

Subject: FEBEG's position regarding the public consultation on the T&C OPA, T&C SA and Rules for Congestion Management in the framework of iCAROS

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Contact: Jean-François Waignier

Telephone: +32 485 77 92 02

Mail: jean-francois.waignier@febeg.be

## Introduction

FEBEG thanks Elia for the opportunity to give its inputs to ELIA's *Public Consultation on the Terms and Conditions for the Outage Planning Agent (T&C OPA), Terms and Conditions for the Scheduling Agent (T&C SA) and the Rules for Coordination and Congestion Management in the framework of the phase 1 of iCAROS project as well as the planning of the implementation of the scope of iCAROS phase 2*<sup>1</sup>. The present document with our comments and suggestions is not confidential.

We also wish to thank ELIA for the many workshops and working groups organized by Elia over the past months and years to discuss the various elements of the new design with the market participants. FEBEG appreciates the workshops and presentations provided by Elia to the stakeholders, and its members actively participated in these engagements and gave honest feedbacks throughout the process, both during the workshops and in bilateral exchanges with Elia.

In the response below, we will address both the process surrounding the iCAROS market design and dive into the specific content of the consultation.

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<sup>1</sup> [https://www.elia.be/en/public-consultation/20230606\\_public-consultation-on-the-t-c-opa-t-c-sa-and-the-rules](https://www.elia.be/en/public-consultation/20230606_public-consultation-on-the-t-c-opa-t-c-sa-and-the-rules)

## Executive summary

FEBEG is disappointed with the way the discussions and the process have evolved in recent months, and unfortunately also with the content of the documents under consultation. The proposed design appears to be a step backward for FEBEG's members compared to the current situation as it imposes additional obligations on SAs and OPAs without that it was demonstrated that this would be needed, or without providing corresponding benefits. Therefore we feel we are no longer in a balanced approach which was the purpose of the historical so-called “package deal” mentioned by Elia in the document.

In this global agreement, which was supported by all stakeholders, FEBEG members agree to evolve from a market based approach to a cost based one for congestion remuneration. In a European context, where this is certainly not the standard, FEBEG feels there is little appreciation for this agreement and a lack of balance in the final T&C proposals.

For this reason the design proposals will need to evolve and be improved but to re-equilibrate Elia's proposals ad minima following corrections are needed before an implementation can be considered:

- Remove unjustified administrative penalties for inconsistency between OPA/SA if OPA/SA can demonstrate to have acted correctly
- Ensure full coverage of all costs when activating RD bids (incl 100% of startup cost when of application – also in case of over-delivery)
- Provide transparency on RTS activations and ensure RTS activations are only send to the SA's under rare conditions, otherwise remuneration of costs might have to be considered
- Set penalty factors at zero in the beginning of the iCAROS phase 1 implementation – penalty factor to be increased, in combination with an improved tolerance band, only when it can be demonstrated this is required to have correct behaviour – mere removal of benefits when the deviation occurs in favour of the SA takes away all possible incentive to not deliver the RD bid
- Take necessary steps to align GCT with mFRR in the future or – at least – give the possibility to amend the bids after GCT (such as proposed for mFRR)

## Process around iCAROS market design

It is important to recall that market parties and Elia reached a package deal, which was, at the time, considered a fair compromise by all stakeholders. However, there was, at that moment, no notion of implementing stricter penalties. FEBEG considers the current rules, described in the consultation documents, to be disproportionate (in the negative sense for the BRPs) and thus, it does, for FEBEG, no longer correspond to the initial, more balanced, agreement. The package deal did not include provisions for such penalties and FEBEG believes that Elia has deviated from the agreed-upon terms by introducing new elements. This raises concerns regarding future agreements and the potential difficulty in reaching a balanced and fair market design for all market parties.

FEBEG is of the impression that the design presented in the consultation documents is primarily optimized to serve Elia's interests, which comes at the expense of BRP, SA, and OPA. Elia added various elements, without having demonstrated the need, and some of which were not even presented during the workshops, resulting in an imbalanced design that favours Elia.

FEBEG members attended the multiple workshops and gave honest feedbacks during those presentations as well as during bilateral exchanges and we deeply regret those comments were mostly discarded and not included in the documents under consultation.

While FEBEG has previously raised concerns about the absence of a comprehensive design note, it is deeply regrettable that additional elements have been included without proper presentation during the workshops, this is even more problematic given the very high importance of the iCAROS project and the additional questionable issue of the consultation deadline being in the middle of summer.

