



# **EXPLANATORY NOTE ON THE PUBLIC CONSULTATION OF THE PROPOSAL OF AMENDMENTS OF THE T&C BRP FOLLOWING THE PROGRESSIVE RELAXATION OF THE DAY-AHEAD BALANCE OBLIGATION OF THE BRPS**

ELIA

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## PRACTICAL INFORMATION

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This note serves as an explanation for the current consultation on the **proposal for amendments to the Terms and Conditions for Balance Responsible Parties** (hereafter referred to as “T&C BRP”). The purpose of this consultation is to obtain comments from the market parties. At the end of the public consultation, Elia will provide a consultation report that will be available to all market parties.

All responses to this public consultation will be made public on Elia’s website, except those responses for which market parties ask to treat their contribution as confidential. However, all responses to this public consultation will be submitted to the relevant regulatory authorities in the context of the official approval procedure<sup>1</sup> for the Rules organizing the T&C BRP.

Elia invites all stakeholders to submit any comment and suggestion they may have on the documents submitted for consultation. The consultation period runs from 15 June to 15 July 2021. All responses must be submitted via the online form on the Elia website. The draft proposal for the changes to the T&C BRP is available for consultation on the Elia website.

Questions regarding these documents can be sent to the following email address: [BMMconsult@elia.be](mailto:BMMconsult@elia.be).

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<sup>1</sup> Article 6(3) of Regulation 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

## INTRODUCTION

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In 2020, Elia performed a study relative to the Day-ahead balance obligation of the BRPs. This study concluded with a recommendation to progressively relax this obligation. It has been published and publically consulted in September and October 2020 and adapted according to the feedback received from the market participants. A final study report was issued in December 2020, and included a proposal for an implementation plan. After discussion with the CREG, a slightly adapted implementation timeline was presented to the market participants during the working group balancing meeting of May 2021. During this working group balancing meeting, the evaluation methodology and process to proceed from one phase of the progressive relaxation of the Day-ahead balance obligation to the next one were also presented.

This public consultation proposes adjustments to the T&C BRP in line with the consolidated implementation plan that was presented to the market in May 2021.

In addition to the changes relative to the progressive relaxation of the Day-ahead balance obligation, the opportunity is taken to propose certain modifications to the description of the notifications sent to the BRP in the case of the activation of delivery points of the type DP<sub>PG</sub> located in the perimeter of the BRP. The objective of these changes is to make the description coherent with the changed timing of activations and notifications for mFRR when connecting to the MARI platform.

Finally, Elia takes the opportunity of this amendment to propose some small corrections in the BRP contract.

To summarize, the proposed changes to the T&C BRP can be grouped into changes related to:

1. The relaxation of the Day-ahead balance obligation of the BRPs
2. The modifications to address the changed timing of notifications sent to the BRP in case of mFRR activations of delivery points of the type DP<sub>PG</sub> when connecting to the MARI platform;
3. Varia (small corrections in the BRP contract)

An overview of the proposed changes relative to each of the above elements is discussed in the sections below.

## 1. Proposed changes relative to the relaxation of the DA balance obligation

### 1.1. Implementation plan

Article 1 describes the implementation plan:

- The timeline for the phased relaxation of the Day-ahead balance obligation and the general principles to proceed from one phase to the other is first explained:

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- An 18 months test period will be organized, during which the maximum open position allowed for a BRP in Day-ahead will progressively increase to 25% (during 3 months), 50% (during 6 months) and then 100% (during 9 months) of the size of its portfolio;
  - A formal evaluation will be performed by Elia at the end of the first 9 months of the test period and at the end of the 18 months test period. This formal evaluation will conclude with a recommendation to and consequent decision of the CREG to move to the next phase, extend the ongoing phase or back off;
  - If, following the relaxation of the Day-ahead balance obligation, Elia detects significant negative effects on the reliability, the security or the efficiency of the grid, Elia will be allowed, at any moment and unless the CREG raises an objection, to back off and reduce the maximum open position allowed for a BRP in Day-ahead.
- The methodology applied by Elia at the end of each phase to make a recommendation to move to the next phase, extend the ongoing phase or back off is then detailed:
    - The purpose of the evaluation is to confirm the assumption that the partial relaxation of the Day-ahead balance obligation does not have significant negative effect on the system imbalance of the Belgian control area (and hence on the contracted FRR). The absence of positive effects of the partial relaxation of the day-ahead balance obligation on market efficiency (e.g. higher market liquidity, better price convergence between DA and ID, etc.) will not condition the recommendation to move to the next phase.
    - The historical data of the Belgian System Imbalance will therefore be used as input for the evaluation. The same data as the ones used to dimension the FRR needs will be computed: the 15- minutes System Imbalances over a 2 years observation period will be filtered to remove periods with forced outages larger than 50MW or of Nemo Link for the length of the outage (up to a period of 8hours), periods with data quality issues and particular events (e.g. market decoupling).
    - For each month of this 2-years observation period, the 99<sup>th</sup> percentile of these filtered data will be computed and the trend line of these monthly 99<sup>th</sup> percentiles will be plotted.
    - It will be verified that there is no link between the relaxation of the Day-ahead balance obligation and a degradation of the Belgian System Imbalance on this trend line.
    - This evaluation will be completed by a contextual analysis of the observations made.
    - This evaluation methodology presents the following advantages:
      - The filtering of the System Imbalances allows removing the outliers that are due to exceptional events that cannot be anticipated by BRPs and are therefore not related to the relaxation of the Day-ahead balance obligation, hence making the interpretation of the results easier ;

- The alignment of the data used for this evaluation on the data used for the dimensioning of the FRR needs allows precisely assessing the impact of the relaxation on the reserves;
  - The observation of the evolution of the System Imbalances over a 2-years observation period allows to better isolate the impact of the relaxation of the DA obligation vis-à-vis the other parameters that could influence the evolution of the System Imbalance (e.g. increase in RES production, change in the imbalance tariff methodology, etc.)
  - It also allows easy benchmarking with other countries that did not change their balance obligations in the meantime
- To make the evaluation methodology more concrete, the following figure shows a similar analysis that was included in the final report of the study performed in 2020 related to the Day-ahead balance obligation to assess the influence of the removal of the Day-ahead balance obligation in the Netherlands in the beginning of February 2019.

