

**DEROGATION**

**Request for derogation to the  
deadline to the use of European  
platform for mFRR according to  
EBGL art. 62.**

**23 November 2021.**



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## Executive summary

The European Guideline on Electricity Balancing (EBGL) defines the regulatory framework concerning the building of a European platform for mFRR energy exchanges. Since 2017, all TSOs are cooperating and developing a European platform for mFRR energy exchanges (this European project is called “MARI” (Manually Activated Reserves Initiative)). In parallel, Elia is preparing the local changes within the local mFRR design as its own tooling and processes while explaining and discussing, on regular basis, the changes of mFRR balancing product and resulting implementation with Belgian stakeholders.

The deadline for the delivery of the European mFRR platform and the connection to it by all TSOs, as stipulated by regulation, is set to 24<sup>th</sup> July 2022.

Based on the elements further detailed in this note and on external feedbacks received from Belgian stakeholders, Elia decided to submit to CREG a request for derogation to the deadline to the use of the European platform for mFRR according to EBGL article 62.

THE BELGIAN TRANSMISSION SYSTEM OPERATOR ELIA, TAKING INTO ACCOUNT THE FOLLOWING

**WHEREAS**

- (1) Commission Regulation (EU) 2017/2195 of 23 November 2017 establishes a guideline on electricity balancing (hereafter referred to as the "EBGL") entered into force on 18 December 2017.
- (2) Elia Transmission Belgium SA (hereafter referred to as "ELIA") is responsible for the operation of the Belgian transmission system, for which it holds a right of ownership or at least a right of use. ELIA has been designated as Transmission System Operator, pursuant to the Act of 29 April 1999 on the organization of the electricity market, and ensures the safety, reliability and efficiency of the Belgian transmission system.
- (3) Article 3(1) of EBGL stipulates objectives and general principles when applying this regulation, in particular
  - (3) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;
  - (4) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;
- (4) Article 62(1) of EBGL specifies that

A regulatory authority in accordance with Article 37 of Directive 2009/72/EC may, at the request of a TSO or at its own initiative, grant the relevant TSOs a derogation from one or more provisions of this Regulation in accordance with paragraphs 2 to 12.
- (5) Pursuant article 62(2) of the EBGL, a TSO may request a derogation from the following requirements
  - (a) the deadlines by which a TSO shall use the European platforms pursuant to Articles 19(5), 20(6), 21(6) and 22(5);
  - (b) the definition of the integrated scheduling process gate closure time in a central dispatching model pursuant to Article 24(5) and the possibility to change the integrated scheduling process bids pursuant to Article 24(6);
  - (c) the maximum volume of cross-zonal capacity allocated on a market- based process pursuant to Article 41(2) or a process based an economic efficiency analysis pursuant to Article 42(2);
  - (d) the harmonisation of the imbalance settlement period in Article 53(1);
  - (e) the implementation of the requirements pursuant to Articles 45, 46, 47, 48, 49, 50, 51, 54, 55, 56 and 57.

SUBMITS THE FOLLOWING DEROGATION FOR APPROVAL TO THE CREG:

# 1. Challenges related to the implementation

The implementation of mFRR requirements, resulting from EBGL requirements and the implementation framework for mFRR, requires major changes of the current Belgian mFRR design. These changes implicate major challenges, both for Elia and the market actors:

## 1) Time to complete the local mFRR Design

The time to complete the local mFRR design is longer than initially forecasted by Elia. Indeed, final mFRR design was expected to be finished by June 2021 but some important design elements related to the mFRR design, due to their sensibility and/or impact on the market participants, were still under discussions with CREG during Q4 2021 (in particular firmness of balancing energy bids and facilitation of BSP bidding beyond the EBGL requirements). Without the final guidance on these elements, new local mFRR design could not be considered as finalised and market participants confirmed that they don't intend to start technical development before the confirmation and publication of the final mFRR design by Elia.