Furthermore, some sections of the consultation documents already touch upon the scope of iCAROS phase 2, which has not been adequately presented nor discussed with stakeholders. Given these considerations, it may be premature to present and comment on the scope of phase 2 at this stage.

Elia should not consider the absence of comments on the Phase 2 of iCAROS as an implicit agreement of FEBEG with the proposed approach, more, open and in depth, discussions with all parties are needed in this regard.

## Scope and obligation

FEBEG acknowledges that iCAROS phase 1 only applies to injection units with a capacity of 25 MW or above, and it recognizes that this obligation is not intended to be imposed on all TSO-connected delivery points in iCAROS phase 1. However, this raises two significant concerns.

First, while iCAROS rules aim to efficiently manage grid functionality and detect potential congestion issues, exempting large demand facilities from iCAROS obligations hampers the accurate identification and minimization of congestion. It is important to note that asset owners with units located in frequently congested electrical zones are unable to seize market opportunities to the same extent as others due to Elia's filtering of balancing energy bids. FEBEG refers to its previous response to the consultation on improving data for congestion prediction, emphasizing the need for a level playing field for all grid users.

Second, the introduction of concepts such as (i) Gate Closure Time (GCT) and (ii) associated inability to update schedules & RD energy bids, (iii) Return to Schedule (RTS) and (iv) the multiple enforced penalties in iCAROS phase 1 disproportionately affects injection units greater or equal to 25 MW with obligations. FEBEG finds this discrimination unacceptable (resulting from i, ii, iii and iv) and urges Elia to ensure equal treatment for all units, regardless of technology or voltage level. Demand facilities connected to high-tension voltage do not face those multiple obligations and restrictions. Injection units should have similar treatment while both should in harmony contribute to grid security and congestion reduction by submitting Day-Ahead (DA) and Intraday (ID) schedules. Similarly, units included in the scope of phase 1 of iCAROS should have equal rights and be able to seize the same market opportunities as units not targeted by this phase. It is crucial to establish a level playing field that allows all units, regardless of their characteristics or targeted scope, to participate on equal terms and benefit from the same rights and opportunities within the market design. FEBEG underlines that a fair and non-discriminatory market design for all market participants and grid users should be a priority.

Whereas already today other obligations lay upon production units >25MW vs smaller production units or demand facilities, we understand and consider that today these differences are merely related to necessary transparency. However, in the proposed design the flexibility to use these production units (> 25 MW) is further reduced (GCT, firm explicit bids) and an extreme penalty regime is added further exacerbating the burden, and this, without that is was demonstrated that this is necessary.

*Concretely, to eliminate the discriminatory situation we ask to improve the iCAROS phase one obligations, penalties and framework for the concerned capacities (> 25MW).*

## Coordinability level

FEBEG highlights the importance of considering that there are units which have multiple coordinability statuses within a given period. For example, a Combined Heat and Power (CHP) unit with steam demand on-site may have varying coordinability statuses, switching between coordinated (C) and non-coordinated (NC) during different time periods as steam must be supplied. Treating the coordinability status as a static parameter in OPA/SA annexes will most likely lead to a loss of flexibility for the system as units will be listed as non coordinable.

*We ask Elia that the C / NC status could be easier to adapt and be part of the daily bidding strategy. The OPA/SA annexes themselves should not be subject to dynamic modifications.*

## Roles

iCAROS allows for a full split of the roles of BRP, SA, and OPA. FEBEG recognizes this split and raises the following points for consideration.

In cases where a grid user appoints different parties to fulfil the three roles, clear definitions of liabilities and an agreed-upon process for role assignment are essential. FEBEG seeks clarification on the process for appointing roles, particularly if one party refuses to only take over one of these roles, and associated drop procedures.

Regarding liabilities, it is crucial to ensure that an SA is not held responsible for incorrect availability statuses submitted by an OPA, and vice versa. Inconsistencies between schedules and outage plans should be attributed to the faulty party rather than penalizing the other party. For instance, if the same company is responsible for both OPA and SA functions, an inconsistency should not result in a double penalty of 400 EUR (200 EUR for SA and 200 EUR for OPA).

*Clearly defined liabilities are necessary to facilitate the split of roles without creating barriers. These clarifications are lacking and are essential for a robust market design and legal framework.*

## Remunerations

FEBEG recognizes that the remuneration rationale is driven by cost-based considerations, which was a result of the package deal discussions. FEBEG is committed in honouring its commitments made during those discussions and acknowledges the importance of maintaining a cost-based approach for remuneration, under the condition that the market design is balanced for all parties.

