



# Minutes of Meeting of WG Balancing on 15<sup>th</sup> of September

Meeting	
Date	15/09/2022
Organiser	James Matthys-Donnadieu

Participants		Attended	Excused
Axpo	Karoum Idris	<input checked="" type="checkbox"/>	
Axpo	Limpens Tanguy	<input checked="" type="checkbox"/>	
BASF	Verrydt Eric	<input checked="" type="checkbox"/>	
BSTOR	Bayart Pierre	<input checked="" type="checkbox"/>	
BSTOR	Fieuws Arthur	<input checked="" type="checkbox"/>	
Centrica	Benquey Romain	<input checked="" type="checkbox"/>	
Centrica	De Somer Oscar	<input checked="" type="checkbox"/>	
Centrica	Gillis Jeroen	<input checked="" type="checkbox"/>	
Centrica	Ricky Hill	<input checked="" type="checkbox"/>	
CREG	Bertrand Gilles	<input checked="" type="checkbox"/>	
CREG	Wilmart Gilles	<input checked="" type="checkbox"/>	
DXT Commodities	Mourit Jeremie	<input checked="" type="checkbox"/>	
DXT Commodities	Savoia Lorenzo	<input checked="" type="checkbox"/>	
Eneco	Boddu Sumalik	<input checked="" type="checkbox"/>	
Eneco	Bulun Ozlem	<input checked="" type="checkbox"/>	
Eneco	van den Berg Jasper	<input checked="" type="checkbox"/>	
Eneco	Williame Jean-François	<input checked="" type="checkbox"/>	
ENGIE	Donnay de Casteau Loïc	<input checked="" type="checkbox"/>	
ENGIE	Laleman Ruben	<input checked="" type="checkbox"/>	
Eoly Energy	Kormoss Aymeric	<input checked="" type="checkbox"/>	
European Commodities	Baudson Axel	<input checked="" type="checkbox"/>	
Ez-Nergy	Van Migom Léa	<input checked="" type="checkbox"/>	
Febeliec	Van Bossuyt Michael	<input checked="" type="checkbox"/>	
Flexcity	Potvlieghe Harold	<input checked="" type="checkbox"/>	
Flexcity	Van Vlaenderen Emiel	<input checked="" type="checkbox"/>	
Flexcity	Vanneste Aron	<input checked="" type="checkbox"/>	
Flexide Energy	Raty Louis	<input checked="" type="checkbox"/>	
Luminus	Chafaqi Laila	<input checked="" type="checkbox"/>	
Luminus	Harlem Steven	<input checked="" type="checkbox"/>	
Next Kraftwerke	Dierckxsens Carlos	<input checked="" type="checkbox"/>	
Next Kraftwerke	Topete Núñez Juan Salvador	<input checked="" type="checkbox"/>	
Next Kraftwerke	Van Bruwaene Mattijs	<input checked="" type="checkbox"/>	
North Pool	de Munch Casper	<input checked="" type="checkbox"/>	
NW Groupe	Pierson Tom	<input checked="" type="checkbox"/>	



RWE	Kaestner Lars	<input checked="" type="checkbox"/>
Scholt Energy	Demeyer Valentijn	<input checked="" type="checkbox"/>
Thermovault	Brouyaux Louis	<input checked="" type="checkbox"/>
Thermovault	Hubert Lemmens	<input checked="" type="checkbox"/>
TotalEnergies/Lampiris	Hofman Hannah	<input checked="" type="checkbox"/>
TotalEnergies/Lampiris	Mullenders Cédric	<input checked="" type="checkbox"/>
Vynova	Peeters Martijn	<input checked="" type="checkbox"/>
Yuso	Vermandere Jasper	<input checked="" type="checkbox"/>

<b>Participants</b>		<b>Attended</b>	<b>Excused</b>
Elia	Bosschaerts Caroline	<input checked="" type="checkbox"/>	
Elia	Chim Didier	<input checked="" type="checkbox"/>	
Elia	De Vos Kristof	<input checked="" type="checkbox"/>	
Elia	Hardy Simon	<input checked="" type="checkbox"/>	
Elia	Illegems Viviane	<input checked="" type="checkbox"/>	
Elia	Leroux Amandine	<input checked="" type="checkbox"/>	
Elia	Magnant Philippe	<input checked="" type="checkbox"/>	
Elia	Matthys-Donnadieu James	<input checked="" type="checkbox"/>	
Elia	Motté Arno	<input checked="" type="checkbox"/>	
Elia	Pellegrin Cécile	<input checked="" type="checkbox"/>	
Elia	Pierreux Nicolas	<input checked="" type="checkbox"/>	