More concretely, the updated implementation planning discussed during the WG Balancing of 28<sup>th</sup> of June 2021 (see here below) was indicated as dependent on when the design discussions would be closed and on a further in-depth analysis of the technical information by the market participants. This was also confirmed in the following interactions.

## 2) Changes in new mFRR design impacting Elia and the markets participants

(1) The explicit bidding of mFRR bids is a prerequisite to be connected to the European mFRR platform and the effective use of it. The step to move from the current implicit bidding to an explicit bidding is an important change in the Belgian balancing market. Moreover, this requirement of explicit bidding in combination with new requirements from the European mFRR design has a significant impact and complexity in IT developments for both Elia and Belgian BSPs. More concretely, the new mFRR design foresees new bids characteristics and energy bid profiles in order to integrate the different bidding possibilities and to allow the modelling of constraints between mFRR bids. All these new elements have to be analysed and developed by the BSPs in order to properly modelize their portfolio in compliance with the new design.

(2) Next to the technical implementation, the BSPs have to develop new bidding strategies taking into account the new mFRR design as the obligation to bid every available energy.

Complex implementation and change of market bidding as described above would require sufficient time for all parties in order to ensure a smooth and stable transition towards new mFRR design. This is also the feedback received from BSPs on their technical readiness during the WG Balancing on 28<sup>th</sup> of June and on 28<sup>th</sup> of October 2021.

## 3) Interdependence and impact on resources from other major projects

Currently, other major projects at European level or national level are on-going in the field of balancing markets. On one hand, some of them are interdependent and, on the other hand, many of them share the same experts and IT

resources at Elia and market parties' side. The below list of projects is non exhaustive but Elia would like to mention two important projects impacting mFRR implementation.

- (1) The evolution of implicit bidding to explicit bidding needs to be done for redispatching energy bids and mFRR energy bids at the same moment. As MARI (Manually Activated Reserves Initiative)<sup>1</sup> and iCAROS<sup>2</sup> implementations are interdependent, implementation efforts need to be done for both at the same time and any delay in iCAROS will impact the timing for the implementation of mFRR/MARI, and vice versa.
- (2) The parallel implementation of two European balancing platforms, one for aFRR and another one for mFRR within the same timeline window, in addition to urgent modifications required in the design of aFRR capacity auctions, has put additional challenges on both market actors and Elia to be ready on time with the deadlines defined by EBGL. Based on the feedback received from the stakeholders through its Working Group Balancing, Elia has given the priority to the implementation of aFRR design changes and the connection to the European aFRR platform as a first step.

Usually, the implementation of a large project in national or European context like mFRR should not be impacted taking into account the readiness of a.o. external platforms, local TSO tooling and stakeholders. Regarding the new step towards the new European mFRR design, Elia observes that both Elia and market parties are facing challenges due, among others, to the complexity of the new mFRR design. Next to that, all involved parties should share their internal resources for the current parallel implementations in the field of balancing.

## 2. Risks for operational security

After recent analyse of the mFRR balancing market in year 2021, Elia expects to have sufficient balancing energy available in its LFC block to cover mFRR needs pursuant Article 157 of SOGL (REGULATION (EU) 2017/1485) till the operational connection to EU mFRR platform.

On the other hand, the substantial changes of mFRR balancing products (i.e. explicit bidding, new activation profiles for energy bid, new timings for the balancing bid submission) for the BSPs in Elia LFC block with the use of European mFRR platform, requires to give sufficient time for all market participants to be ready when Elia will evolve to the new mFRR design. Taking into account the current feedbacks received from the market parties via the Working Group balancing, a minimum implementation timeline of about 12 months after the finalisation of mFRR design should be considered. Therefore, Elia expects rather a decrease in mFRR liquidity if the connection with European mFRR platform is done too fast without giving the time for the market to be technically ready. A sudden decrease in mFRR liquidity on national market would create a risk for operational security in the Elia LFC block and Elia would not be in state to fulfil its obligation according to SOGL article 18.

