021?***

Elia acknowledges the importance of a stable and regulatory framework and does it utmost best to communicate on new evolutions and trends. In view of the Electricity Balancing Guidelines, Elia elaborately explained on various occasions in the Working Group Balancing how it needs to account mFRR sharing agreements and non-contracted balancing energy bids when determining the volumes of balancing capacity. Different discussions (cf. interventions of FEBELIEC) on the current limits of mFRR sharing were held, on which Elia transparently answered it will take into account the new sharing agreements with Nemo Link and Amprion as soon as it would observe reliable availabilities.

Elia acknowledges it does on the one hand take into account the risk of mFRR providing units leaving on short term the market in the assessment of the available non-contracted balancing energy bids, but it does want to stress that on the other hand, this is not a justification to maintain contracting mFRR balancing capacity on the long-term. Elia wants to remind that on longer term, capacity shortages, in the energy or the balancing market, relates to the adequacy discussion. Ensuring stable revenue streams to BSPs is not an objective of Elia's reserves procurement. Elia however agrees that a healthy market requires sufficient foresight and transparency. It is exactly for this reason that reserve capacity requirements are accounted in the adequacy simulations, compliant with the ERAA guidelines.

- *FEBEG understands the current concerns about market liquidity. Decreasing reserves will certainly help the market liquidity in the short term (2021). However, looking at the longer term and in light with the previous point (Long-term stable framework), this short term solution could have negative side effects on the long term market liquidity. One can think about, for example, permanent decommissioning of existing assets, but also other issues can prevail. In this perspective, LFC means is a lot more than the output of a model as non-quantifiable elements need to be duly taken into account. **How did Elia connect the LFC means exercise with the structural complain about market liquidity?***

Elia does take into account this issue in the determination of the share of non-contracted balancing energy bids that can be accounted in the determination of the mFRR balancing capacity (cf. above-mentioned questions, as well as the question of FEBELIEC).

- *Elia plans to make an 'ex-post' analysis in Q1 2021, meaning a few weeks after the planned entry into force of reserves dimensioning on 6 January. As September and October showed unprecedented situations on the*

grid, FEBEG believes the entry into force should take place after gaining confidence from the conclusions taken on this ex-post analysis.

Elia does not see how the reduction of mFRR balancing capacity to be contracted can negatively affect the market liquidity and increase reservation prices of balancing capacity, certainly on short term. It therefore proposes to maintain the two topics separated, having a volume reduction on January 6, and the analysis of market liquidity of the mFRR balancing capacity products in Q1 2021.

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