

Subject: FEBEG's position regarding the public consultation on the study on the BRP perimeter adjustments

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## Introduction

FEBEG thanks ELIA for the opportunity to give its inputs to ELIA's *Public consultation of the study on the BRP perimeter adjustments applied in case of the activation of mFRR or redispatch energy bids*<sup>1</sup>. This document is not confidential.

As preliminary remark, FEBEG wishes to highlight certain concerns regarding the timing of this consultation. The countless consultations launched during the summer months have posed significant challenges for stakeholders, who have found it difficult to meet the stringent deadlines and provide comprehensive responses. In this sense, we regret the parallel launch of this consultation; which seems to ignore the feedback provided by stakeholders to ELIA during the WG Balancing of June 2023 (namely to not overwhelm stakeholders with too many consultations, and to focus on priority issues such a MARI/iCAROS/PICASSO projects).

## Objectives & Rationale

One of the main objectives (as explained by ELIA) is to avoid incentives not to deliver an activation. While FEBEG understands the importance to correctly deliver an activation, we hope ELIA can support that a correct activation should not lead to unjustified exposure. In this perspective, we believe that ELIA should equally ensure that delivering a perfect activation should not create exposure for BSP, SA, BRPs.

## Correction of Perimeter with Energy Delivered (Option 2)

FEBEG concurs with ELIA's perspective that correcting the balancing perimeter based on delivered energy introduces complexities and disadvantages. We can only stress that a Supplier or BRP should not be negatively affected by activations triggered by a BSP or SA.

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<sup>1</sup> [https://www.elia.be/en/public-consultation/20230707\\_public-consultation-of-the-study-on-the-brp-perimeter-adjustments](https://www.elia.be/en/public-consultation/20230707_public-consultation-of-the-study-on-the-brp-perimeter-adjustments)

## Option 1C as a logical consequence of the market design evolution brought by MARI & iCAROS

FEBEG believes that some major evolutions in the balancing market design requires the block approach to evolve.

First, the connection to MARI will lead some BSPs to activate energy bids for foreign TSO's needs. These activations can occur at a moment where Belgian needs are in the same direction, in the opposite direction or when there is no need for mFRR.

Second, iCAROS design will refine the way congestions are managed and the entire scheme of redispatching bids along with CRI is done. The increase of renewable production will further increase the need of redispatching activations as renewable production is not scattered all over the country. Furthermore, redispatching energy bids will be remunerated in a cost-based way and hence decoupled from the local imbalance price.

Third, the long debated imbalance price calculation will at many occasions reflect the sole system imbalance of Belgium and hence be decoupled from the cross-border marginal price of the mFRR activated energy bid.

These three elements lead to a context where a BSP (resp. SA) activates an mFRR (resp. RD) energy bid with CBMP being strongly decorrelated from the imbalance prices.

The current so-called block approach does not seem consistent with those design evolutions and will breach the important principle to FEBEG's members which is that a correct activation should not lead to unjustified financial exposure.

While FEBEG undeniably acknowledges the merits of the block approach in a design without decorrelation of the RD, mFRR & imbalance prices, we believe that it is no longer suitable at the moment those prices are not correlated.

The following (non-exhaustive) situations will occur according to FEBEG's members:

- An upward mFRR bid activated for a foreign TSO while Belgian imbalance price will be very low / negative during the ramp preceding the activation. This will create a long position during the ramp settled against low imbalance price, hence leading to a loss.
- An upward RD energy bid on a slow starting unit (e.g. gas-fired plant) with low imbalance prices during the QH's of the ramping up (preceding the activation). SA cannot estimate those imbalances prices ex-ante and include these in the RD energy price, nor can easily trade a profile on the illiquid ID market.

## Penalties

Penalties consulted in MARI & iCAROS design (summer 23) already include to take back the gain of imbalance. FEBEG understood this rationale and agreed with it. However, we do not want to make a loss resulting of (i) ramps not corrected and (ii) block approach not considering the correct volume to be delivered with requested QH of activation.

The provisions within T&C SA & mFRR offer a suitable mechanism to align incentives with accurate activations.

## Conclusion and Preferred Approach

In conclusion, FEBEG disagrees with the maintenance of the existing block approach given the evolving market dynamics and ELIA's aspirations for decoupling RD, mFRR, and imbalance prices. Option 1C, despite it is not a status quo and hence perceived as complex, aligns more effectively with the changing landscape and addresses concerns related to unjustifiable financial risks. We urge ELIA to consider a detailed implementation plan and feasibility study for Option 1C, whereby also a representative ramp rate per technology is being applied in the assumed activation profile.