

CONSULTATION REPORT

LFC Block operational agreement

September 30, 2021



Content

1.	Introduction	3
2.	Answers to the feedback of FEBEG	3
3.	Answers to the feedback of Nemo Link	4
4.	Answers to the feedback of Febeliec	5
5.	Additional modifications	Error! Bookmark not defined.

1. Introduction

Elia organized a public consultation concerning the modification of the LFC block operational agreement with regard to the methodologies and rules for balancing in the Belgian control area. In line with Article 228 of the Federal Grid Code, the LFC block operational agreement specifies the dimensioning rules for the "Frequency Restoration Reserves" or "FRR" (also referred to as aFRR and mFRR) and the methods for fulfilling the obligations regarding the balancing of the Belgian control area. The proposed adjustments concern the:

- adaptation and completion of the framework concerning exceptional balancing measures being the measures to reduce FRCE, the procedure for exhausted FRR and the escalation procedure;
- adaptation of the method for predicting the direction of flow on Nemo Link as used in the dimensioning methodology for FRR;
- modification of the full activation time for mFRR from 15.0 to 12.5 minutes.

This consultation aimed to receive any comments from market participants and stakeholders regarding the consulted document and the consultation period was set from Tuesday June 15, 2021 to Thursday July 15, 2021. In total, Elia received three non-confidential answers to the public consultation:

- **FELEG**
- **NEMO LINK**
- **FELEGIEC**

All relevant information to this consultation can be found on Elia's consultation webpage ([link](#)). The feedback received during the consultation did not result in modifications of Elia's original proposal. However, the implementation planning of the exceptional balancing measures is further aligned with the implementation of the foreseen mFRR product evolutions. The request for amendment is submitted for approval to CREG on September 30, 2021. After the approval by CREG, the adjustments will take effect following the implementation planning specified in the proposal:

- Implementation of the Nemo Link direction forecast is foreseen within 3 months after approval ;
- Implementation of exceptional balancing measures and mFRR full activation time reduction is foreseen together with the entry into force of next T&C mFRR (2022).

Note that only the request to amend the LFC block operational agreement was subject to consultation. The explanatory note of the document as well as the main document with track changes compared to the previous version were only published for information.

2. Answers to the feedback of FELEG

FELEG thanks ELIA for having the opportunity to answer ELIA's public consultation relating to the modification of Elia's LFC block operational agreement. The comments and suggestions of FELEG are not confidential.

The different procedures to activate additional flexibility cannot be seen as a free option and need to remain very exceptional. Therefore, we welcome the reporting obligations following the activation of these procedures. The usage of the exhausted and high FRCE procedure should in theory, due to the FRR needs dimensioning, be very rare. Having

a frequency of occurrence which is statistically improbable might hence be an indication that the methodology or assumptions behind the FRR needs dimensioning would need to be updated. Therefore, following changes are suggested:

- The two reports (CREG and (at least) yearly market parties report) should, next to the described content, also indicate if a review of the FRR needs dimensioning methodology or assumptions is required and why (not).
- Make public the report which is shared with the CREG.
- Should, during the course of the year, the FRR reserve capacity needs be discussed, the yearly report would be an important input. Therefore the report should be made available (at least) once a year or prior to any discussion/consultation on the FRR needs or FRR needs dimensioning.

Following the exceptional nature of the activation of the slow-start units following the specified exceptional balancing event, Elia proposes to:

- 1) present a summary after each activation event to the WG BALANCING;
- 2) present a summary of all trigger events to the WG BALANCING when proposing a modification relating to the dimensioning of the FRR needs.

This way, the information is published while the potential relation with the FRR dimensioning can be made during these presentations. With this approach, stakeholders will be adequately informed on the events and the triggers, and how they potentially impact the dimensioning discussions.

- On the adjustment of the mFRR FAT from 15 to 12.5 minutes we refer to our previous reactions. Answers to the feedback of FEBEG.

Elia explains that the reduction of the full activation time is specified in Article 7 of the Implementation framework for the European platform for the exchange of balancing energy from frequency restoration reserves with manual activation in accordance with Article 20 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing. This document was approved by ACER after a public consultation.

