Subject:	FEBEG comments on ELIA's public consultation on the daily prediction of non-contracted balancing energy bids
Date:	29 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 to ELIA's public consultation on the daily prediction of non-contracted balancing energy bids[1].
The inputs and suggestions of FEBEG are not confidential.

General comments

FEBEG welcomes the effort to strive for a better market functioning and appreciates this well-documented and balanced study that also identifies the weak points of the proposals. Given the importance of procuring dynamically the reserves, FEBEG believes that Elia should be very careful when analyzing the results of this study and that representative data sets should be used before confirming any implementation plan. As a result, it seems a bit too optimistic and premature to already conclude at this point that non-contracted balancing energy can be predicted with sufficient accuracy.

The conclusions and implementation plan of this study should be thoroughly analyzed because of the impacts it could have on the market liquidity and the overall adequacy needs[2]. We should avoid that units leave permanently the market as it would not only affect market liquidity but also long-term adequacy. Recent decisions on the dimensioning of FRR have shown that market liquidity lined up on the decrease of procurement.

Specific comments

TSO sharing is an important element in the analysis, impacting the possibility to procure more or less volumes. We believe this assessment must be done in very close cooperation with surrounding TSOs. Any events such as an incorrect wind forecast does not stop at the border of Belgium and we believe that this kind of events are often correlated within Europe. FEBEG believes that historical available TSO sharings should focus specifically on

---

[1] https://www.elia.be/en/public-consultation/20211001_public-consultation-on-the-daily-prediction-of-non-contracted-balancing-energy-bids

[2] We also refer to the FEBEG comments on ELIA's Public consultation on a modification of the methodology to determine the balancing capacity in the Elia LFC block (dd 22/10/2021)

Federatie van de Belgische Elektriciteits- en Gasbedrijven vzw
Fédération Belge des Entreprises Électriques et Gazières asbl
Federation of Belgian Electricity and Gas Companies

1-3

events where there was actually mFFR import needs in Belgium. Analyzing available TSO sharings when there is no need in Belgium is a lot less relevant.

Further, it will not be prudent to consider the availability of the reserve sharing with other TSOs as 'firm' in the determination of the balancing capacity to be procured. These reserves are never 'guaranteed' as the availability of cross-border capacity is not ensured because it is subject to the operational availability of interconnection capacity at borders as well as network operating constraints such as congestions, while we do experience events where Belgium is cornered in the results of flow-based domain.

Reliable data sets: It is important to draw conclusions by analyzing data sets that are representative. In this context, the upcoming market design changes - such as explicit bidding, complex bid characteristics, reduced full activation time, etc. resulting from the PICASSO and MARI projects - are game changers impacting liquidity offered.. Inputs are even more relevant than models according to us. If you rely on data that are not reflecting future market conditions and market design, the outputs/ results of the models will be unreliable. Therefore, it would be prudent to await the return on experience of 1-2 years of go-live of PICASSO and MARI on these evolutions before starting to investigate different methodologies and models.

Large confidence interval: It is important to focus on studies with high enough reliability rate/ confidence interval. In particular, the error where models would forecast large amounts of offered non-contracted bids while lower amounts would be offered in reality can jeopardize grid security.

Gaming: If Elia forecasts low amounts of non-contracted bids, It should be avoided that some players would be gaming on price capacity and/ or energy bids in an overly opportunistic way.

Data

FEBEG understands that pump-hydro units are key variables in the predictions, but considering a day versus night model seems too simplistic. We are skeptical that Elia could interpret the optimization of market parties operating those units. For instance, how will Elia monitor the energy limits and how will the Scheduling Agent optimize the assets in the coming hours? Further, how can Elia forecast - in a very volatile and intermittent context - what the Scheduling Agent will be doing with these units the day after (Elia assessment is done in D-1 before 7 am).

How does Elia treat the outage rates of the different units participating to non-contracted bids?

How does Elia include congestion risks, meaning risks that a unit might be prevented to deliver reserve?

The current mFRR implicit bidding very likely overestimates the volumes that will be offered in explicit bidding (cfr. Complexity to represent BSP portfolio's with bid characteristics and bid firmness).

Methodology

The combination of three methods (one sophisticated method with two less sophisticated) is not sufficiently justified in this study. The choice of the model based on a qualitative selection seems very simplistic and random as an approach. Elia should instead take the necessary time to analyze and focus on one of the models providing the high performance and reliability regardless of the level of complexity.

It should be noted that the model that will be implemented to predict the non-contracted means must guarantee the highest possible accuracy to not jeopardize the security of the grid.

FEBEG can also confirm the observations that there is no potential for predicting the available non-contracted aFRR balancing means due to the limited availability of significant volumes as well as the limited data set of one year, and that no further analyses seemed useful at this point. As mentioned by Elia in this study, the large part of non-contracted aFRR means are provided with remaining capacity on CCGT, which mean that without balancing capacity procurement, the non-contracted balancing energy bids would neither be available.

On the other hand, FEBEG can understand the current approach to not procure downward mFRR balancing capacity as long as observed non-contracted balancing means continue to cover the downward mFRR reserve capacity needs.

In this context, FEBEG would also like to remind its comment put forward in the consultation of the LFC means. FEBEG believes that there is a potential mismatch or inconsistency between on one hand the discussion in the context of offshore integration (in which BRPs are increasingly being asked to balance their portfolio and have the means to do so) and on the other hand the use of non-contractual flexibility to cover Elia's reserve requirements. The same issue exists in the MARI/PICASSO design in which BRP/BSP cannot change their explicit bids 20-25minutes before real time (which could be interpreted as the TSO having priority on this flexibility). If the same non-contracted means are to cover the BRP's needs and the TSO's needs, it must be avoided unambiguously that this leads to a double use, where in the end the BRP will be penalized.

Implementation planning

FEBEG is of the opinion that it is too early to propose an implementation planning at this stage given the lack of reliable and representative data necessary to carry out a conclusive study. Therefore FEBEG considers that a second round of study is necessary – using reliable data sets post go–live of MARI & PICASSO– to elaborate a final implementation plan. Relying on current data can only give provisional directions but cannot conduct to definitive conclusions.