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<sup>1</sup> the European implementation project for the creation of the European mFRR platform ([https://www.entsoe.eu/network\\_codes/eb/mari/](https://www.entsoe.eu/network_codes/eb/mari/))

<sup>2</sup> iCAROS stands for *Integrated Coordination of Assets for Redispatching and Operational Security*, the coordination of assets for system operations and market procedures in accordance with the EU Network Codes (<https://www.elia.be/en/users-group/wg-balancing/task-force-icaros>)

As a consequence, Elia considers that the current derogation will facilitate a realistic implementation plan which could ease the BSPs' readiness at the launch of the connection with mFRR platform and therefore Elia foresees no risks for operational security if sufficient time for implementation is given to the market.

### **3. Economic efficiency of the mFRR balancing market**

In term of budget of mFRR balancing products, Elia does not see a short-term impact on the procurement cost of balancing capacity for the following reasons:

- The downward reserve needs are already fulfilled today with non-contracted balancing capacity (reserve sharing and non-contracted balancing energy bids)
- The upward reserve needs will continue to be covered with procured balancing capacity and reserve sharing. Although, Elia recognizes a potential for reducing the needed mFRR balancing capacity through accounting non-contracted balancing energy bids on the EU balancing platforms, such dimensioning methodology is currently under study.

Regarding the mFRR energy, the current pricing methodology used in the Belgian balancing market is based on marginal pricing (pay-as-cleared) since 2018 and is already compliant with the EBGL requirements of article 30 (1) (a). As mentioned here above, if the connection with European mFRR platform is done too fast without giving the time for the market to be technically ready, this may cause a decrease in mFRR liquidity on national market, what could have a negative impact on prices and consequently on economic efficiency.

Moreover, the requested derogation is not expected to have an impact on the development of the smart grid infrastructure or replacement of smart grid infrastructure.

### **4. Risks for the integration of balancing markets across Europe caused by the requested derogation.**

Elia observes that a lot of TSOs and stakeholders in Europe will need more time to be ready to connect to the European mFRR platform and that the derogation requested by Elia is not expected to delay the integration of the balancing markets in Europe.

Keeping the challenging implementation planning and speeding up the connection to the mFRR platform while the systems and market are not ready would generate in comparison higher risks for the integration of the balancing markets across Europe. Indeed, it could result in operational and market issues that would undermine the confidence of stakeholders into the new European platforms with the consequence to further delay their own connection to the platforms. The mistrust of stakeholders in a new market organization would encourage them to remain as independent as possible from the integrated market till the latest moment and finally leaving the concerned market.

Generally, Elia considers that this derogation for mFRR implementation will not provoke additional risks for the integration of balancing market in Europe taking into account Elia's committed plan for joining the EU mFRR platform (see here below).

## 5. Consequences of derogation on markets

### 5.1 Consequences on adjacent markets

Based on the present accession roadmap, out of the non-EU member states, only one-fourth of TSOs (6 out of 27 TSOs) are currently expected to be ready by July 2022 with the launch of the European mFRR platform.

Regarding the adjacent balancing markets to Belgium and the information shared by the concerned TSOs, the expectation for our neighbouring countries is the following:

- TenneT BV is in process of aligning with its National Regulator on the derogation. More information on the aligned planning could be expected by the end of January 2022.
- The French balancing market expects to be connected to the European mFRR platform in Q3 2024.
- The German balancing market expects to join the mFRR European platform at the go-live of the mFRR platform in July 2022.

Consequently, a derogation for the Belgian market could in first instance only have consequences for the German market. Considering the large size of the German balancing markets, and the liquidity observed on this market, Elia does not expect any significant negative impact in the German market due to a delay in the accession of Belgium to the mFRR platform.

### 5.2 Impacts of non-implementation in terms of non-discrimination and competition with other European market participants

Regarding the integration of demand response and renewable energy sources in the new European balancing market, BSPs will need to review their contractual framework with each provider. At the scale of demand facilities and small renewable energy sources, this will take longer time to inform and set the conditions with the grid users so that, first, all parties are on the same information level and, on the other hand, the technical requirements are built, tested and in service.