3. Answers to the feedback of Nemo Link

Nemo Link Limited (NLL) welcomes the opportunity to respond to Elia's Public consultation relating to the modification of Elia's LFC block operational agreement. Nemo Link has the following remarks:

- *We welcome Elia's effort to improve their flow forecasting of Nemo Link. From the document however, it is not clear to what extent the changing of the threshold improves the flow forecast. We therefore request that Elia makes the datasets of the flow forecasts available so that market parties can assess the accuracy in more detail. Nemo Link also uses flow forecasts for imbalance management purposes which can perhaps be used as a benchmark.*

Elia refers to the presentation given during the WG BALANCING of May 6, 2021 where it demonstrates the improvement brought by the flow-based forecast for different thresholds, as well the approach to select the threshold. Elia additionally refers to some further clarifications given in the WG BALANCING of September 15, 2021 and the additional clarifications given in the explanatory note following this remark (as well as the remark of FEBELIEC, cf. later). On the publication of the forecast data on the basis of which the analyses are conducted, Elia explains that the forecasted time series are provided by an external service provider and are not foreseen to be published.

- We also note that, effective from 1 Jan 2021, Nemo Link's Day-ahead capacity rights are allocated and nominated explicitly. Because of the inefficiencies of the day-ahead explicit model, Nemo Link's commercial flow may at times deviate significantly from the implied price direction at DA stage. We also observe that LT capacity holders currently predominantly nominate in one direction (towards GB) even if the price spread reverses towards Belgium. It is important that these dynamics are considered in the Nemo Link flow forecast.

Elia refers to the results of benchmark that the flow-based method gives better results than the price-based methodologies. The period which has been analyzed covers August 2020 to March 2021 which thus includes three months after the Brexit. As the forecast quality concerning the direction forecast is found to be acceptable, also during 3 months after Brexit, no further methodological improvements are currently foreseen.

- Determination of maximal reduction of reserve capacity on FRR following sharing of FRR - We note that Nemo Link has 20 MW overload export capacity to GB from 17:00 to 22:00. During these hours, the total export capacity (measured at the Belgian end of the interconnector) therefore increases from 1024MW to 1044MW. This overload is not available for import into Belgium. - The overload does not seem reflected in Elia's assessment of the maximum capacity available for FRR sharing may perhaps also not be taken into account in the calculation of the forced outage risk (section 3.1.2). We encourage Elia to take Nemo Link's overload fully into account in its balancing needs assessment.

The Nemo Link direction forecast is used in the dimensioning, in which, depending on the forecasted direction for each hour of the next day, the maximum export or import is taken into account in both the forced outage risk and the dimensioning incident calculation. Elia confirms that this includes the overload export capacity to GB from 17:00 to 22:00.

On the calculation of the mFRR reserve sharing limits with UK, this is out of scope of the consultation. Nevertheless, Elia confirms the overload capacity is currently not taken into account. The sharing limits following Article 157(2)k of the System Operation Guidelines¹ are determined as a 'static' fixed value, resulting in a legal limit of 560 MW. As this value is far above the limit of 350 MW which is currently calculated in the LFC Means based on the historic observations on the available interconnection capacity after intra-day, including the overload capacity would have no impact on the sharing that could be taken into account.

4. Answers to the feedback of Febeliec

- Febeliec would like to thank Elia for this consultation on the LFC Block Operational Agreement (LFCBOA). In the framework of this consultation, Febeliec wants to refer to its answers in other balancing consultations (e.g. on the mFRR and aFRR design) as well as the discussions during the numerous workshops on balancing products.

