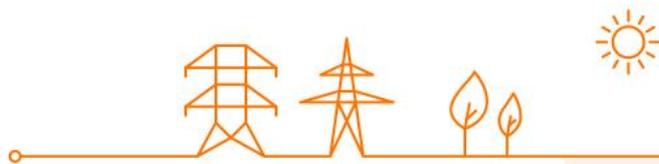


CONSULTATION REPORT

Elia's request for derogation to the deadline to the use of the European platform for mFRR

January 18th, 2022



Content

1.	Introduction	3
2.	Answers to the feedback of FEBELIEC	3
3.	Answers to the feedback of FEBEG	5

1. Introduction

Elia launched a public consultation of the stakeholders on a request for derogation to the deadline to the use of European platform for mFRR.

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 24th of July 2022. Pursuant to article 62(2) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter referred to as "EBGL"), a TSO may request a derogation to the deadlines by which a TSO shall use the European platforms pursuant to article 20(6) of the EBGL.

This consultation aimed to receive any comments from market participants and stakeholders regarding the consulted document and the consultation period was set from Tuesday November 23 to Tuesday December 14, 2021. In total, Elia received two non-confidential answers to the public consultation, from:

- **FEBELIEC**
- **FEBEG**

All relevant information to this consultation can be found on Elia's webpage ([link](#)). The feedback received during the consultation did not result in modifications of Elia's request. The request for derogation to the deadline to the use of European platform for mFRR is submitted for approval to CREG on January 18th, 2022

2. Answers to the feedback of FEBELIEC

- *Febeliec would like to thank Elia for this consultation on the request for derogation to the deadline to the use of the European platform for mFRR according to EBGL art. 62. Febeliec supports the request for derogation from Elia. Febeliec would like to stress that it truly hopes that the connection to European platforms for balancing energy will lead to more efficiency and lower costs for consumers in the future, and as such these connections need to be made as soon as possible, under the absolute premise that the system and the market players have been able to ensure that there will be sufficient liquidity (see below). This derogation is needed to ensure that the potential presented by the linking of European national balancing markets is indeed materialized, without jeopardizing the trust in the system due to too early connections and teething problems.*

Elia thanks Febeliec for its support to the request for derogation to the use of the European platform for mFRR.

Regarding the building of a European platform for balancing energy with manual activation, EBGL article 3 defines the main objectives of the regulation which is, among other things, to increase efficiency in European balancing markets and offering additional liquidity from other LFC blocks to local balancing markets by exchanging balancing services.

Concerning the planning of the connection of Elia LFC block to the European mFRR platform, Elia assesses this on a regular basis taking into account the feedback from stakeholders, especially concerning their readiness. Moreover, Elia is on one hand very active in the European mFRR project (known as MARI project) and participate to the construction of a robust mFRR European platform and, on the other hand, ELIA takes care to interact regularly with the market participants and to offer the needed support for the implementation of the new mFRR design.

- Febeliec indeed agrees with the challenges related to the implementation described by Elia and insists that market parties indeed receive sufficient time for a smooth and stable transition towards the new mFRR design, and this in particular (but not limited to) to avoid that liquidity in this market would drop, at the detriment of increasing system costs for consumers. A one year period after finalization of the mFRR design seems Febeliec a reasonable period. Moreover, a risk of operational security, even if not very probable, should be avoided in any case, even if this would require a future additional derogation. Febeliec insists, as also described in the derogation, that the connection of the Belgian control area to the European platform(s) is conditional on the connection of sufficient other parties to ensure that sufficient overall liquidity can reasonably be expected. As such, for Febeliec the proposed timeline in the derogation is acceptable to the extent that the above condition is met. Alternatively, Febeliec is of the opinion that a further derogation might be needed. Further preconditions include a.o. a timely finalization and provision of the mFRR design, complete technical guides, sufficient time for further discussions and consultations on some of the contractual documents as well as a final readiness check with the market parties before the final connection.*

In order to ensure a smooth transition to the new mFRR design, ELIA takes, among others, care to interact regularly with the market participants regarding the implementation of mFRR design. Specifically, as already done, Elia has foreseen in its detailed plan complementary readiness check to assess implementation and final readiness of market parties. Elia is aware that speeding up the connection to the mFRR platform while the IT systems and market parties are not ready would generate higher risks for the integration of the balancing markets across Europe.