Currently, in the Belgian mFRR balancing market, there are no non-contracted market participants assimilated to demand response and renewable energy, so no opportunities are lost. Through informal contact, these new market participants in mFRR balancing market are also supporting the derogation requested by Elia in order to get more time for preparation of their business case for joining the mFRR energy market.



## 6. Planning and implementation

### 6.1 Actions taken to facilitate the implementation

In order to facilitate the implementation of the new mFRR design and the connection to the European MARI platform, ELIA took care to interact regularly with the market participants and to offer the needed support.

More concretely, until today, ELIA has organised following actions:

- To interact with market participants to define the 2021-2022 roadmap, to confirm the projects having the highest priorities and to take market participants readiness into account when defining and/or updating plannings (see Workgroup Balancing meetings of 28<sup>th</sup> of October 2020, 23<sup>th</sup> of November 2020, 29<sup>th</sup> of January 2021, 28<sup>th</sup> of June 2021, 28<sup>th</sup> of October 2021 and 22<sup>nd</sup> of November 2021);
- To interact with the market participants when defining and describing the new mFRR design (see workshops of 7<sup>th</sup> of December 2020, 16<sup>th</sup> of December 2020, 15<sup>th</sup> of January 2021, 28<sup>th</sup> of January 2021, 31<sup>st</sup> of March 2021 and 18<sup>th</sup> of May 2021);
- To document the new mFRR design in an extensive note (a first version was sent for informal consultation to market parties in December 2020 and an updated version was provided to them in June 2021);
- To support the further detailed understanding of the new mFRR design by making available the description of concrete detailed examples related to the explicit bidding and new mFRR requirements. This information is part of the “Manual on Energy Bidding for the mFRR balancing service and for redispatching” that was shared with the market participants in March 2021. This effort to inform market parties on how to correctly bid in specific technologies taking into account complex issues such as “limited energy storage” and “high start up costs” was well appreciated by the market parties.
- To deliver the technical guides related to the IT system requirements needed for the market participants early on (shared in May 2021) and support its understanding by two workshops to explain the content and answers questions from market participants. (11<sup>th</sup> of March 2021 and 3<sup>rd</sup> of June 2021) and the publication of a Q&A in July 2021;

ELIA will continue these interactions with market participants further.

In complement, as foreseen by the Implementation Framework for mFRR, European Stakeholders workshops took place, among others, on the 13<sup>th</sup> of July 2020 and 18<sup>th</sup> of December 2020.

In order to support market parties, Elia looked also further which functionalities could be possibly offered as optional non mandatory “Bidding Assistance Services”. On this basis, Elia has proposed to further specify following optional pre-processes

- Facilitating the definition of maximum activation time,
- Facilitating a simplified merged file for redispatching (RD)/mFRR Bid.

These 2 optional pre-processes could be then, possibly after new mFRR design go live, completed by an optional pre-process facilitating the neutralization time.

Regarding its own IT development, Elia has followed an AGILE approach for the implementation of the new mFRR design. While the European discussions about the European mFRR platform and the local interactions on the local mFRR design were still ongoing, Elia has started the business requirements and IT developments on the already clear project requirements. With this approach, the challenging implementation time for the use of European mFRR platform within Belgian balancing market, has been optimised.

ELIA will also take care to deliver the BSP testing environment early on to allow the market participants to test their developments in the loop of their implementation (in accordance with the planning – see here below – BSP Testing environment is planned to be made available in Q2 2022).

## 6.2 Detailed plan and timeline after derogation

As discussed in the WG Balancing of 28<sup>th</sup> of October and of 22<sup>nd</sup> of November 2021 and as agreed in conclusion of these WG Balancing meetings, the target implementation plan for the implementation of the new mFRR design and ELIA's connection to the European MARI platform is the following one:

- BSP Testing environment for mFRR and iCAROS phase 1 will be available in Q2 2022 (in order to allow testing from the moment the BSPs' preparation for aFFR go live(s) has been finalised);
- Local go live of the new mFRR bidding and iCAROS phase 1 will take place Early Q1 2023;
- Connection to EU mFRR balancing energy platform will take place Late Q1 2023/Early Q2 2023.

