EXPLANATORY NOTE

# Explanatory note on the public consultation of the proposal of amendments to the T&C BSP aFRR

**ELIA, July 2025**

# Contents

# Practical information

## Purpose of this note

This note serves as an explanation for the current consultation on the **proposal for amendments to the Terms and Conditions for Balancing Service Providers for the Frequency Restoration Reserve Service with automatic activation** (hereafter referred to as "T&C BSP aFRR"). The purpose of this consultation is to obtain comments from the market parties. At the end of the public consultation, Elia will send a consultation report to the CREG and will then publish a non-confidential version of this report on its website.

## Process

All responses to this public consultation will be made public on Elia's website, except the comments for which market parties ask to treat their contribution as confidential. However, all responses to this public consultation will be submitted to the relevant regulatory authorities in the context of the official approval procedure[1] for the T&C BSP aFRR.

## Timing to provide feedback and suggestions

Elia invites all stakeholders to submit any comments and suggestions they may have on the documents submitted for consultation. The consultation period runs from 28th May 2025 to 30th June 2025. All responses must be submitted via the online form on the Elia website. The proposal for amendments to the T&C BSP aFRR is available for consultation on the Elia website.

[1] Article 6(3) of Regulation 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

# Explanatory note on the public consultation of the proposal of amendments of the T&C BSP aFRR

## 1. Introduction

This proposal for amendments to the Terms and Conditions for Balancing Service Providers for the Frequency Restoration Reserve Service with automatic activation (T&C BSP aFRR) consists of:

- Amendments relative to the settlement and invoices processes; and
- Amendments relative to the method to determine the aFRR Supplied in case of combined delivery of FCR and aFRR Services in line with the changes proposed to the T&C FCR; and
- Amendments relative to the normalization factor in the baseline quality factor; and
- Amendments relative to the bid firmness conditions; and
- Amendments relative to the digital update of the Contact Details for the BSP; and
- Amendments relative to the introduction of the CDSO declaration;

In addition, Elia would like to take the opportunity to add certain clarifications and corrections:

- Clarifications with respect to the applicability of the bidding obligation; and
- Clarifications with respect to the rules for defining Delivery Points DPsu linked to a Technical Facility; and
- Addition of a template for the proof of agreement between a BSP and a Supplier in case of Transfer of Energy

Section 2 of this explanatory note provides more information related to the different amendments contained in the proposal for amendment of the T&C BSP mFRR.

Section 3 provides more information related to the implementation planning of the different amendments proposed.

# 2. Proposed amendments

## 2.1. Amendments relative to the faster settlement and invoices processes

Optimizing the settlement and invoicing process for Balancing Service Providers (BSPs) ensures faster payments for their services, positively impacting their required working capital. It also contributes to a faster feedback loop on the service and overall creates efficiencies in operating the processes. The advantage of faster payment to the BSPs will consequently help to remunerate their downstream grid users. Furthermore, by reducing payment timings, this improvement facilitates market access for new BSPs by lowering entry barriers and helps to increase competition among them. Performing settlement several months after actual delivery is outdated and deserves an upgrade. This revision enables the transition to more digitalization and contemporary functionalities like self-billing.

In CREG's decision (B)658E/89, an incentive is formulated to foster the above goals and improvements to the settlement processes and for Elia to develop the necessary solutions for the FCR, aFRR and mFRR services. This document provides the implementation plan, i.e., the first milestone of the balancing incentive. It serves as an outline of the scope, the improvements and the deadlines linked to the balancing incentive. Furthermore, it provides an overview on the process to reach the balancing incentive's goals, the impact on the processes and the planning of the go live(s).

The proposed changes have been discussed with stakeholders during 3 workshops, that took place on 05/12/2024, 13/02/2025 and 02/04/2025.

The changes in the settlement and invoicing process are common to the three balancing products: FCR, aFRR and mFRR. An important change is the introduction of the self-billing process, where ELIA will issue invoices and credit notes, in the name of and on behalf of the BSP.

The proposed process for settlement and invoicing is as follows:

1. Elia will publish all settlement reports together with the concerned data related to remuneration and control on EPIC and TraXes at the latest by the end of the month following the delivery provided ELIA has received all the necessary metering data for Delivery Points connected to the Public Distribution Grid, from the relevant DSO with sufficient time to generate the reports [2]. As an example, by the end of February Elia will have published all reports concerning remunerations and controls of January. BSPs will be informed of each specific settlement report by email to the relevant contact persons that it has been published on EPIC and TraXes.