FEBEG wants to raise the following questions and concerns regarding the remuneration aspects of iCAROS:

- Costing formulas of RD energy bids will be subject to approval by Elia's KAM. We want to highlight that these formulas can be reviewed based on experience should they not compensate the costs incurred by the SA. Obviously and by no means, cost-based remuneration should result in a loss-making activity. Also, such a formula may be quite difficult to implement in practice, especially when the asset is subject to a complex contractual framework with a third party client.
- The formula in Annex 10 for startup costs, involving a multiplication by 75%, raises questions - why only 75% of the start-up cost is being remunerated? Additionally, values such as the alpha component (20.83 EUR or 25 EUR), may not accurately reflect the real costs of the May Not Run (MNR). It is surprising that Elia has not updated these values to reflect current circumstances, such as the recent gas crisis. It remains therefore of utmost importance to be able to recuperate real and demonstratable costs if they prove to be higher than these fixed values.
- Additionally, Annex 7D, bullet 3 of the SA contract mentions that startup costs are not paid if the activation exceeds the requested RD by 5%. This provision is unacceptable and was never discussed nor presented in workshops. It should be noted that startup of a Gas Turbine (GT) is not always perfectly accurate due to factors such as temperature, and it is unreasonable to penalize SAs in such cases by withholding remuneration. FEBEG wonders whether having an over-delivery of 6% would really create a problem to Elia and find that this provision is disproportionate to the sole interest of Elia, we therefore ask to remove it. An acceptable solution would be to remunerate only the requested start-up costs, where there is no remuneration for the overshooting (be it 4% or 7%...). To NOT remunerate any costs for the start-up is not acceptable, we also don't see why a 6% overshoot for Elia would be so problematic to warrant such a strong penalty (no remuneration).
- Elia excludes costs for loss of opportunity in the intraday/balancing markets from the acceptable costs for Redispatch Bids. However, opportunities in these markets can have direct impact on the schedule of an asset and, consequently, on offered Redispatch (ie. an asset that is in the money is not turned off but continues to run because of opportunity in the intraday market), and should therefore be included in the redispatch cost. In addition, frequent redispatch activations on an asset will

lead to additional investment costs (ie. necessity for an earlier maintenance) which should also be considered in the redispatch costs.

- In addition, an activation of a Redispatch Bids can already have caused costs on the BRP side (purchase of fuels, preparations for startup etc). A corresponding cancellation of the activation before delivery should be considered as a redispatching bid in the other direction, rather than assuming no cost and no remuneration.

Again, FEBEG is committed to honour its promises made during those discussions and acknowledges the importance of maintaining a cost-based approach for remuneration. In this context, we deeply regret that some provisions added in the SA contract are simply deviating from the principles agreed-upon.

### Specific technological limitations for less flexible assets

The market design presented in the documents appears to overlook the unique characteristics of less flexible assets (such as nuclear or run-of-river amongst others). Given the specificities of lead time required for initiating starts or stops, the associated costs (and in the nuclear case the interactions with nuclear safety authorities). *FEBEG suggests addressing this issue separately from the framework of OPA & SA T&Cs.* It is important to develop a tailored approach that takes into account the distinct considerations and requirements associated with such assets.

### Return to schedule (RTS):

FEBEG reminds Elia that it follows a reactive market design that allows Balance Responsible Parties (BRPs) to take positions. In this context, FEBEG believes that RTS should be used sparingly throughout the year. In addition, since RTS is not remunerated and prevents BRPs from seizing market opportunities, FEBEG requests that Elia monitors and publishes reports on the usage of this scheme.

Furthermore, considering that RTS is a non-remunerating scheme, applying the tolerance band only to the first quarter-hour appears excessively stringent. *FEBEG recommends applying the tolerance band to the entire duration of the requested RTS, with at least 25% tolerance on the remaining quarter-hours.*

The proposed penalty formula, which includes the average of the last six months of EPEX prices, lacks coherence and fails to establish a meaningful link between RTS requests and EPEX prices. Taking the maximum value of this average and the imbalance price raises some questions about Elia's intentions.

Finally, it is important to note that certain existing wind parks cannot precisely steer to the MW level (can be curtailed only in an on/off manner) and may have difficulty returning exactly to their initial schedule in a downward RTS. *These wind parks should be exempted from this obligation.*

## Penalties on RD energy bids:

**FEBEG expresses deep disappointment with Elia's approach resulting to introduce penalties which has disrupted the initial agreement (package deal). FEBEG hereafter reiterates a few key points before diving into the details.**

First, market parties and Elia reached a package deal that was considered fair by all stakeholders, this agreement did not mention the implementation of stricter penalties. Currently, there are no penalties enforced on RTS, RD, or mFRR energy bids, and Elia has not demonstrated the necessity or justification for implementing such penalties in these schemes. It is unreasonable to expect SAs to offer accurate energy bids without allowing them to update bids after GCT and then penalizing them while, at the same time, operating within a cost-based remuneration scheme.

