

Subject: FEBEG comments on ELIA's Public consultation on a modification of the methodology to determine the balancing capacity in the Elia LFC block

Date: 22 October 2021

Contact: Jean-François Waignier

Telephone: +32 485 77 92 02

Mail: jean-francois.waignier@febeg.be

FEBEG thanks ELIA for having the opportunity to react ELIA's Public consultation on a modification of the methodology to determine the balancing capacity in the Elia LFC block¹. The inputs and suggestions of FEBEG are not confidential.

General remarks

Reserves dimensioning and balancing product specifications are at the same time critical for the grid security and critical for the visibility of BSP's (i.e. investing in existing and/ or new capacities).

We agree with the very pragmatic approach of Elia on the phase-out of mFRR Flex. This product does not seem to be necessary in the balancing market and does not go either in the direction of relying on standard (as opposed to specific) products requested by EBGL.

Specific Remarks

Firstly, BSPs do not seem to be attracted anymore by mFRR Flex. The offered volumes have impressively decreased over time; leading market parties to disregard this product.

Secondly, it seems that specific products are no longer necessary no matter what the dimensioning of reserves is. Those units that used to participate to mFRR flex may still be offered (i.) as non-contracted bids and/ or (ii.) by being combined with other units and hence complying with the mFRR STD requirements. Next to that, the assets with a need of neutralization time (being a characteristic of mFRR Flex) can find a work-around either by participating to non-contracted or by managing efficiently a pool of several assets (i.e. activate other units).

Thirdly, FEBEG finds the Figure 1 of the document very insightful: A large share of mFRR flex has been replaced by mFRR STD as of 1/07/2020. It means that most of capacities offered in mFRR Flex could equally be offered in mFRR STD.

¹ https://www.elia.be/en/public-consultation/20211001_public-consultation-on-a-modification-of-the-methodology-to-determine-the-balancing

However, FEBEG is worried by the trends and correlation between reserve dimensioning and the total volumes offered by BSPs (read the liquidity) since the decrease of total mFRR procured (6/01/2021). The offered volumes drastically decreased.

In parallel, we experience unprecedented imbalance tariffs in terms of price range and occurrences since several months. Figure 1 suggests that no new capacity has been offered over the last months.

FEBEG concludes that reserve dimensioning is the most important factor when it comes to investments in existing and new capacities. Imbalances prices is to be seen as an incentive to balance its positions as a BRP. Nevertheless, imbalance seems not a good indicator for attracting new capacities. It supports previous FEBEG statement on the counterproductive aspect of scarcity component (aka Omega factor).

Finally, the phase-out of mFRR flex is welcome from a regulatory point of view. It avoids i. market distortion, ii. defining an unnecessary specific product (targeted to specific technologies only) hampering the technology-neutral spirit of the balancing market, iii. it creates one single integrated merit-order instead of two different MO (easier, fairer and more transparent) and it is consistent with the choice to participate to European energy bids platform.

Ultimately, FEBEG wants to take the opportunity to remind/ question Elia on some very important aspects of the reserve dimensioning.

Market liquidity: FEBEG understands the current concerns about market liquidity. Decreasing reserves probably helped to decrease the total costs of mFRR reserves. However, it also seem to contribute to lower market liquidity. One can think about, but not limited to, permanent decommissioning of existing assets. 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.

Long-term & stable regulatory framework: A stable and long-term regulatory framework is key when it comes to investments/ divestments. FEBEG calls Elia's attention on dimensioning reserves consistently through the years. Reserves size is a key element looked at 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 enough reserve dimensioning through the years instead of a yearly stand-alone exercise.

Analysis with other TSO's: Belgium will soon join European energy bids platforms (PICASSO & MARI). FEBEG is wondering whether the reserves sharing exercise should not be done in close cooperation with surrounding TSO's. Relying on foreign reserves implies that other TSO's would rather be conservative in their national dimensioning. Some events the grid must cope with (e.g. massive renewable intermittency) can disregard the notion of borders or national TSO.