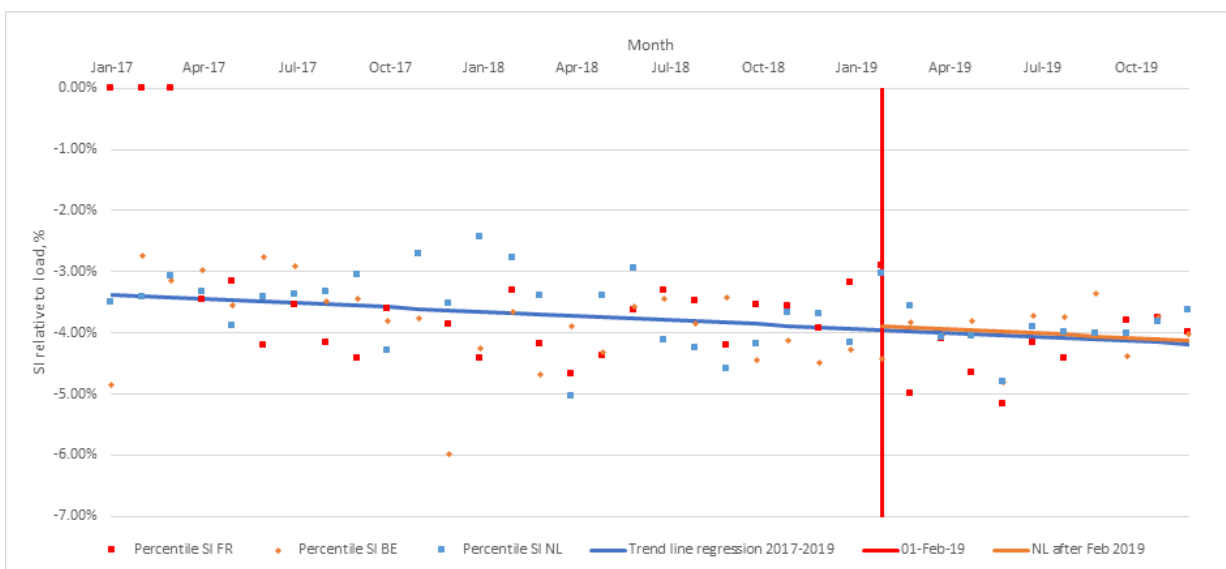


Figure 1 : Evolution of system imbalances as % of load; France - Netherlands - Belgium; 01/01/2017-31/12/2019 (source Compass-Lexecon)

- Finally, the process to proceed from one phase of the progressive relaxation of the Day-ahead balance obligation to the next one is described:
  - A report including the results of the aforementioned analysis as well as a clear recommendation to move to the next phase, extend the ongoing phase or back off will be sent to the CREG at the latest one month before the end of the ongoing phase. All documents and information used by Elia to come to this conclusion will be joined to the report;

- If possible, the CREG will approve or contest the recommendation made by Elia at the latest two weeks before the end of the ongoing phase and, in case of contestation, take the final decision on the way forward;
- If the decision has not been made by the CREG two weeks before the supposed end of the ongoing phase, then this phase is extended by one month;
- At the latest one week before the beginning of the next phase, the market parties will be informed of the final decision (i.e. Elia's recommendation, or, if contested by the CREG, the final decision of the CREG) to move to the next phase, extend the ongoing phase or back off via the Elia website.

## 1.2. Definitions

Article 2 introduces new definitions for the following concepts:

- The Day-ahead open position
- The maximum Day-ahead open position allowed in absolute terms
- The maximum Day-ahead open position allowed in relative terms

## 1.3. Balance Obligations

Article 16 is modified in the following ways:

- In Article 16.1, the formulation of the obligation of the BRPs to be balanced on a quarter-hourly basis in real-time is reviewed. Until now, the BRP had the obligation to provide and deploy all the reasonable resources in order to “remain” balanced on a quarter-hourly basis in real-time. However, since the obligation of the BRP to be balanced as from the end of the Day-ahead market is progressively removed, the BRP now has the obligation to provide and deploy all the reasonable resources in order to “be” balanced on a quarter-hourly basis in real-time.
- In Article 16.2, it is clarified that the possibility given to the BRP to help balance the Belgian zone in real-time does not in any way alleviate his obligation to respect the rules related to the submission of his Daily balancing schedule, as described in the next chapter.

## 1.4. Daily balancing schedule

Article 24.1 is modified in the following ways:

- The formulation of the Day-ahead balance obligation is reviewed to allow the BRP to take a maximum open position in Day-ahead which will progressively increase according to the progressive relaxation of the Day-ahead balance obligation described in the implementation plan. The obligation for the BRP to have a Day-ahead open position below or equal to a given

threshold does not apply to the BRP<sub>O.I.</sub><sup>2</sup> for which specific conditions<sup>3</sup> are applicable, as described in Appendix 4 of the BRP Contract.

- The way and the moment the maximum open position allowed for the BRP in Day-ahead is calculated is clarified.
- The second paragraph of Article 24.1 is removed, since the Day-ahead balance obligation is progressively relaxed and it therefore makes no sense to “remain” balanced on a quarter-hourly basis in real-time (same rationale as for the modifications performed in Article 16.1). Instead, a paragraph is added to remind that the relaxation of the Day-ahead balance obligation does not in any way alleviate the obligation to be balanced or help the zone in real-time as described in Article 16.

The last paragraph of Article 24.3 is adapted to explain the monitoring of the open positions taken by the BRP in Day-ahead that will be performed by Elia, and the technical penalty that applies if the maximum allowed open position is violated. In order to deter abusive behaviours, the technical penalty will be applied as soon as the maximum allowed open position is exceeded three times in the same calendar month.