The inclusion of penalties is by definition making RD a lossmaking activity for the SA, instead of a cost-based activity. It is likely to prompt SAs to include provisions for penalties (along with mark-up on cost) in the cost-based price formula of energy bids - which becomes in this case a necessity.

FEBEG proposes countermeasures to balance Elia's harsh penalty scheme, although these proposals should not be interpreted as an implicit agreement on the existence of penalties. FEBEG suggests that penalties only be applicable in cases where there is an incentive for the SA to not execute the activation, such as when there is an opportunity for the BSP to profit from the imbalance. In situations where not executing the activation request already penalizes the SA due to imbalance exposure, adding an additional financial penalty (via the Penalty Factor) would be unnecessary, unreasonable and result in double penalization. The mere removal of benefits when the deviation occurs in favour of the SA would take away all possible incentive to not deliver the RD bid.

The proposed Penalty Factor of 25% applied to RD (and also mFRR energy bids) is excessive, lacks justification, and has not been demonstrated to be necessary by Elia.

FEBEG proposes that both the Penalty Factors and tolerance bands be implemented as parameters in the Terms and Conditions (T&C), providing Elia the flexibility to calibrate them based on thorough analysis and demonstrated needs. As a matter of principle, they should be calibrated to 0% at go-live date and until the moment Elia manages to demonstrate it would be essential (for system security reasons) to increase them (on a data set of 12 months at least) if no other alternative measure is possible.



## Activation control and Balancing perimeter correction:

FEBEG emphasizes two important principles regarding activation control and balancing perimeter correction:

- First, a correct activation should not lead to any penalties or financial exposure.
- Second, when a SA activates a slow-starting unit (with a Full activation time greater than 12.5 minutes), the ramping period should not result in financial exposure, as it contributes to the security of the grid.

Balancing perimeter correction should ensure adherence to these principles. Concretely, FEBEG suggests the following approach:

- for upward RD, the settlement of each quarter-hour of ramping should be the maximum value between the imbalance price and RD energy price;
- for downward RD, the settlement of ramps should be the minimum value between the imbalance price and RD energy price.

FEBEG also highlights the unfairness of the third bullet in Annex 7D of T&C SA, which states that startup costs will not be paid if the activation exceeds the requested RD by 5%. FEBEG finds this provision unacceptable, as the startup of a gas turbine is not always perfectly accurate due to factors such as temperature. It questions why this issue is so problematic for Elia and leads to non-remuneration. FEBEG regrets this provision has never been presented to the stakeholders during the numerous workshops.

FEBEG asks to remunerate only the requested start-up costs, where there is no remuneration for the overshooting (be it 4% or 7%...). To NOT remunerate any costs for the start-up is not acceptable, we also don't see why a 6% overshoot for Elia would be so problematic to warrant such a strong penalty (no remuneration).

## CRI and impacts on balancing bids

FEBEG calls for the publication of occurrences of balancing bid filtering alongside CRI publications. Additionally, an action plan is necessary to reduce such occurrences, along with a feedback loop to adjust criteria in cases where CRI is misused.

## Process & Operations

FEBEG has several remarks and questions concerning the daily operations associated with the proposed design:

1. It is important to avoid situations where schedules are rejected because it exceeds the contractual Pmax on a given quarter hour, especially in cases of extreme weather conditions.
2. The Gate Opening Time (GOT) for submitting the availability plan should be extended beyond D-7, allowing OPAs to submit availability updates after the Ready-to-Run file, which is sent on Tuesday of Week-1<sup>2</sup>
3. Elia's expectation for updates to RD bids every time a new schedule is submitted requires clarification. Is this rule applicable at all times, including for non-coordinated (NC) units? Does it apply to Pumped Hydro Storage (PHS) and Battery Energy Storage Systems (BESS)? How does it relate to schedules submitted after the GCT for mFRR or valid reasons indicated in the T&C BSP mFRR (e.g., outages, intraday trades, self/reactive balancing)?
4. RD energy bids cannot always be offered in all existing operating modes due to various reasons. Elia's indication that two RD energy bids can be simultaneously activated on a technical facility with multiple operating modes raises issues. For example, a Combined Cycle Gas Turbine (CCGT) may not be able to activate one RD bid corresponding to GT1 + ST and another corresponding to GT2 + ST. FEBEG suggests clarifying this aspect.
5. The rules state that all RD energy bids, except startup bids, must be offered as fully indivisible volumes. However, many assets have a Pmin, meaning that volumes between 0 and Pmin are impossible to deliver even outside the startup time. Moreover, SAs do not want to be exposed to imbalance and stringent penalty regimes for under/over delivering unfeasible RD activation requests. FEBEG argues that divisibility should be allowed for all RD bids, not just start-up/shut-down bids, to address this issue. It does not recall this aspect being presented during the energy bidding workshops.
6. Elia's expectation of a maximum 24-hour lead time for accepting or refusing an update of availability status should consider that unavailability for today, D+1, and D+2 needs to be communicated as Forced Outage by OPA. If an unavailability request is made on day D at 15:30, Elia may confirm it by day D+1 at 15:30, meaning that OPA and SA cannot submit DA nominations for delivery up to D+2.
7. In section 6.2 of the explanatory note, it is stated that the activation of a RD energy bid is compensated by the activation of another energy bid, commonly referred to as a compensation bid. However, it is important to note that this compensation bid is not specific to a particular location and should instead be a balancing bid with a

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<sup>2</sup> The latest version of the technical guide refers to a GOT beyond D-7 while the T&C does not.

remuneration based on market prices. If a RD bid is activated as a compensation, it should be remunerated at the CBMP and not at the RD energy price. It is crucial to remember that prequalification or availability tests serve a different purpose and should not be used for the compensation of RD bid activation as suggested in section 6.2 of the explanatory note. FEBEG is highly surprised that Elia intends to use these tests for compensation purpose. This creates doubts around the non-transparent trigger of these tests. Therefore, it is highly recommended to avoid such practices.

8. FEBEG finds Annex 8C incomprehensible and suggests using the Full Activation Time (FAT) in determining the ramping factor.
9. The consistency checks to verify the consistency between outage plans and schedules should be done with some leniency in the early days of go-live since it can never be excluded that there are some small hiccups in the bigging of the implementation.
10. Elia proposes a fully automated communication for outage planning using ECL, reserving the possibility to reject planned unavailability and tests for system security reasons. In this context, it is unclear why a test must be also requested by email. In addition, necessary tests are not always known 5 days in advance and may have to be planned on short notice, ie. as a follow-up to a technical malfunction.

Finally, FEBEG also draws attention to the significant contractual and testing work required before the go-live phase. Updating the annex with costing formulas and additional information, along with conducting communication tests, should be adequately planned and included in the overall roadmap.

## Conclusion

In conclusion, there are still multiple elements in the design that are not acceptable for FEBEG members, and which lead us far away from a balanced framework, which was the objective of the initial package deal. Some of them had been extensively discussed months ahead of the public consultation. FEBEG regrets that some of the major concerns have been discarded so far. They do not appear in the documents under consultation despite countless hours FEBEG members spent in explaining them. Even more worrying is that several (limited but very impactful) elements have not been presented to the stakeholders and pop up in these documents with some of them also being unacceptable for FEBEG.

FEBEG does not see it opportune to sign the T&C's with the rules currently proposed in iCAROS design since several major elements render the design unacceptable. We mostly target the T&C SA. Despite expressing gratitude for the public consultation and acknowledging the efforts made by Elia in conducting workshops and presentations, FEBEG is deeply disappointed with both the process and unbalanced content of the documents under consultation.

**The design proposals will need to evolve and be improved but to re-equilibrate Elia's proposals ad minima following corrections are needed before an implementation can be considered:**

- Remove unjustified administrative penalties for inconsistency between OPA/SA if OPA/SA can demonstrate to have acted correctly
- Ensure full coverage of all costs when activating RD bids (incl 100% of startup cost when of application – also in case of over-delivery)
- Provide transparency on RTS activations and ensure RTS activations are only send to the SA's under rare conditions, otherwise remuneration of costs might have to be considered
- Set penalty factors at zero in the beginning of the iCAROS phase 1 implementation – penalty factor to be increased, in combination with an improved tolerance band, only when it can be demonstrated this is required to have correct behaviour – mere removal of benefits when the deviation occurs in favour of the SA takes away all possible incentive to not deliver the RD bid
- Take necessary steps to align GCT with mFRR in the future or – at least – give the possibility to amend the bids after GCT (such as proposed for mFRR)