In order for the go lives to take place in Q1 2023, as mentioned here before, following milestones need to be respected for mFRR:

- Finalisation of the mFRR new design for end 2021 (Updated mFRR design note to be shared with market parties in January 2022);
- Updated technical guide available together with the BSP Testing environment;
- Organisation of the public consultation for the amended mFRR T&C and balancing rules to be started at the latest in September 2022;
- Readiness check of market parties one month after aFFR Go live(s) and/or after the summer 2022;

This planning was established based on the different interactions that took place with the market parties and more specifically the feedbacks that market parties sent in preparation of the WG Balancing of the 28<sup>th</sup> of June and 28<sup>th</sup> of October 2021 that included, among others, the following elements:

- Focus is set at the moment on aFFR Capacity and PICASSO;
- Development can only be started when mFRR design is fully stabilised;
- Global project feasibility is not only linked to IT implementation feasibility;
- Sufficient implementation time is needed to ensure the participation and avoid negative effects on liquidity.

More specifically following feedbacks were expressed :

- Sufficient time needed with demo platforms available (in line with what has been foreseen);
- At least 12 months are needed to implement the proposed design (from the moment the design is fully stabilised);

- Moving go live for MARI and ICAROS to 2023.

It's the result of the update discussed and confirmed in conclusions of the WG Balancing of the 28<sup>th</sup> of October and 22<sup>nd</sup> of November, taking the following elements into account:

- The 2 steps approach in aFRR/PICASSO Roadmap (Delaying the connection to PICASSO)
- The finalisation of the mFRR new design for the end of 2021 (see here above);
- The willingness to include some optional non mandatory "Bidding Assistance Services" before the local go live (see here above);
- The need for all parties and in support of the present derogation to define a planning to which all parties could commit with the purpose to keep it fix as much as possible (out of significant unforeseens).

The respect of this planning depends on the ability of all concerned parties to respect the different deadlines. Of course, ELIA has a key role in following and guaranteeing this planning but this also depends on all concerned parties:

- MARI European project for the launch of European mFRR Platform;
- CREG in the context of the regularly track;
- Market participants in the context of their own implementation and readiness.

As the feasibility of the implementation planning on the market participants' side is a key success factor and a key element supporting the present request for derogation, ELIA asks the market participants to confirm explicitly in their consultation feedbacks their constraints and their support to the present planning and the related derogation request.

## Conclusion:

In conclusion, the current challenges in the implementation path of the new mFRR design, as explained in the sections above, in addition to the BSPs feedbacks on their possible readiness which would be in any case after the deadline to the use of the European mFRR platform in July 2022, led Elia to conclude that additional time would be required for a smooth transition to the new mFRR design and that a derogation for Elia's connection to European mFRR platform would be needed. All market participants, based on the informal feedbacks expressed during the Balancing workgroups, are supporting this need of a derogation in order to get more time for their implementation before ELIA launching the new mFRR design.

## Provision

In line with EBGL article 62, Elia is requesting a derogation to CREG regarding the **deadline by which Elia shall use the European platform** pursuant to Article 20(6).

## Requested derogation period

Elia is requesting a derogation for the implementation of mFRR energy exchange and connection to the European platform for 2 years, being the maximum allowed period according to EBGL article 62 (9).

Although Elia aims at implementing the mFRR energy exchange with European mFRR platform in a shorter timeline than the 2 years of derogation (cf. earlier paragraph), Elia wants to avoid any regulatory risks with shorter derogation period as the derogation can only be requested once and an IT implementation with that many involved parties can always be subject to unexpected delays.

**Contact**

**Project spokesperson**

Thomas Oldenhove | | [Thomas.oldenhove@elia.be](mailto:Thomas.oldenhove@elia.be)

**Elia Transmission Belgium SA/NV**

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