The one year period after finalisation of mFRR design is based on market parties' feedback where they mentioned to need this range of time to change, test and be ready with their internal systems.

With the proposed derogation and the delay to the connection to EU mFRR platform, Elia will not be in the group of first TSOs connecting to the platform. This will give an opportunity to observe the liquidity on the EU mFRR platform in the first months after its go-live. As the TSOs of the German LFC block are expected to be in the early connected TSOs to the mFRR platform, this should give a first good insight on the minimum liquidity available on the EU mFRR platform. In addition, since the beginning of the local mFRR project, Elia proposes in its mFRR roadmap to have the '2-step approach' by launching the new mFRR design without the connection to mFRR platform in the first go-live and only after a period of stability to connect to EU mFRR platform. This 2-step approach will allow an observation period where new mFRR bidding in ELIA LFC Block and current European bidding of the TSOs connected to the EU mFRR platform, at this stage, would be both known before effectively connecting to the EU mFRR platform.

This 2-steps approach will also contribute to ensure a smooth and stable transition towards the new mFRR design as it will allow on one side the independence of the local go live towards the connection to the EU mFRR platform and on the other side a stepwise introduction of the major changes done in our IT systems. In particular, the first step will ensure a full focus of ELIA on the new bidding process and tools and dedicated support from Elia to the market parties that will join the mFRR balancing market with the new mFRR requirements and possibly applying new bidding approach. Market parties would on their side be able to focus on the change to the new bidding format. This step is important to ensure a smooth and stable transition and will also allow to monitor the robust functioning of mFRR balancing market in situation of disconnection from European mFRR platform.

Elia wants to emphasize that the derogation to the connection to the platform can only be requested once and will therefore request in its derogation the maximum allowed time (2 years) to connect to the EU mFRR platform. Although Elia aims to connect to the EU mFRR platform in a shorter timeline than the 2 years of derogation, Elia wants indeed to avoid any regulatory risks that would result from a shorter derogation period if the readiness of Belgian market parties is delayed. In case of need, the detailed plan and timeline will be discussed and adapted in coordination with the regulator and the stakeholders.

Finally, Elia is conscious that the important documents must be delivered on time, which is why early versions of the mFRR design note and technical guides have already been delivered to market parties. Final versions will be delivered as communicated by Elia in its roadmap. Next to that, Elia foresees sufficient time with external parties in line with the regulatory procedure, especially for the consultation of the regulated documents (T&C BSP mFRR and balancing rules).

- *Furthermore, Febeliec agrees with Elia that the aFRR capacity design modifications are indeed urgent and should be treated in priority as compared to the connection to the MARI platform. Febeliec also welcomes and supports the non mandatory Bidding Assistance Services which Elia referred to and hopes that these will also be available before the connection to the MARI platform to ensure that as many current and new market players as possible are able to offer their flexibility. Febeliec will also discuss these future new Bidding Assistance Services with Elia but insists that a.o. facilitating mimicking a neutralization time is an essential element for its members (especially in light also of the foreseen abolition of the Belgian mFRR Flex product, to which Febeliec is still opposed).*

Elia thanks Febeliec for the support on the prioritisation of the major local and European projects proposed by Elia.

In line with the communication done to market parties during the WG balancing, Elia looked in order to support market parties, to offer as optional functionalities, several 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.

Elia confirms that these 2 optional pre-processes will be, possibly after new mFRR design go-live, completed by an optional pre-process facilitating the neutralization time. Elia will further work on the design of these "bidding assistance services" and will exchange with market parties to correctly define the scope of the functionalities.