[2] It may be the case that, for activation control in mFRR in particular, metering data of Low-voltage Delivery Points are not available on FlexHub early enough for allowing ELIA to publish the corresponding report on EPIC or TraXes at the end of the month following the delivery.

2. Following the publication and notification by email, the BSP has 25 calendar days to approve or reject the specific settlement report. If a BSP neither approves nor rejects the report within 25 calendar days of its publication on EPIC, the report will be considered implicitly approved.
3. An approval, either implicit or explicit, always triggers the self-billing process. For the different financial flows, Elia refers to Table 1 below. The self-bills, self-bill credit notes and Elia invoices will be issued and published within 10 calendar days after BSP approval, covering potential delays in non-standard scenarios. Note that as an approval by the BSP in EPIC normally triggers the automatic creation by Elia of the self-bills, self-bill credit notes and Elia invoices, these 10-calendar days delay offers time to solve issues related to the creation process.
4. The payment terms of the invoices and credit notes have been modified to 15 calendar days after the issuing of the self-bills, self-bill credit notes and Elia invoices, aligning with the terms proposed for BRPs which contrasts with the 30 calendar days following the day in which the invoice is received, prior to the changes. Note that the current version of the BRP contract does not foresee this change yet however public consultation on those contracts are foreseen for September 2025 onwards.

Secondly, Elia proposes the following approach in case of non-standard settlement.

1. If the BSP disagrees via EPIC within the 25-calendar day approval window, they will have to reject the settlement report. Then, a 60-calendar day negotiation period will commence from the day following the rejection. During this period, both parties (BSP and Elia) will negotiate to reach an agreement. If an agreement is reached within 60-calendar days, Elia will issue self-bills, self-bill credit notes and Elia invoices based on the agreed figures.
2. If no agreement is found however, Elia may inform the CREG of the failed negotiation and will issue self-bills, self-bill credit notes and Elia invoices based on the initial report figures. Elia will inform the CREG if it considers the negotiations are unreasonably taking too much time.
3. Negotiations will continue to further settle the matter ex-post.

Invoices and credit notes are replaced by respectively self-bills and self-bill credit notes except on two occasions. For activation remuneration, it is possible that Elia is to receive money from the BSPs due to downwards activations in combination with positive prices (and vice versa: upward activations with negative prices). For tax reasons, in such cases, Elia will have to provide an invoice to the BSP. The same logic applies for activation control in these specific cases. Table 1 below contains an overview of all changes related to the self-belling, structured by financial flow.

| In case the BSP sends now | Elia will provide in the future |
|---|---|
| ***an invoice*** related to a ***capacity remuneration*** | ***a self-bill*** to the BSP, on behalf of the BSP |
| ***a credit note*** related to ***an availability control*** | ***a self-bill credit note*** to the BSP, on behalf of the BSP |
| ***an invoice*** related to ***activation remuneration (in case of positive amounts)*** | ***a self-bill*** to the BSP, on behalf of the BSP |
| ***a credit note*** related to ***activation remuneration (in case of negative amounts)*** | ***an invoice*** to the BSP (for tax reasons, in case of negative amounts, the financial flow is inverted) |
| ***a credit note*** related to ***an activation control (in case of positive amounts)*** | ***a self-bill credit note*** to the BSP, on behalf of the BSP |
| ***a credit note*** related to ***an activation control (in case of negative amounts for activation remuneration)*** | ***an invoice*** to the BSP (for tax reasons, in case of negative amounts for activation remuneration, the financial flow is inverted) |

*Table 1: Overview f changes with the introduction of self-billing.*

In this context, the proposal for amendments of the T&C BSP aFRR:

- Introduces the definitions of BSP-invoice, BSP-credit note and ELIA-invoice,
- Precises that ELIA will check every Month M the availability tests performed during **Month M-1** (instead of M-2), in **Art. II.14.10**
- Precises that ELIA will check every Month M the aFRR Energy Discrepancy during **Month M-1** (instead of M-2), in **Art. II.15.2**
- Introduces the use of self-billing, in **Art. II.18.1**, and precises that the General conditions apply in that context in **Art II.18.2**.
- Describes the process of publication of the reports on remunerations and controls in **Art II.18.3**.
- Describes the process to approve or reject each of the reports in **Art II.18.4**
- Describes the process followed in case the BSP rejected one report in Articles **II.18.5 and II.18.6**
- Describes the process of invoicing of the remunerations and incentives in Articles **II.18.7, II.18.8 and II.18.9**
- Precises the payment delays in **Art. II.18.10**
- Precises that ELIA will check every Month M the compliance of the baseline quality during **Month M-1** (instead of M-2), in **Art. II.13.1**

As the **roll-out of this process will be made in two waves**, a separate document is included in the public consultation to present the contract that will be applicable in the intermediary period.
In the **first wave**, this process will be **only applicable for capacity remuneration and activations remuneration.** In the **second wave**, the process will be **extended to controls and incentives**.

