

Subject: FEBEG's comments on ELIA's public consultation on the rules on the organization of the Transfer of Energy and the FSP Contract DA/ID

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FEBEG thanks ELIA for having the opportunity to answer ELIA's Public consultation on the Rules on the organization of the Transfer of Energy and the FSP Contract DA/ID in the context of the implementation of Transfer of energy (ToE) for the day-ahead and intraday markets<sup>1</sup>. The comments and suggestions of FEBEG are not confidential.

## Introduction

FEBEG is extremely concerned and worried on how the consultation on ToE DA & ID is evolving both in terms of content as well as methodology. FEBEG considers that the way this issue has been handled/discussed/consulted in the (recent) past is problematic and is hoping that the all the stakeholders will, in the steps still to be taken, duly consider the problems and issues raised by other stakeholders and market parties.

On the content, Elia and CREG did reject all the concerns put forward by FEBEG.

On the methodology, FEBEG finds that its concerns are systematically ignored without any explanation nor sound justification. FEBEG also wonders why this consultation (and the reactions of market parties) do not deserve a dedicated time slot in WG Balancing nor a public exchange as other consultations usually do. Also, Elia did not communicate on the results of the consultation of August and FEBEG regrets it is no longer available on Elia website (see annex – Infographics) nor are the reactions of the market parties as well as Elia's answer to it.

Again, FEBEG wants to emphasize that this market design has almost no benefits, is unfair, discriminatory, not technology-neutral and has no level-playing field. Detailed explanations can be found in FEBEG's answer to the consultation held in August<sup>2</sup>.

**Almost no benefits:** Partly, because a part of the customers' deviations will be counter-balanced by the BRP's resulting in a net volume regulated of 0 MW but a financial exposure at BRP side. Also, because those customers may freely choose a supply contract where they do have access to ID & DA market.

**Unfair** because the current rules leave the underlying price and volume risks at the BRP's side.

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<sup>1</sup> [https://www.elia.be/en/public-consultation/20201019\\_public\\_consultation\\_on-the\\_rules\\_on\\_the\\_organization\\_of\\_the\\_transfer\\_of\\_energy](https://www.elia.be/en/public-consultation/20201019_public_consultation_on-the_rules_on_the_organization_of_the_transfer_of_energy)

<sup>2</sup> 2020-08-31 FEBEG comments ELIA design note on ToE in DA and ID markets

**Discriminatory** because the current regulated fallback price does not follow the principles put forward by CREG: BSPs will find that formula very attractive and have no interest in negotiating with BRPs as there will be no uncertainty at the moment of the activation. No negotiation will probably take place.

**Without level-playing field** because some technologies (for instance generation units) cannot profit of a similar free option at the expenses of the BRPs.

FEBEG believes that CREG decisions 1677/2 article 2.2.x are no longer applicable. As the current proposal is clearly more beneficial for the FSP.

More specifically, in CEREG's response ("260-2020-PDE-FEBEG") to the Febeg letter concerning the ToE back-up formula ("2020-09-23\_Febeg\_creg\_review\_toe\_back-formula"), the CREG wrote:

*La CREG tient tout d'abord à rappeler que le modèle privilégié par le législateur est celui du règlement contractuel de la rémunération de l'énergie transférée et que la solution par défaut ne s'impose aux parties que dans le cas où la négociation n'aboutit pas. Dès lors, la CREG invite les fournisseurs à mettre tout en œuvre pour que les négociations avec les FSP aboutissent.*

The experience of Febeg members is that the BSPs are happy with the back-up formula and there is very limited room for negotiation, if any. With other words, the formula is too generous for BSPs, which is a breach of principle 3 of CREG decision (B)1677/2 of 27<sup>th</sup> March 2020, namely "Formule de prix encourageant la solution négociée".

