

## **Febeliec answer to the Elia consultation on the proposal for amendment of the Terms and Conditions for balancing service provides for the automatic Frequency Restoration Reserve (aFRR)**

Febeliec would like to thank Elia for this consultation on the proposal for amendment of the Terms and Conditions for balancing service provides for the automatic Frequency Restoration Reserve (aFRR).

Febeliec understands that most of the elements in the proposal of Elia have been extensively discussed with stakeholders. Nevertheless, Febeliec would like to stress that it does not necessarily agree with all the proposals of Elia. Moreover, Febeliec to stress absolutely that it is of the utmost importance to ensure that the technical, operational and commercial readiness of a sufficient share of balancing capacity (both in number of players and in volume itself) is guaranteed. In case such good not be in place, the entry into force of these T&Cs should be delayed, until it can be guaranteed, and this to safeguard grid users from a very costly premature go-live.

Febeliec also remains worried about the suppression of the Cap Adjusting Variable and hopes that the proposal by Elia will avoid that yet again a huge cost explosion for grid users will arise as with the previous design by Elia (for which then the cap was introduced).

On the reference cost factor, Febeliec remains strongly opposed as it does not at all see an added value. The RC Factor according to Febeliec only increases the cost for aFRR balancing capacity at the detriment of grid user invoices and does not guarantee at all that additional volumes will be offered compared to a situation without this factor. Febeliec thus as said strongly opposes this proposal, as also always stated during the discussions, and insists that in case it would be applied against the will of the grid users paying for the reservation costs, it is very diligently and frequently analyzed by both Elia and the regulator and phased out as soon as possible and in any case immediately when it is believed that it is either not delivering any value or being misused for gaming purposes or windfall profits. Febeliec even more strongly insists on this as aFRR will be remunerated under a pay-as-cleared instead of a pay-as-bid principle and thus this could ultimately unduly increase the price and thus cost for aFRR capacity in Belgium and after the connection to the European platform even all over Europe, and could thus have even more widespread (cost) repercussions.

As long as the Belgian aFRR market is not coupled to the European platforms, Febeliec strongly insists that the price caps (+ and – 1000€/MW) remain in place to safeguard against opportunistic bidding behavior (not based on real costs) in case liquidity would be insufficient after the switch to these new T&C BSP aFRR (see also above). Febeliec wants to avoid that yet again insufficient liquidity and/or a faulty or premature design implementation lead to important cost increases for the grid users.

Febeliec however wants to stress that it is positive about that endeavor of Elia to correct and improve the faulty aFRR capacity process and supports in principle the approach with the different steps, under the premise that the points Febeliec in this consultation answer lists as problematic are addressed and resolved.

On a more general note, Febeliec also urges Elia to (re)start a reflection on order of activation of aFRR and mFRR bids. In light of ever increasing balancing costs, it would be interesting and important to reassess the current approach by Elia to always first activate aFRR before mFRR bids, as often (much) cheaper mFRR bids are available yet not activated, thus leading ever more frequent to a steep (but potentially unnecessary) increase of balancing costs for consumers. Febeliec insists that this point is also taking into account in all reflections on the balancing philosophy by Elia.

### **More technical comments and questions**

- Febeliec would like to ask Elia to provide as part of the T&C (e.g. as an annex) a graphical overview of timelines or important steps in sequential order for at least the major processes. While the T&C provides a legal textual representation of the processes, it is not always very easy to understand the sequential order or the interaction with other steps from just the textual representation. Especially for new entrants or smaller parties with less resources, this creates an additional entry barrier which could hamper liquidity (in number of participants). While Elia already presented such flowcharts and overviews during the discussions, it should not require much additional effort to include them in an annex of the T&C and improve the readability of the document. This comment goes beyond the scope of only aFRR and is applicable to all ancillary services.

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*Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 38 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Proxiums, Recticel, Sol, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.*

- Elia stipulates that the BSP and Elia agree on the list of delivery points connected to the Elia Grid or to a CDS and a range of requirements and conditions and practices are listed, but Febeliec wonders what will be applied for (public) DSO connected delivery points.
- Febeliec wonders whether the rule that in case a BSP does not respect any part of his bidding obligation, Elia rejects all submitted aFRR Capacity Bids is not too stringent. While Febeliec understands and supports that checks are conducted and applied, it should be avoided to remove too much liquidity of the aFRR market because of potentially very minor mistakes. Febeliec thus insists that this aspect is closely monitored and adapted as soon as possible if deemed proportional in case overreactions would lead to important negative (side) effects. Febeliec insists that this comment is not only relevant for aFRR capacity and energy bids, but also for all other ancillary services, as a result of changes required by the TSO (a.o. red zones/CRI leading to urgent re-entering of modified bids, which is not always so easy or straight-forward for smaller players without full 24/7 desks).
- Elia introduces the Cross-Border Marginal Price (CBMP) as of the second phase of implementation, but this creates some confusion towards the applicable price in the first phase. This should maybe be clarified or specified a bit better (Febeliec assumes that all remains the same as currently in place before phase 1 but this is not completely clear).