

Subject: FEBEG's position regarding the public consultation on the "Rules for suspension and restoration of market activities" and the "Rules for settlement in case of suspension of market activities"

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Introduction

FEBEG wishes to thank Elia for the opportunity to ELIA's Public consultation on the "Rules for suspension and restoration of market activities" and the "Rules for settlement in case of suspension of market activities"¹.

While we hope that such situations will never occur, it is indeed vital that we are well prepared and that the rules are clear and fair for all market parties.

The proposed changes by Elia can be summarised as follows: changes related to historical suggestions by CREG, limitation of the scope (reduced list of market activities that Elia is allowed to suspend at national level) and changes in the restoration tariff. FEBEG will focus on the restoration tariff in this consultation, since the new proposal by Elia is potentially very impactful for both the injection and the consumption side of the BRP portfolio. The other proposed changes seem reasonable and do not raise major concerns for FEBEG members.

The comments and suggestions of FEBEG are not confidential.

Restoration Tariff

According to **FEBEG the following principles** (similar to those of Elia) **should be taken into account** in case of a TSO-controlled dispatch:

- **Transparency:** formula used for the invoicing should be well known by market parties that will be exposed to it and its result should be published on Elia's website
- **Financial neutrality for BRPs/suppliers/producers:** costs for grid restoration/injection should cover the actual cost for the electricity produced, and the Restoration tariff should be neutral overall (injection/offtake) for the BRPs/suppliers/producers

¹ https://www.elia.be/en/public-consultation/20230407_rules-for-suspension-and-restoration-of-market-activities

- **Cost reflectiveness:** formula should strive to cover the costs of the production units mobilized during the TSO control dispatch period by Elia to restore the grid in case of a bottom-up situation.

FEBEG notes that Elia is proposing the following Restoration Tariff: *“the average of 5 best representative Belgian day-ahead reference prices for this same MTU in the Belgian bidding zone.”*

However, FEBEG is not convinced that the proposal of Elia is meeting criteria of financial neutrality and cost reflectiveness, indeed, according to FEBEG, the restoration tariff should as much as possible reflect the normal sourcing cost of the energy. Changing the approach because of exceptional circumstances (such as last year’s gas prices) is not sustainable, since “crisis times” are the exception and “normal times” are the rule, and the Restoration Tariff should not be tailed to fit an exceptional time. In addition, regarding the specific proposal, there is absolutely no guarantee that the Day Ahead Prices of the last days reflect the sourcing cost of energy, in fact, the probability that this is the case will decrease drastically in the coming years due to the increased share of intermittent renewable energy sources. Two examples below show the possibility of non-alignment between the approach of Elia and the actual costs:

1. **Grid restoration after a period with high wind speeds / storm:** Imagine that in 2033, with 5.8 GW of offshore wind installed in the North Sea, there is a 7-day period with very high wind speeds, resulting in day ahead prices of 5–10 €/MWh. However, on the 8th day there is a huge storm, which results in a huge drop of injection of wind and grid issues, requiring a TSO-controlled Dispatch. The average price of 5–10 €/MWh would very likely be well below the normal sourcing costs for energy.
2. **Grid restoration after holiday period:** Imagine that the TSO-controlled Dispatch is activated right after the Christmas/New Year holiday period. The prices during the holidays are often much lower than the prices right before or after the holiday. Again, the situation occurring over the last 5–7 days could be completely non-representative for the period of TSO-controlled Dispatch.

For the above reasons, FEBEG would very much recommend a different approach, since the proposal of Elia could in practice have very large negative consequences for FEBEG members.

As an alternative, the proposed formula in 2018, namely based on the default price for the transfer of energy would be more appropriate as this formula attempts to reflect the sourcing cost.

$$[73 \% * 1/3 (Cal Y+2 + Cal Y+1 + M+1) + 27 \% AV (EPEX spot BE DAM)]$$

Concerning the price for the injected energy – which is produced following the instructions of Elia – **it should reflect the real production cost specific for each power plant**, conform the third criteria ‘cost reflectiveness’. Indeed Elia may request the operation of an OCGT whose production cost may be much higher than the Grid restoration tariff, certainly if this would be based on market prices in the week preceding the TSO controlled dispatch period (such unit may then have been out of the money).

Therefore FEBEG requests that the initial proposal of Market Suspension Rules is maintained (to be updated for the SA contract instead of CIPU contract):

Pour l'énergie injectée par les unités de production d'électricité pour lesquels il existe une obligation de programmation de la production, une compensation financière est payable au BRP. La rémunération est calculée comme la rémunération applicable pour le jour de début de la période de « Dispatching contrôlé par le GRT », conformément aux paiements pour la procédure de nomination, tel que prévu à l'article 13.2.5 du contrat CIPU, mis-à-jour avec les prix du carburants et/ou le coûts du CO2 le cas échéant. Pour les unités pouvant être coordonnées de manière limitée ou ne pouvant pas être coordonnées, le tarif de rétablissement sera appliqué.