Overall, FEBEG wishes to raise the following important [question: Can Elia & CREG justify in which extent the proposed market design is fair, useful, non-discriminatory, ensures a level-playing field and not in breach of principle 3 of decision \(B\)1677/2?](#)

## Specific remarks

### Counter-balancing of DA-ID activation

FEBEG wants to emphasize its support for the principle that market parties should (to the extent possible) undertake beneficial activations for the grid. In this context, **FEBEG regrets that Elia is not worried about counter-balancing issues as Elia will equally suffer from it.** See Annex - Infographics. FEBEG prefers not to disregard this issue and put forward some solutions.

One possible measure is to waive confidentiality for DA-ID activations and having a non-competition clause applicable for one year (as an example). Let's not forget that neighboring countries (Ex: TenneT) do not apply such a dogmatic confidentiality clause that could lead to issues for the grid's efficiency/security.

Another possible measure is to split the activations in DA-ID into 2 clusters, one with Real-time balancing and one without it. The BRP would therefore know whether they should prevent counter-balancing.

[Question: Is counter-balancing considered as a non-issue by Elia? If not, which alternatives were considered?](#)

### System to inform BRP source

As a consequence of the previous point, **FEBEG does not consider pragmatic nor simple/user friendly -as stated by Elia- the fact that activated volumes are aggregated for all DPPg.** Having the break-down per DP is necessary to avoid taking corrective measures as counterbalancing while it would not be

necessary. FEBEG sees aggregation volumes as a contradiction leading to grid inefficiency/insecurity as well as creating additional complexity in balancing perimeters coverage... This is surprising because BRP coverage is put forward as a key challenge in the future in other Elia workshops (Real-time allocation of DSO points, MOG II, etc).

## Combo activations

**Art 12.4 3rd bullet point tackles the undesired situation where a DPpg would be activated both on mFRR and ToE DA-ID (for example). FEBEG fears that the proposed solution does not ensure a level-playing field between technologies.** FEBEG calls Elia's attention to the need to align the way delivered volumes are computed between technologies.

Take the example of a DPsu being synchronously offered and activated on DA market and mFRR STD. With the current mechanism, the DPsu first needs to be balanced in DA and the residual energy activated in mFRR STD. If the DPsu produces less than the sum of the requested energy on DA and mFRR STD, it will be in default on mFRR STD first and then on DA. To say it differently, the energy produced by the DPsu will be discounted by the DA nomination to control whether the mFRR STD activation was compliant. This is explained with DPsu baseline being last nomination sent. The mFRR STD penalty regime will consequently be applied first in the case that there is missing delivered energy.

If Elia wishes to keep art 12.4 unchanged, then the baseline of last schedule sent for DPsu is discriminatory in FEBEG's opinion.

**To ensure a level-playing field, FEBEG's opinion is the following:** In case of simultaneous activation DA-ID & mFRR, the activated volumes should be allocated in priority to 1/ DA-ID activation, 2/ mFRR non-contracted, 3/ mFRR contracted as it is already applicable for other technologies.

Question: FEBEG is surprised. This comment (see infographics) was already shared in previous consultation and considered as valid by Elia. Elia argued nevertheless that it was not an issue as the functionality would not be implemented. Why is such a combo mechanism then described in the ToE rules? Why is it written in a way that no level-playing field will exist with other technologies (for instance, a generation unit being offered on DA & mFRR)?

## Submetered process

FEBEG already raised **its concern about an activation on a process that could be compensated by another submeter under a similar headmeter** (for instance, cold storage). Elia answered that this problem is identified and can be tackled. However, when reading both T&C ToE DA-ID and T&C BSP mFRR, it is far from being obvious which actions Elia will undertake for that.

Question: Can Elia elaborate on the concrete means and actions it will undertake?

