

Public consultation on the BRP perimeter adjustment study

31 August 2023

Executive summary

Centrica thanks Elia for the opportunity to provide comments to the consultation on the BRP perimeter adjustment study.

The study aims to determine the most suitable design for adjusting the balancing perimeter of BRPs following an mFRR or redispatch energy bid activation. The optimal solution must consider the allocation of balance responsibility, the financial incentives for correct delivery and split of roles between BRP/supplier, Scheduling Agent and Balancing Service Provider.

Centrica would like to share following comments:

- We support Elia's conclusion to rule out Options 1b, 2a and 2b.
- We urge Elia to reconsider Option 1c.

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We agree with Elia's conclusion that perimeter adjustments based on the delivered volume (Option 2a & 2b) as well as perimeter adjustments during the quarter hour of delivery using the assumed activation profile (Option 1b) have significant drawbacks. These include issues related to balance responsibility, the split of roles between BRP/Supplier and BSP/SA, potential impacts of imbalances on the BRP_{FSP}, and increased complexity.

Centrica urges Elia to reconsider Option 1c

Centrica expresses its disagreement with Elia's decision to rule out the perimeter adjustment during all quarter hours based on the assumed activation profile (Option 1c). It appears that Elia has too swiftly dismissed this option without fully considering its potential benefits.

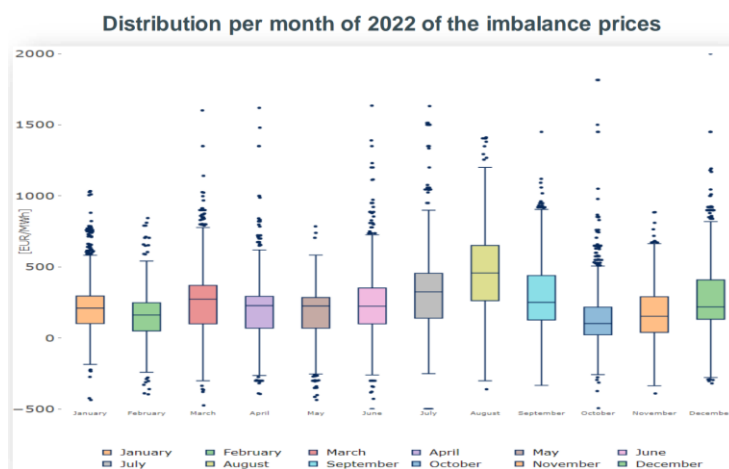
While we acknowledge the complexities related to the transfer of energy, measurements, and baselines, we firmly believe that overlooking Option 1c due to perceived limited cost savings for the BRP_{FSP} is unjustified.

Elia argues that the financial impact on the BRP_{FSP} would be minimal, with potential revenue losses representing less than 2%. This estimation is based on the average imbalance price difference before and after an activation, which varies between 85 and 90 EUR/MWh for the period between April 2022 and April 2023.

Firstly, we contend that even 2% of the total mFRR balancing energy costs can be significant for BRP_{FSPS}, with financial repercussions that are not easily recoverable. As Elia highlights, these

additional costs would be socialized through an increase in energy bid prices by the BSPs. To gain a better understanding of the financial impact, we urge Elia to quantify the total annual costs for balancing energy in mFRR in euros, information which is currently not publicly available. This data will enable a more informed decision on whether to consider or discard Option 1c.

Secondly, Elia's calculation is based on the volume-weighted average imbalance price difference, which does not accurately reflect the full picture. Imbalance price volatility has been observed, with spikes ranging from very negative (-500 EUR/MWh) to very positive values (up to 2.000 EUR/MWh) within a single day, as presented during the Working Group Balancing of 16 May 2023. This is confirmed in CREG's monitoring report 2022, which highlights the strong volatility as well as the increase of imbalance prices in 2022¹.



Based on these observations, let's consider a concrete example of a 100 MW activation in the morning of 14 May 2023:

- **Before the activation (10:00-10:15):** Imbalance price = 490,57 EUR/MWh
- **During the ramping quarter-hour (10:15-10:30):** Imbalance price = 3.439,14 EUR/MWh
- **After the activation (10:30-10:45):** Imbalance price = 900,49 EUR/MWh

Using Elia's method, the costs for the BRP_{FSP} amount to 13.4% of the remuneration, significantly higher than the 2% estimated by Elia. Such high costs, when reflected in the energy bid prices, would cause further imbalance price peaks.

Calculation:

- **Remuneration:** 85.978,5 EUR = 100 MW x 3.439,14 EUR/MWh x 1/4h
- **Cost during ramp up:** 6.192,00 EUR = 2,1 MWh x (3.439,14 – 490,57) EUR/MWh
- **Cost during ramp down:** 5.331,17 EUR = 2,1 MWh x (3.439,14 – 490,57) EUR/MWh
- **Total costs for the BRP_{FSP}:** 11.523.16 EUR = 13.4% of the remuneration

Considering these compelling facts, we strongly urge Elia to reconsider its stance on Option 1c and explore avenues to simplify its implementation if necessary, such as through pragmatic handling of the transfer of energy.

¹ <https://www.creg.be/sites/default/files/assets/Publications/Studies/F2537EN.pdf>