### Report

Author	Didier Chim		
Function	WG Balancing Secretary		
Date report	18/09/2022		
Status	<input type="checkbox"/> Draft	<input checked="" type="checkbox"/> Final version	



## **1. Agenda**

1. Introduction and minutes
2. PICASSO: results of observation round
3. Update EU Balancing program
4. Public consultation on the improvement of the quality of input data for congestion management
5. Relaxation of DA Balance Obligation: evaluation & recommendation
6. Follow-up of winter plan
7. Launch of consultation on the study on dynamic procurement strategies

### **AOB**

- AOB – Simplify launch of SI forecast
- AOB – Study evolution BRP Nominations – implementation plan and launch of public consultation
- AOB – Implementation of CRI computation
- AOB – EMS requirements
- AOB – incentive on aFRR activation method

## 2. Report

### 1. Introduction and minutes

The Minutes of Meeting of WG Balancing of 22<sup>nd</sup> of June are approved with the correction of the typo.

### 2. PICASSO: results of observation round

#### Assumptions

BSTOR asks to remind the definition of an aFRR Optimization cycle. Elia explains that the optimization cycle for PICASSO is 4 seconds and is the frequency at which the algorithm sends correction signals to TSOs, based on inputs such as the demand, Merit Order (MO) as well as Available Transfer Capacity (ATC) on the borders.

BSTOR asks for an evaluation of the impact of the aFRR reduction to 117 MW (understood as a temporary measure for the summer), including CREG's views for the next WG Balancing. Elia cannot commit that the assessment will be performed for the next WG Balancing. CREG will reflect upon the request.

Flexcity indicates that it plans to reduce its bid prices with the introduction of pay-as-cleared remuneration for balancing energy remuneration and questions Elia's assumption on the energy prices of the aFRR bids. Elia indicates that in Germany, the connection to PICASSO doesn't seem to have led to reduction of bid prices. In addition, from the mFRR experience in Belgium, a reduction of bid prices did not occur in the market neither with the introduction of pay-as-cleared remuneration. Flexcity answers that the comparison with mFRR is not relevant due to the difference in frequency of activations.

Febeliec asks whether a sensibility has been made to include extreme prices as observed in Germany (e.g. 10-15k€/MWh). Elia explains that the analysis so far has been performed with additional bids at 3000€/MWh up and -2500€/MWh down. No sensibility has been made with more extreme prices but may be part of next steps.

Flexcity comments that it is not aware of any future new points in their portfolio that will bid at high prices (i.e. 3000€/MWh). Febeliec indicates that only 1 MW is sufficient to lead to increased price for all in a pay-as-cleared mechanism. Flexcity answers that very high prices should be investigated by the CREG.

Flexcity indicates that mFRR energy prices as a reference for aFRR is too strong of a hypothesis. Elia indicates that this assumption does not even represent the worst case scenario, which is a price at 15k€/MWh as result of the price cap as defined in the European Pricing Methodology.

Febeliec asks to further explain the concept of profile limit and its effect when only connected to Germany. Elia indicates that the profile limit is an additional constraint put on import and export position, which is applicable regardless of the number of interconnected countries. As Elia is counting on the ATCs of TenneT NL, this profile limit is an additional constraint above the ATC limit on the ALEGrO (which will be limited to 150MW at the moment of the connection).

Flexcity asks to clarify the impact of a profile limit of 200 MW while only 117 MW of contract aFRR is available. Elia clarifies that its net position could be more than 200 MW even when only 117MW aFRR is available in Belgium, in which cases the profile limits could limit exchanges on PICASSO.

## Methodology

Flexcity asks to clarify the rationale behind the scenario with zero ATC. Elia clarifies that the scenario with zero ATC is an exercise to look at the situations where no ATCs are available (about 40% of time), in order to assess the potential impact. This does not represent the yearly costs from the connection to PICASSO.

Flexcity suggests that Elia simulates "calm" days (i.e. with ATCs and relatively limited demand in both Belgium and Germany). Elia explains that in both days evaluated, there were also calm periods, so these situations are not excluded from the analysis. Febeliec remarks that the availability of ATC may not only reduce costs. In export situation, prices in Belgium will increase.