Regarding the abolition of mFRR Flex, Elia refers to the public consultation on a modification of the methodology to determine the balancing capacity in the Elia LFC block carried out in October 2021 and to the consultation report published on Elia website.

3. Answers to the feedback of FEBEG

- *FEBEG supports fully this derogation and thanks Elia for the collaborative spirit regarding the balancing roadmap. We also invite Elia to keep interacting in a transparent manner with the market parties.*

Elia thanks FEBEG for its support to the request for derogation to the use of the European platform for mFRR.

In addition, Elia confirms that Elia will continue to interact with market parties in the framework of the implementation of the new mFRR design through the WG balancing or dedicated workshops.

- *FEPEG invites Elia to stay in touch with other TSO's as any change in their planning to connect to PICASSO (and later MARI) should trigger a review of Elia's roadmap accordingly;*

Elia is actively involved in both European projects (PICASSO and MARI) and is through these EU projects informed about the progress of other TSOs and their respective accession roadmaps.

Concerning Elia's roadmap, it is regularly reported by Elia and discussed with stakeholders, when needed, in the context of the WG balancing.

- *FEPEG does understand the rationale behind the observation round in May-22. However, we believe that this observation round should be finalized well ahead of summer holidays (by 2nd week of June (9/06) at the latest). We cannot exclude to experience 'child diseases' post go-live and we want to be reactive should this materialize. FEPEG members are obviously willing to avoid any risks that could jeopardize the balancing market in Belgium.*

Elia refers to the public consultation on T&C BSP aFRR for such comments about aFRR planning, which is out of scope of the present consultation.

- *Finally, FEPEG wants again to emphasize that the 12 months implementation of MARI and iCAROS shall start at the moment the associated designs are fully finalized and validated. The presented roadmap relies on the assumption that MARI & iCAROS designs will be finalized by Jan-22 and will not need extra iterations with the stakeholders.*

Elia took note of the needed time for stakeholders to implement the new mFRR design when defining the detailed plan and timeline after derogation. The period of 12 months was considered in setting the new go-live dates in Q1 2023 with the 2 steps approach, i.e. first step with the local go-live of new mFRR design and secondly the connection of Elia LFC block with EU mFRR platform.

As communicated by Elia, the objective of Elia is to share a stable mFRR design to stakeholders in January 2022. However, and although Elia expects some comfort from the regulator regarding the proposed mFRR design by then, it should be noted that the mFRR design will be formally validated by the CREG only after public consultation and amendment of the T&C BSP mFRR and balancing rules. In a similar way, it should be noted that the iCAROS design in scope of phase 1 (scope of this phase 1 as agreed between market parties and Elia) will be formally validated by the CREG only after public consultation and amendment of the T&C OPA, T&C SA and Coordination Rules. It is not considered realistic to wait for such validation to start the implementation of the design, nor to allow for 12 months between this formal approval of the T&C and the entry into force of the new design.

Regarding the finalisation of the iCAROS design, should there remain any open issues in scope of phase 1, Elia invites Febeg to communicate any critical design element of the iCAROS design in scope of phase 1 that would need to be clarified or confirmed 12 months before the go-live.

- *As final remark regarding MARI/ iCAROS, even if Elia would ever decide to delay MARI go-live, it is critical for FEBEG's members to still have a sync local go-live mFRR/ iCAROS because it would be nearly impossible to handle explicit bidding (RD) and implicit bidding (mFRR) at the same moment. Those projects are largely interdependent as they entail a complete refactoring of the member's IS backbone. It will be impossible to maintain two systems in parallel.*

Since the beginning of both MARI/iCAROS projects, Elia considered the interdependence and strong link between these 2 projects. Elia is aware of the impact of this change to the IT systems of market parties as for its own IT systems.

Elia confirms that the simultaneous go-live of new mFRR design (local step) and iCAROS phase 1 will be maintained regardless of the date of the connection to the EU mFRR platform. The 2-step approach of the go-lives ensures this independence between the local joint go-live and the connection to the EU mFRR platform and a smoother transition of the changes.



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