## 2. Proposed changes relative to the connection to the European balancing platform MARI

In Annex 5, adjustments have been made to the paragraph describing when the notifications to the BRP<sub>source</sub> are sent in case of mFRR activations by a BSP of delivery points of the type DP<sub>PG</sub> located in the perimeter of the BRP. In addition, adjustments have been made to the example in Annex 5 that illustrates the system of notifications to the BRP<sub>source</sub>.

The proposed changes generalize the description of the timing of the notifications sent to the BRP in case of activations of DP<sub>PG</sub> for mFRR such that the description is coherent with both the current timing of mFRR notifications between the BSP and the TSO as well as the timing of mFRR notifications between the BSP and the TSO upon connecting to the MARI platform. As such, it can be avoided that the BRP Contract would need to be amended only for this change before the go-live of the connection to the MARI platform.

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<sup>2</sup> the BRP linked to an Offshore Interconnector

<sup>3</sup> The Daily Balancing Schedules on Day D-1 for an Offshore Interconnector Connection Point are, by default, equal to zero. Daily Balancing Schedules executed by a BRP<sub>O.I.</sub> may only be made in an operational context, and not for arbitration purpose.



It is important to note that the principles of the notifications sent to the BRP<sub>source</sub> remain unchanged. Specifically, the BRP<sub>source</sub> will remain to receive notifications by Elia at the following moments:

- after an activation of an mFRR Energy Bid is requested that contains delivery points located in his perimeter;
- after Elia has received and processed the first notification by the BSP (at the latest 3 minutes after the start of the ramp-up for the activation);
- after Elia has received and processed the second notification by the BSP (3 minutes after the end of the activation).

The formulation needs to be generalized in order to be consistent with both the current and the future mFRR design for the following reasons:

- the exact moments at which mFRR activations can be requested by TSOs change with the go-live of the connection to the MARI platform: currently scheduled activations can be requested between 15 and 3 minutes before the start of the quarter hour of the activated mFRR Energy Bid, whereas in the MARI design, scheduled activations will always be requested 7,5 minutes before the start of the quarter-hour of the activated mFRR Energy Bid. Elia will remain to send a notification to the BRP<sub>source</sub> at the moment an activation is requested, but the exact moment could be different.;
- the shape of the mFRR activation profile changes slightly with the connection to the MARI platform. Specifically, the new activation profile contains a 2,5 minute preparation period between the request for activation and the start of the ramp. There is no change in terms of the principles applied: the BSP will still need to send his first notification to Elia 3 minutes after the ramp has initiated. However, the description needs to be generalized in order to be consistent with both designs.

## 3. Varia

Elia takes the occasion of the above mentioned amendments to adapt some small typos and/or optimise the wording of the contract as follows.

### 3.1. Daily balancing schedules

In Article 24.2.3, in the second paragraph, the sentence “contrat pour la coordination de l’injection d’une unité de production d’électricité” is replaced by “Contrat CIPU” according to the name defined in Article 1 of the BRP contract for the sake of coherency and compliancy with the rest of the contract. Indeed the contract “contrat pour la coordination de l’injection d’une unité de production d’électricité” is defined as the CIPU contract in the beginning of the document. The CIPU terminology is afterwards used in the entire contract.

### **3.2. Alignment of the timings regarding the publication and the calculation of the imbalance volumes**

For the sake of consistence though the entire contract, and in order to be more accurate, the description in Article 22, referring to the deadlines for the publication of the imbalances to the BRPs has been aligned with the description in Article 30.2.1 referring to the calculation of the imbalances of each BRP. The procedures mentioned in articles 22 and 30.2.1 remain unchanged in practice, their descriptions in the contract is only aligned. Elia executes the calculation and the publication of the Imbalance very close to each other at the latest 1 month after the reception of the allocation data from DSOs/CDSOs.