For clarity, the applicable version of Article 18 between the two waves is shown in a separate file: “aFRR Article18 interim.pdf”.

## 2.2. Amendments relative to the method of determination of aFRR Supplied in case of combined delivery of FCR and aFRR Services

Following the incentive study on “Analysis of the possibility to offer different types of balancing products on DPpg[3]” Elia has proposed recommendations for the improvement of the simultaneous delivery of FCR and aFRR, including:

- The introduction of a declarative FCR baseline similar to the aFRR baseline.
- The introduction of continuous activation control in FCR.

The above changes are proposed in a Proposal for Amendment to the T&C BSP FCR.

In the activation control of the aFRR Service, a term to account for the impact of simultaneous FCR delivery is already included (i.e., the so-called FCR Correction value). This correction term for FCR delivery was however a declarative value. To avoid the possibility of arbitraging between the activation control incentives for FCR and aFRR, Elia now proposes a methodology to allocate a possible error (i.e., discrepancy) between FCR and aFRR for a Delivery Point providing both services.

The proposed approach for the allocation of errors is a best practice set by the FCR Cooperation. The concept is quite simple, if a Delivery point is activated in both FCR and aFRR, FCR delivery is assumed to be perfect, and any error is allocated to aFRR. This approach is described in detail in the T&C BSP FCR and results in the calculation of a term $\boldsymbol{FCR\ Supplied_{Combo}(ts)}$, which reflects the part of the volume supplied by Delivery Points simultaneously participating the FCR and aFRR delivery that is allocated to the aFRR Service.

In this context, the proposal for amendments of the T&C BSP aFRR:

- Removes the references to the “FCR Corrections” as declarative value communicated by the BSP (Art. II.1, Annex 10.C, Annex 13.C)
- Introduces $\boldsymbol{FCR\ Supplied_{Combo}(ts)}$ in the determination of aFRR Supplied, in Annex 13.C. This value is determined by ELIA as described in the T&C BSP FCR.

## 2.3. Amendments relative to the normalization factor in the baseline quality factor

The quality factor of the baseline, as used for the baseline test and the baseline control, contains a normalization factor. This normalization factor is currently calculated as the maximum between the so-called reference baseline and a value of 1 MW. Certain assets can provide significant volumes of aFRR but can have a reference baseline close to zero. This could for instance be the case for batteries. As a result of the reference baseline being close to

[3] **20221010_Public consultation on an analysis of the possibility to offer different**

zero, the normalization factor would become very small which could lead to a lower value of the quality factor compared to assets with a high reference baseline.

To have a more technology-neutral design for the evaluation of the baseline accuracy, Elia proposes to adapt the normalization of the quality factor such that it equals the maximum between the reference baseline, 50 percent of the $DP_{aFRR,max,down}$ and 50 percent of the $DP_{aFRR,max,up}$ as follows:

$$\text{quality factor(D)} = 1 - \frac{\sqrt{\frac{\sum_{\text{Time Steps}} \text{deviation(ts)}^2}{\text{N}}}}{\max\left(\text{reference baseline}; 0.5 * \sum_{DPs} DP_{aFRR,max,down}\,; 0.5 * \sum_{DPs} DP_{aFRR,max,up}\right)}$$

This leads to amendments in **Annex 5.B and Annex 5.C**.

## 2.4. Amendments relative to the bid firmness conditions

Art. II.11.13 of the T&C BSP aFRR specifies the conditions under which the BSP can request a decrease of the volume of a submitted non-contracted aFRR Energy Bid after the aFRR Balancing Gate Closure Time and until 5 minutes before the start of quarter hour for which the bid has been submitted.

In the context of the finetuning of the system balance philosophy of Elia, as presented in the Working Group Energy Solutions of the 4th of April 2025, Elia has clarified the intention to facilitate implicit reactions (i.e., reactive balancing) for assets that cannot participate to explicit balancing products. For assets that can participate to explicit balancing products, explicit participation is envisaged to be encouraged by removing unnecessary barriers for participation to the explicit products (relative to implicit balancing).