## Results

Febeliec asks Elia to provide the contribution of the very rare occurrence of extreme prices to the total cost. Elia reminds that the objective of the analysis is not to evaluate the average impact, but to identify blocking points for the efficient functioning of the Belgian balancing market. Elia explains that the goal of the presentation is to provide analysis on various situations, allowing the market parties to make their own opinion on the impact. The extraordinary WG Balancing will allow further discussions on the matter.

BSTOR asks to explain the difference between the grey and green curves on slide 27. Elia explains that the grey curve is the base case, with Belgian bids at +3000€/MWh in UP and -2500€/MWh in DOWN. Green curve is the sensitivity without those expensive bids.

BSTOR asks whether the volume of contracted aFRR (117 MW) is the same for the 3 curves. Elia confirms that the volume is the same, for the sake of comparison.

Febeliec remarks that the analysis does not include any winter situation, which could look very different. Elia acknowledges that the days simulated don't necessarily cover all possible future market situation.

CBS asks to confirm that the aFRR component of the imbalance price for a QH in Belgium is calculated as a weighted average of the CBMPs on all optimization cycles. Elia confirms and explains that this is the reason for a dampened impact of high CBMP in the Belgian imbalance price.

CBS indicates that the model does not consider an arbitrage between aFRR and mFRR activation. CBS indicates that degrading the aFRR regulation by limiting activations in case of expensive prices may be better. CBS shares that with the removal of the price cap and the marginal pricing this possibility should be considered. Elia explains that aFRR is automatic and that this goes against the basic functioning of the local controllers and their interaction with the aFRR-platform, hence requiring fundamental modifications of the European legal framework, of the local controllers and of the aFRR-platform. In addition, it can't be the objective to contract aFRR capacity and then not use the energy bids because the activation price is too expensive. Finally, Elia indicates that replacing aFRR by mFRR is not effective as the high prices issues are most of the time resolved by the next quarter hour.

CBS indicates that the automatic activation regardless of prices is a major loophole as high prices can be hit easily due to high demand. CBS considers that the aFRR controller could be allowed to activate not more than what has been contracted. CBS remarks that opening borders with PICASSO, Elia will activate more aFRR (because there is more available), which should be identified explicitly. Elia indicates that this

is not consistent with the functioning of the local controllers and their interaction with the PICASSO platform. The aFRR demand is sent to the aFRR-platform, which optimizes IGCC and PICASSO together. Limiting the demand means also reducing the netting potential. In addition, analyses show that high prices are most often caused by hitting the end of the Belgian merit-order, not by high prices in Germany.

Eoly Energy asks what the cause of the high imbalance prices is. Elia explains that the high prices are mainly caused by the activation of expensive bids at the end of the Belgian MO when no or limited ATCs are available for Picasso exchanges, with one exception where a long-lasting high CBMP was observed due to activation of very expensive bids in Germany. High aFRR demands, leading to high prices, are mainly due to forecast error of RES. Eoly Energy indicates that this is a risk for renewable project development in Belgium as this increases RES imbalance costs.

Thermovault asks whether the extension of the MO can help to contain the extreme costs. Elia indicates that increasing the size of the Belgian MO would reduce occurrence of extreme activation costs, even though without guarantee on the long term, as it will depend on which type of assets will be in the MO. Additionally, capacity procurement costs should also be taken into account. CBS shares that high capacity prices should lead to lower energy prices. Febeliec, supported by Elia, reacts that this theoretical effect has never been observed in practice.

### **Key Messages**

CBS asks what would be the impact of having 145 MW of aFRR instead of 117 MW. Elia indicates that it expects an improvement but to solve the extreme prices the volume of aFRR to be contracted should be higher than 145 MW. Febeliec indicates that this would come at a higher cost. CBS indicates that global costs (energy and capacity) should be considered.

CREG questions whether there is a legal basis for a price cap. Elia indicates that this is under investigation but anticipates that a temporary and proportionate measure to mitigate a risk related to a market failure (no liquidity due to multiple derogations, etc.) should be sufficient justification for such measure.

CBS indicates that the risk of high prices is not linked to a price propagation from Germany but rather from design changes related to PICASSO. Elia confirms and indicates that more ATC will help to contain the issue but will not fully solve it. Febeliec disagrees and indicates that the problem is PICASSO and not the Belgian market.

Luminus asks whether the price cap will be dynamically set, taking into account the current high energy prices. Elia indicates that this discussion will take place at a later stage, if relevant depending on the scenario.

### **Way forward**

Flexcity indicates that when end consumers are flexible, they will be incentivized. Therefore the inflexible consumer should bear the cost. Febeliec disagrees. European Commodities indicates that inflexible customers include residential who are already under a lot of pressure and that it may not be a right time to add a burden.