## Baseline method

**The baseline method X of Y is unfair for the supplier and the BRP.** It can lead to a misestimation of the volumes activated and would leave that volume risk to the supplier and BRP. Factually, the impact of a grid-user activation is the difference between the DA nomination (read its energy sourced) and its realized off-take. In ToE DA-ID proposed scheme, the activation equals the difference between the baseline method X of Y and the realized off-take. **Therefore, the difference between DA sourcing and the baseline method is a risk fully bore (and not possible to mitigate) by the supplier and BRP.** FEBEG

believes that using DA nomination (at least for TSO-connected DPpg where nomination per EAN per QH is mandatory) **would get rid of this risk**. For DSO-connected DPpg, FEBEG considers it unfair to be exposed to such a volume risk.

Question: Why is the BRP exposed to the underlying volume risk as a consequence of an approximative X of Y baseline method?

### Pass-through definition

From the redefinition of pass-through contract, the CREG intends to narrow the scope of pass-through to those customers that are only exposed to an imbalance price; hence, leaving the customers exposed to day-ahead and not to imbalance at the Transfer of Energy scheme. CREG mentions that this is the result of the upcoming entry into force of Transfer of Energy for DA & ID.

- **For activations on DA:** FEBEG does not see the added value of narrowing the scope as a customer that makes an activation on the DA market would immediately benefit from it through its supply contract. FEBEG does not see the point in artificially waiving this DA exposure during the activation and complexifying the settlement process. This settlement would have been simple and crystal-clear, and limited to the couple customer-supplier/BRP.
- **The amendment imposed by CREG will bring additional complexity as there will be instead multiple settlement processes:**  
 Settlement BSP – Customer  
 Settlement BSP – Supplier/BRP  
 A correction of perimeter by TSO  
 An ad-hoc settlement (specific to the activation) Customer – Supplier/BRP

Questions: Who will compensate for the operational costs being incurred by this additional complexity? Can the conclusions of the cost-benefits analysis be shared with the market parties?

- **For activations on balancing market:** The immediate effect of this amendment will be that the amount of customers where a bilateral agreement BSP-BRP is needed or where the regulated price formula is applicable will increase. Again, comparing with the current situation **FEBEG does not see any added value for the balancing market, BRP's/ Suppliers, the Customers, and nearly all BSP's**. The complexity explained above also applies here. Assuming ToE DA-ID has an added value, it seems disproportionate to review the whole pass-through definition for balancing market products.
- **For activation on ID market:** In the unlikely event a Customer does want to valorize its flexibility on ID market but choose a supply contract limited to DA exposure (ID and imbalance exposure contract are available on the shelf) and appoints a BSP to valorize its flexibility, FEBEG acknowledges that the current pass-through definition is not suited. FEBEG fears that a very specific case (can such a concrete case already be identified today, which would require this complex solution?) triggers a disproportionate answer namely applying a new pass-through definition to DA, ID & balancing market. Here, **FEBEG can only recommend that CREG limits the amendments to ID activation only and/or that customers choose for a supply contract with exposure up to imbalance**.

## Annex – Infographics

Public consultation on integration of additional offshore capacity - mitigation measures

Public consultation on Elia's findings regarding the design of a scarcity pricing mechanism for implementation in Belgium

Public consultation on Day-Ahead Balance Obligation of BRPs

Public Consultation on Core Long Term Capacity Calculation Methodology

Public consultation on the test plan

Public consultation on Smart Testing methodology

Public consultation on the study on pay-as-bid vs. pay-as-cleared remuneration for mFRR & aFRR capacity

Formal public consultation on the CRM Functioning Rules

Strategic Reserve: input data for determining the volume for winter 2021-2022

Public consultation on the impact of the Belgian control block on the Deterministic Frequency Deviations in Europe

Public Consultation on Channel/Core CACM 44: Fallback procedures

Public consultation on Elia's proposal to unilaterally terminate the appointment as access holder and/or balancing responsible party

### Combo

- Febeliec asks to remove the exclusion of simultaneous participation to SDR and balancing services/ DA/ID flexibility services**

  - Elia refers to the discussion related to the provision of strategic reserves, and retakes its position that if a load behind a certain Delivery Point has participated in DA/ID, it has proven to be in the market without the need for additional revenues from Strategic Reserves.
- In case of a Combo activation (e.g., mFRR and DA/ID), FEBEG argues to calculate and correct the perimeter based on ToE DA-ID (and not mFRR) rules** in order to provide strong incentives to provide the flexibility needed to balance the grid and to ensure a level-playing field with the Generation units. FEBELIEC argues that the **proposed penalty in case of a Combo activation is extremely punitive**.