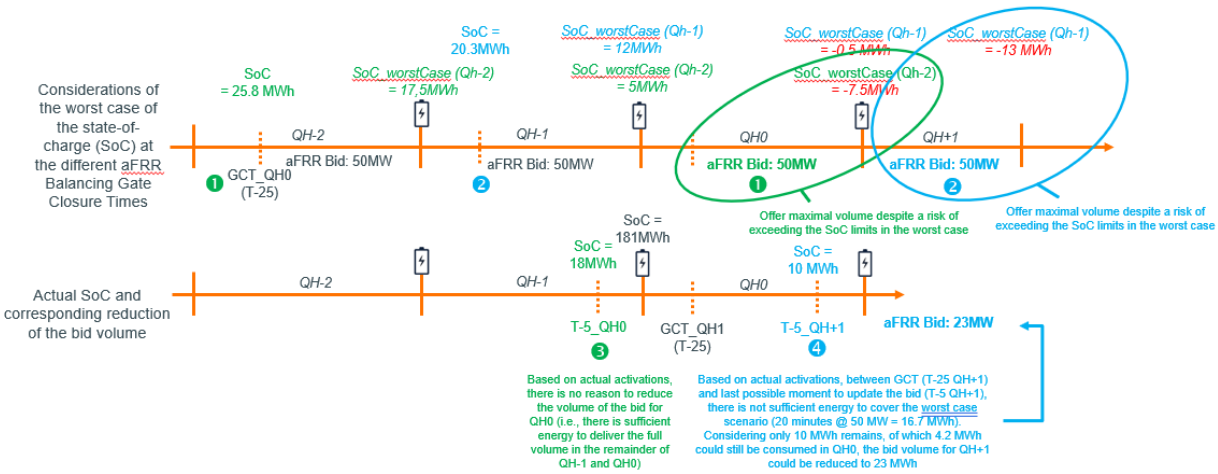
In this context, Elia proposes the following amendments related to the bid firmness:

- Elia proposes to remove the possibility for BSPs to reduce the volume of a non-contracted aFRR Energy Bid after the aFRR Balancing Gate Closure Time in case the BSP wished to dispatch one or several Delivery Points part of that non-contracted aFRR Energy Bid to balance the Elia LFC Block (i.e., for reactive balancing).
- Elia proposes to add the possibility for BSPs to reduce the volume of a non-contracted aFRR Energy Bid containing a Delivery Point with Limited Energy Reservoir after the aFRR Balancing Gate Closure Time in case the BSP would not be able to ensure a correct activation of the non-contracted aFRR Energy Bid due to energy reservoir constraints following from the activation of aFRR and/or mFRR Energy Bids taking place after the aFRR Balancing Gate Closure Time of the concerned non-contracted aFRR Energy Bid.

The reasoning behind the possibility to reduce the volume of a non-contracted aFRR Energy Bid due to energy reservoir constraints linked to past aFRR and/or mFRR activations can be explained as follows. As the aFRR Balancing Gate Closure Time is determined at 25 minutes before the start of the validity period of the concerned bid, the BSP faces inherent uncertainty regarding the energy in the reservoir that will effectively remain available at the

start of the quarter hour for which the bid is submitted. This is because at the moment the aFRR Energy Bid needs to be submitted, it is not yet known whether or not, and to which extent, the aFRR and/or mFRR Energy Bids that have been submitted for preceding quarter hours have been activated. Without the possibility to reduce the volume of the bid closer to real-time, this could incentivize BSPs to (systematically) offer lower volumes and/or could contribute to a preference for valorizing remaining flexibility in the balancing timeframe via implicit balancing rather than via explicit balancing products. Ultimately, both elements could lead to an inefficient use of the available flexibility.

This is further illustrated in the figure below that considers a case for a battery of 50 MW. Assuming that, at the aFRR Balancing Gate Closure Time for the submission of bids for quarter hour QH0, the SoC is 25,8 MWh and that aFRR Energy Bids of 50 MW have been submitted for QH-2 and QH-1, the energy in the reservoir is insufficient to cover the worst case of a full activation of the bids for quarter hours QH-1 and QH-2 and a full activation of a bid of 50 MW that would be submitted for QH0. Without the possibility to reduce the volume of the bid submitted for QH0 after the Balancing Gate Closure Time, the BSP could choose to offer a lower volume for QH0 to avoid the risk of potentially not being able to deliver the service in QH0. Similarly, at the Balancing Gate Closure Time for the submission of a bid for the quarter hour QH+1, it cannot be guaranteed that there is sufficient energy in the reservoir to deliver a bid of 50 MW for this quarter hour. Again, the BSP could decide to offer a lower volume because there *might* not be sufficient energy for a full activation of all bids. However, the reality is likely to differ from the worst case scenario of a full activation of all bids. For this reason, Elia proposes to maximally enable the valorisation of the available flexibility by enabling BSPs to reduce the volume offered until 5 minutes before the start of the quarter hour. As can be seen in the illustration, this would allow the BSP to offer the full 50 MW and, based on actual activations, determine whether or not the bid volume would need to be reduced closer to real-time or not.