CBS indicates that high reservation cost for balancing capacities should yield reasonable energy activation price. Febeliec, supported by Elia, indicates that this has not been observed in practice. CBS indicates that

capacity price is mainly formed by opportunity costs rather than fixed costs. Elia indicates that there isn't sufficient competition.

Febeliec shares that a combination of scenario 2 and 3 is the preference. Febeliec explains that tapping into the French market would allow a bigger reservoir. In any case, an observation run will be needed to determine whether it is acceptable to connect to PICASSO without a price cap.

Febeliec asks about the duration of the derogation granted by CREG. Elia indicates that the derogation is of maximum 2 years. Febeliec indicates that once connected to PICASSO and the 200 MW profile limit is removed, there is a high exposure to high prices and therefore suggests to use the derogation as long as needed.

ENGIE indicates that it is too early to point to a scenario and considers the current situation as unfortunate, as other projects had to be deprioritized for PICASSO. The development for PICASSO also involved costs. Febeliec indicates that costs for consumers is also to be kept in mind.

ENGIE shares that it also raises questions on whether other projects such as MARI should not be deprioritized internally. Elia indicates that the situation for MARI and PICASSO are different and therefore MARI shall be developed according to the planning.

Flexcity regrets the absence of a full social welfare analysis, and did not consider BSP's need to recover investments. Flexcity supports option 2 with temporary and proportional price caps (instead of delaying go-live).

CBS indicates that joining with a price cap could have negative effect for Belgium, as Germany will be able to activate cheaper bids more often and therefore, stressing more often Limited Energy Reservoir assets. Elia indicates that based on the observation round, the German demand should be at least at 1500 MW before activating bids at the current price cap (1000€/MWh). In general, the frequency of activation of bids at the end of the Belgian MO is expected to decrease when connecting to PICASSO.

CBS indicates that when the methodology for this observation round was presented in June, Elia proposed to define a number of typical days & identify weights for each type depending on expected frequency of occurrence. CBS asks whether it is still foreseen to make these expectations available. Elia indicates that it was indeed the initially foreseen approach. After analysing different days, Elia came to the conclusion that there was no such thing as a "typical day" that could be used to quantify the average impact of a connection to PICASSO. Elia came back to the initial objective of the observation round: identify if there are blocking points. The results from the 2 simulated days allow to draw the conclusions.

### **3. Update EU Balancing program**

#### Decision CREG on Balancing Rules

Febeliec asks what the immediate impact of the request for review is. Elia explains that the request is not suspensive, so it does not prevent the connection to PICASSO. Febeliec reacts that the request is going against the agreed compromise, and that implementing CREG's request to remove cap/floor and dead band would breach the balance of the compromise. Therefore, Febeliec will not support other aspects since the solution becomes unbalanced for consumers. Elia equally regrets CREG's decision while the proposal was discussed for a whole year and especially disregarding the need to ensure grid security.

#### **4. Public consultation on the improvement of the quality of input data for congestion management**

ENGIE refers to events in August when 160 occurrences with congestion in Langerbrugge West and shares its concerns. Elia agrees that if this situation results from a bad forecast this is unacceptable. The KAM will revert to ENGIE on this point.

#### **5. Relaxation of DA Balance Obligation: evaluation & recommendation**

Febeliec asks what actions are taken to improve the forecasts. Elia indicates that it intends to provide a forecast as good as possible and has been working on forecast improvement but that it is too soon to draw conclusion on forecast quality from this analysis since we only have a few months of hindsight, which is not a lot from a meteorological perspective. Besides, Elia reminds that market parties are free to use their own forecasts but acknowledges that BRPs probably face similar issues. Febeliec explains that its concerns is about the risk that all BRPs would base themselves on the same forecast, generating simultaneous imbalances and creating a systemic risk. Elia insists that this issue has not been observed so far (on the contrary, it is rather the opposite that has been observed).

Eoly Energy indicates that the forecasts are always imperfect, which means that cost for RES integration will increase as flexibility will take time to reach the market. Elia refers to CCMD and the expected benefits in terms of reduced costs to integrate RES. Elia hopes that with the support of market parties, the development can be done quicker.

Febeliec insists that Elia and CREG would follow-up the relaxation very closely during this special winter, and to consider reverting back to stricter requirements if needed. Elia confirms that this possibility to revert back is foreseen in the T&C BRP.