¹ Commission Regulation (EU) 2017/1485 Article 119 of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation

- On most of the methodological issues, Febeliec refers to its comments in previous years, but also wants to add that it is very strongly of the opinion that exceptional data points should be filtered out in the analysis, in order to avoid that these negatively impact the volume determination during several years, negatively impacting costs for consumers. This should for example be the case for imbalances resulting from design flaws that have in the meantime been addressed or at least mitigated. One notable example that might be implemented in the near future will presumably be the relaxation of the day ahead balancing obligation for BRPs. Febeliec insists that in case part or all of this relaxation would be reversed or otherwise modified in light of potential negative effects on the system imbalance, that such imbalances would be filtered out as the cause of the imbalances would have been removed or at least mitigated and as such maintaining such datapoints in the analysis could severely and unduly skew the results towards overprocurement of balancing capacity at the detriment of costs for consumers.

Elia takes note of this remark and reminds that the methodology for dimensioning the FRR needs is out of scope of the consultation. Elia confirms that the dimensioning methodology foresees the possibility to exclude non-representative data points, in Article 8(2) of the current version of the LFC block operational agreement.

For the potential impact of the relaxation of the balancing obligation, Elia refers to the answers given in the consultation report regarding the proposal of amendment of the T&C BRP²: *“Elia confirms that if the relaxation of the Day-ahead balance obligation happens to significantly negatively affect the reliability, the security or the efficiency of the grid, and if it is therefore decided to go back to a situation where no open position is allowed in Day-ahead, then the dataset used to calculate the reserve needs would be filtered to remove the moments where large System Imbalances were observed and linked to the relaxation of the Day-ahead balance obligation. This filtering will be performed in accordance with the FRR dimensioning rules described in the LFC BOA, which foresees the possibility to remove periods with data quality problems or particular events from the time series used for the calculation of the FRR needs.”*

- On point 2.1 and the mutual assistance between TSOs according to NC E&R, Febeliec wonders to which extent this point is still relevant for Great Britain, as NC E&R is no longer applicable (or at the least, not enforceable) and wonders to which extent thus this should be taken into account (which does not mean that Febeliec is opposed to avoid to create an emergency situation in the UK, but rather concerned on the potential impact for the costs of consumers in Belgium, especially if such mechanism is no longer warranted under European legislation vis-à-vis a non-EU Member State). In any case, Febeliec wonders to which extent European legislation is in this case still applicable to the interconnector with the UK and what thus is the legal framework under which Elia is taking these elements into consideration.

To its knowledge, Elia is allowed to have sharing agreements with TSOs outside the European Union. Elia sees no reasons to currently put into question the existing sharing agreement with NGESO resulting in the mutual benefit of assistance, as well as facilitating the contribution of mFRR reserve sharing in the upward reserves.

² <https://www.elia.be/nl/publieke-consultaties/20210615-public-consultation-on-the-proposal-of-amendment-of-the-tandc-brp>

- On the dimensioning element for the balancing needs, Febeliec wonders what will be the volume to be covered in the future when all nuclear plants are to be considered closed and NEMO would be in export modus. Will this have a significant impact on the balancing needs and if not, why would there be no impact. In any case is the dimensioning element crucial for many elements linked to the LFCBOA and as such it is important to understand its evolution, also towards the future.

Elia takes note of this remark and reminds that the methodology for dimensioning the FRR needs is out of scope of the consultation. Elia refers to the simulations conducted in the MOG 2 system integration study, in which FRR / mFRR / aFRR reserve capacity needs are calculated up to 2028, in a scenario with a full nuclear phase out as from 2025³.

- Concerning outage rates and as already expressed before, Febeliec is concerned that these are considered constant over time, despite in some classes assets being added, renewed or refurbished. Febeliec is also concerned that the data is based on ENTSO-e's transparency platform, completed with internal (yet not public) data which makes it impossible to audit the proposed values.

Elia takes note of this remark and reminds that the methodology for dimensioning the FRR needs is out of scope of the consultation. In addition, Elia does not see a fundamental reason to update the forced outage probabilities in Article 8(2) of the current version of the LFC BOA, as these are not expected to be fundamentally different as the ones currently used.