  - Elia acknowledges that in case the activation combo would be implemented, it is important to ensure a level playing field with generation units. However, Elia emphasizes that the combo functionality will currently not be implemented. In this regard, the activation control for mFRR remains unchanged, while penalties are put in place to incentivize FSPs not to perform combo activations. In case a combo activation would nevertheless occur, the Delivered volume of flexibility needs to be calculated. In line with the calculation of mFRR<sub>supplied</sub> (used for the activation control of mFRR), the baseline applicable for mFRR will be used for the calculation of the Supplied volume of flexibility.
  - Elia takes note of the opinion of Febeliec. However, the position of Elia is that, as long as the combo functionality is not foreseen, a sufficiently strong penalty is required to avoid that FSPs would try to valorize a certain volume of flexibility twice at the expense of creating a risk for the system (e.g., selling a volume of energy on the ID market that has been reserved for providing balancing capacity).



Title of presentation 6

### Notifications

- FSP Notifications:** FEBELIEC considers the penalties applied in case of missing notifications too harsh (i.e., 30 days suspension for DPs for which 3 notifications have been missed or provided too late). FEBELIEC proposes to allow re-admittance of suspended delivery points after a new communication test is successfully completed, and to consider a period of grace for new market participants.

  - Elia does not perceive these penalties to be overly harsh for the following reasons:
    - the notifications provide essential information to prevent BRPs from counterbalancing (and hence introducing imbalances in the system).
    - the penalties related to missing notifications only apply in case of three missing notifications (including the same Delivery point) within a period of 90 calendar days.
    - Elia expects the number of activations to be limited.
  - Elia does not support re-admittance of suspended delivery points after a new communication test because missing notifications are not necessarily due to technical problems.
- Notifications to the BRP<sub>source</sub>:** FEBEG has a concern regarding grid users that are metered and balanced in real-time. Given that the notifications provide information regarding the aggregated activated volume (and hence not per DP), the BRP might counterbalance an activation of a GU that is metered and balanced in real-time. FEBEG encourages Elia to investigate the magnitude of this problem and possible remedies.

  - Elia is required to provide aggregated information to ensure confidentiality (as stipulated in Art. 19ter of the Electricity law).



Title of presentation 4

## Other remarks

- FEBEG has a concern regarding situations where **a grid-user activates a process being submetered while compensating such an activation by another submetered process** (e.g. several cold storage submeters under one head meter).
  - The issue described by FEBEG will be addressed similar as for mFRR. Specifically, Elia monitors to see if an activation at a Submetering Delivery point has on overall effect at the level of the Access point. If this is not the case, a sound justification will be requested from the FSP. In case no sound justification is provided, Elia disqualifies the Delivery point.
  
- FEBELIEC **requests clarifications regarding the coverage of the Opt-out agreement as well as the role of the CDSO**
  - Elia takes note of these requests for clarification and will pay attention to this while adapting the ToE rules.
  
- FEBELIEC further argues that the **scope of ToE should be extended to all delivery points, not only medium or high voltage points that have a net offtake on an annual basis.**
  - Regarding the condition of net offtake, Elia reminds to be bound to Article 19bis §2 of the Electricity Law and CREG's decision 1677. Taking into account the existing legislative and regulatory framework, Elia currently only applies ToE to delivery points with a net-offtake character.
  - Regarding the extension of ToE to low voltage point, Elia reminds that metering on a 15' basis is a prerequisite for ToE.