Eneco remarks that the analysis stops in May 2022 and asks whether analysis for the following months are available. Elia explains that the analysis had been stopped at the end of May in order to respect the committed deadline for sending the evaluation report to CREG. The evaluation report of the second and last test period will contain the following months. Elia has however been closely monitoring the situation since end May 2022 and it did not identify any element that would contradict the conclusions of its analysis.

#### **6. Follow-up of winter plan**

Febeliec asks what the total available capacity from the Reserve Sharing Agreements (RSA) is. Elia clarifies it has 4 RSAs with a commercially available capacity of 350 MW each. However, it indicates first of all that the availability of the capacity facilitated by the RSAs are not guaranteed as it can be set at unavailable at any time by the service delivering TSOs, and requires the availability of cross-border transmission capacity after the intra-day time. Today, the contribution of sharing in the dimensioning is determined at 250 MW following the observed availability of transmission capacity after the intra-day time frame.

Febeliec considers that Elia's assumptions are too conservative when determining the static contribution of RSA. Elia clarifies it is required to firmly cover the reserve capacity needs and that it determined the 250 MW based on a 99%-percentile of the historic availability of available transmission capacity after intra-day.



Febeliec stresses that consumers will not be able to contribute much to mFRR via demand response if requested at the same time to consume as little as possible.

Febeliec questions the all-or-noting approach and suggests steps of 50 MW. Elia indicates that it cannot commit to conduct new calculations and analyses in the time frame considered, as moments where a Critical Grid Indicator is received, the soonest three days before real-time, will be operationally very challenging.

Febeliec asks whether checks will be made on the reasonability of prices by CREG. Elia indicates that it acts as a PPAT on a daily basis and reports to CREG as necessary. CREG confirms.

ENGIE reminds that there will be periods where the full start-up costs will need to be attributed in the mFRR offers, and hopes that this will be considered appropriate. Febeliec reacts that at times of scarcity abroad, CCGTs should be running.

ENGIE insists to not overlook the operational complexity of the measure. Elia acknowledges this point and will specify a clear communications process, complemented with account managers will reach out to the concerned parties.

Luminus indicates that the main issue will be the reasonability of the price rather than the obligation to bid.

Luminus asks whether aFRR volume should not be increased again, since the provision of aFRR and mFRR service will be the same asset, at least for CCGT. Elia indicates that this will not solve the lack of mFRR volume.

Febeliec indicates that the Exchange of Energy Block (EoEB) will not be operational this winter and asks whether the increase of mFRR will be Standard mFRR or Flex mFRR product. Elia indicates that all volumes of mFRR will be accepted and will ensure that LFC means does not exclude some volumes.

Next Kraftwerke supports the initiative for EoEB as it will help contracting more aFRR capacity and asks for it ASAP.

CBS indicates that some MWs can be brought only if some progress can be made sub-metering requirements, the combinability of aFRR-mFRR and penalty formulas. Elia is open to discuss temporary solutions in this respect but indicates that it targets large volumes. On the combinability of aFRR and mFRR, a workshop is planned to discuss those aspects.

Thermovault indicates that the additional reserve will come from demand response as generation will not be available. Elia indicates that the balancing products are technology neutral. The bidding obligation before the day-ahead market should facilitate sufficient liquidity, also from conventional generation.

Febeliec notes that increasing the demand of mFRR at moments of scarcity in neighboring countries would automatically further increase DA prices as well as balancing prices.

CBS suggests that Elia could lower its reserves at moments of high prices to favor the Day Ahead market to avoid curtailment in DA market. Elia reminds that it is bound by legal requirements specified in the SOGL and operates accordingly.

ENECO and Febeliec insist on the need to ensure an active communication if additional volumes are needed. Elia indicates that the process will be specified in the LFC Means published for consultation and will be further clarified if needed.

## **7. Launch of consultation on the study on dynamic procurement strategies**

No comments or questions from stakeholders

### **AOB – Simplify launch of SI forecast**

No comments or questions from stakeholders

### **AOB – Study evolution BRP Nominations – implementation plan and launch of public consultation**

No comments or questions from stakeholders

### **AOB – Implementation of CRI computation**

No comments or questions from stakeholders

### **AOB – EMS requirements**

No comments or questions from stakeholders

### **AOB – incentive on aFRR activation method**

No comments or questions from stakeholders



### **3. Date for next meetings**

- Extraordinary WG Balancing 28/09/2022 13:00 – 15:00
- WG Balancing 27/10/2022 09:00 – 13:00
- WG Balancing 09/12/2022 09:00 – 13:00