- On the forecast improvement factors, Febeliec challenges Elia to carefully track their evolution as the impact can be very high and should be clearly monitored. The same applies (potentially even more so) to the improvement factor representing the improvement in system imbalance following Elia's efforts to incentive BRPs to balance their portfolio (although Febeliec is not convinced that some of the future steps envisaged by Elia, such as the relaxation of the day ahead balancing obligation actually go in that direction). As Febeliec as well as other stakeholders are continuing to closely monitor and support such endeavors by Elia, Febeliec is of the opinion that this improvement factor might be underestimated.

Elia takes note of this remark and reminds that the methodology for dimensioning the FRR needs is out of scope of the consultation. Elia wants to clarify that forecast improvements are only relevant for the 'static' aFRR dimensioning methodology for which Elia proposed a dynamic dimensioning methodology in 2020. Note that such improvement factors would become unnecessary with the dynamic dimensioning methodology.

- Febeliec is also very surprised to see that in a consultation that takes place mid-2021, the analysis still is based on an analysis of imbalances in the period 07/2017-06/2019 or the adequacy study for winter 2019-2020. Febeliec wonders why Elia did not use more recent data to justify its choices (which does not necessarily mean that Febeliec opposes the conclusions, rather that they could be based on outdated analyses and thus could raise questions over their relevance).

³ <https://www.elia.be/nl/publieke-consultaties/20201001-public-consultation-on-integration-of-additional-offshore-capacity---mitigation-measures>

Elia takes note of this remark and reminds that the methodology for dimensioning the FRR needs is out of scope of the consultation. Elia stresses that the historic time series are only relevant for the calculation of the 'static' aFRR dimensioning and the calculation of the mFRR reserve sharing limits. For the first, Elia already presented a new methodology end 2020. For the latter, as already pointed out in an earlier question of Nemo Link, the update of the sharing limits would not have an impact as these are above the additional limits set in the LFC Means.

- Febeliec is surprised to see that for the so-called slow start units, Elia in all documents is only referring to gas-fired power plants. Febeliec wants to stress that such product should be made technology-neutral (which currently is not the case) as also a.o. some demand side response requires some longer lead times to deliver than that allowed by balancing products, yet also can offer flexibility to help maintain system integrity and security. Febeliec insists that such flexibility is also looked at and not discarded as is currently still the case, in order to remove discrimination and ensure that the balancing needs can be covered at the lowest possible cost. Moreover, Febeliec still remains, as already previously indicated during the discussions and previous consultations, with reservations towards the cost impact of this measure, which is in some cases entirely to be borne by consumers, and this because Elia estimates that BRPs might not be able to fulfill their balancing obligations. Febeliec is also afraid that with Elia's proposal to relax the day head balancing obligation of BRPs, such instances where these reserves need to be activated (or at least required to prepare for activation, with the corresponding costs) might become more frequent, leading to additional costs for consumers.

Elia explained during the WG BALANCING of May 6, 2021 that it designed the triggers specified in the LFC BOA as technology neutral as possible while another study investigates in specific the conditions for the participation of other technologies is this measure. Preliminary findings of the study on the possibilities for a technology-neutral framework have been discussed with the stakeholders in a dedicated workshop that took place on 1st of July 2021. Elia also refers to the public consultation of this study⁴.

- *On reserve sharing across borders, Febeliec welcomes the efforts done by Elia to finally increase the volume taken into account, especially in light of the large volume agreements in place with most neighboring countries, and insists that these values are adapted based on a.o. new agreements or larger volumes being made available under the current agreements.*

Elia takes note of this remark and reminds that the methodology for the calculation of the sharing contribution specified in the LFC Means is out of scope of the consultation. At this point, Elia has no specific information to re-consider the current reserve sharing contributions.