Elia will monitor the application and possible impacts of this possibility. If deemed necessary based on experience, Elia may propose further amendments to these conditions in the future.

This leads to the introduction of amendments proposed to **Art. II.11.13**

### 2.5. Amendments relative to the digital update of the Contact Details for the BSP

With the development of the EPIC digital customer portal[4], BSPs will be able to update their list of contacts through the EPIC portal in addition to exchanging e-mails. In addition, ELIA has updated the list of roles to include in the contact details list.

This leads to amendments in **Art. II.20 and Annex 17**.

### 2.6. Amendments relative to the introduction of the CDSO declaration

In alignment with the T&C BSP mFRR, a CDSO declaration is included in the T&C BSP aFRR. It is precised that, in the Procedure for Delivery Point Acceptance, the BSP must provide a CDSO declaration for Delivery Points $DP_{PG}$ within a CDS.

This leads to amendments in **Art. II.3**, **Annex 2.B** and **Annex 2.G**.

### 2.7. Clarifications with respect to the applicability of the bidding obligation

Pursuant to article 18(7)b of the EBGL, each connecting TSO may include "a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after day ahead market gate closure time". This was already defined in the T&C BSP aFRR **Art. II.3.8** This article has been revised to further clarify the bidding obligation, notably to avoid any ambiguity on which Technical Facilities are subject to the bidding obligation[5].

### 2.8. Clarifications with respect to the rules for defining Delivery Points DPsu linked to a Technical Facility

In an effort to clarify the definitions of Delivery Points used in its different products, ELIA proposes to add a rule on the definition of Delivery Points depending on the type of the concerned Technical Facility, for DPSU, as it is already pre-cised in the Terms & Conditions for Outage Planning Agent (OPA) and Scheduling Agent (SA). The addition of this rule aims at defining a clear guideline on the definition of Delivery Points, and avoid incoherences in the definition of Delivery Points between Balancing Services and SA/OPA Services that may lead to operational inefficiencies.
This leads to the introduction of a new article in **Art. II.3**.

[4] https://www.elia.be/en/customers/customer-tools-and-extranet/epic
[5] Identical amendments have been proposed in Art. II.3.7 of the T&C BSP mFRR.

## 2.9. Amendments relative to the addition of a template for the proof of agreement between a BSP and a Supplier in case of Transfer of Energy

In the previous revision of the T&C BSP aFRR, Elia proposed amendments to the T&C BSP aFRR to open the door to a future application of Transfer of Energy (with financial compensation based on correction of the metering or with financial compensation between the Supplier and the BSP) for the aFRR market segment from the moment the ToE Rules would be adapted in this sense. In these past amendments, the template for agreement between BSP and Supplier on the Transfer Price for the Transfer of Energy was forgotten to be included.

In alignment with the T&C BSP mFRR, this proposal for amendment intends to include in the T&C BSP aFRR the template for agreement between BSP and Supplier on the Transfer Price for the Transfer of Energy.

This leads to amendments in **Art. II.4.3 and Annex 2.D**.

# 3. Implementation planning

(1) The amendments of the T&C BSP aFRR consist of different packages that may enter into force at different moments:

a) The amendments of the T&C BSP aFRR relative to the settlement and invoicing processes for capacity remuneration and activations remuneration (wave 1), which are highlighted in turquoise, will enter into force after approval by CREG of the concerned version of the T&C BSP aFRR.

b) The amendments of the T&C BSP aFRR relative to the settlement and invoicing processes for controls and incentives (wave 2), which are highlighted in green, will enter into force at the earliest 1 month after approval by CREG of the concerned version of the T&C BSP aFRR and not before April 2026.

c) The amendments of the T&C BSP aFRR relative to the normalization factor in the baseline quality factor, and the amendments relative to the method of determination of aFRR Supplied in case of combined delivery of FCR and aFRR Services, which are highlighted in yellow, will enter into force at the earliest 1 month after approval by CREG of the concerned version of the T&C BSP aFRR, and simultaneously to the amendments of the T&C BSP FCR relative to the continuous activation control.

d) All other amendments of the T&C BSP aFRR will enter into force at the same time as a).