- *On the FRR means point, Febeliec most strongly want to refer to its comments on the extension of the Belgian mFRR Flex product. Febeliec also already here wants to specify that it cannot agree with a split between an mFRR Standard and mFRR Flex product that is based on a fixed minimum volume of mFRR Standard to be procured, but rather asks to revert to the previous situation in which the split between both products was based on relative thresholds. Febeliec insists, a.o. in light of the ever smaller margin of total mFRR capacity offered*

⁴ <https://www.elia.be/en/public-consultation/20210820-public-consultation-of-the-study-on-a-technology-neutral-framework>

versus capacity procured, that it would be unwise and imprudent to completely abolish the mFRR Flex product, as this could already in the (near) future lead to insufficient liquidity in the balancing market, as market actors will have left the market altogether, which would not be beneficial for the overall system costs and the cost to consumers in particular, and could in the long run lead to insufficient balancing assets still available to help the system, when actors stop investing time and resources in the balancing market as their efforts are being voided. Febeliec insists that over time the ICH product was transformed into an R3DP product to an mFRR Flex product and then an adapted mFRR Flex product which would now be to be abolished, at the detriment of participation (especially direct participation) of demand side response flexibility, flexibility Febeliec believes will be very much needed in the near future, if not just in light of Elia's own plans towards customer centricity and market modifications.

Elia takes note of this remark and reminds that the methodology for the calculation of the FRR means is out of scope of the consultation. Elia refers to the specific discussions on this matter in the WG BALANCING of September 15, 2021 and the announced consultation on Elia's proposal on the modification of the LFC Means concerning this subject.

- *On the interconnector with the UK, Febeliec regrets that Elia has not provided an argumentation why this interconnector is now taken into account in the analysis based on a real-time flow and not on a price difference as currently still is the case. Febeliec not necessarily opposes this modification, yet finds it strange that this is not explained nor that a justification of the switch and its (costs) impact are given.*

Elia refers to the quantitative analysis presented in the WG BALANCING of May 6, 2021 showing how the flow-based approach outperforms the price-based approach. Under the selected threshold, the amount of undefined forecasts (non-informative forecasts / total) is reduced from 40 % to 3 % without reducing the forecast accuracy (correct forecasts / informative forecasts). Elia also refers to the answer given above to the question of NEMO LINK.

- *On the formality of the consultation process, Febeliec wants to point out that in the actual LFCBOA document, Elia states that the consultation will run until July 19, 2021, while on its website and in its communication it lists July 15, 2021. Febeliec insists that Elia provides consultations without ambiguity and thus clearly checks consistency across its communication. Febeliec insists that in such case, the latter of any communicated deadlines should be applied, but hopes Elia will in the future do a more thorough cross-check of its communication.*

Elia thanks FEBELIEC for pointing out this inconsistency. Elia confirms that the deadline was set at June 15, 2021, as communicated in the mail to the stakeholders, on the consultation page, and in the request for amendment subject to the consultation.

5. Additional modification

Elia consulted the following implementation planning:

- (1) [On the exceptional balancing measures] *"Article 7, Article 12 and Article 13 of the LFCBOA will enter into force, the latest, 9 months after the approval by the CREG.*
- (2) [On the improvement of the Nemo Link direction forecast] *"Article 8(6) of the LFCBOA will enter into force, the latest, 3 months after the approval by the CREG."*

- (3) [On the 12.5 minute mFRR FAT] *“Article 14 of the LFCBOA will enter into force after its approval by the CREG and not before the entry into force of the next version of the Terms and Conditions for balancing service providers for manual Frequency Restoration Reserve (mFRR), hereafter referred to as T&C BSP mFRR.”*

In view of the recent evolutions in the implementation planning of the EU balancing platforms, Elia proposes to reformulate this paragraph in order to explicitly couple the implementation of the exceptional balancing measures with the implementation of explicit bidding for mFRR as further explained in the explanatory note:

- (1) *“Article 7, Article 12 and Article 13 and Article 14 of the LFCBOA will enter into force after its approval by the CREG and not before the entry into force of the next version of the Terms and Conditions for balancing service providers for manual Frequency Restoration Reserve (mFRR), hereafter referred to as T&C BSP mFRR.*
- (2) *Article 8(6) of the LFCBOA will enter into force, the latest, 3 months after the approval by the CREG.”*

Project spokesperson

Kristof De Vos | Kristof.DeVos@elia.be

Elia Transmission Belgium SA/NV

Boulevard de l'Empereur 20 | Keizerslaan 20 | 1000 Brussels | Belgium