



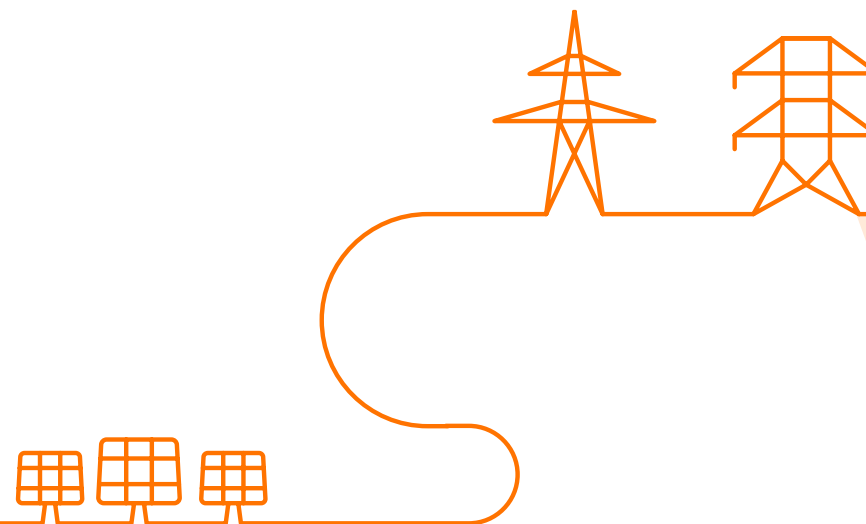
# Proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs

Online information session

June 2024

# Agenda

1. Context & motivation
2. Proposal to introduce an  $\alpha'$
3. Legal justification
4. Impact analysis
5. Implementation plan
6. Practical information



# Context and motivation

# Since the mFRR Technical GO-live, the prices of mFRR sharing agreements\* are excluded from the calculation of the imbalance price

## 30.4. Calculation of the Marginal Incremental Price and the Marginal Decremental Price before aFRR EU Go-Live and after mFRR Technical Go-Live

The following items are excluded from the Marginal Incremental Price:

- Prices defined in bilateral contracts in the framework of mFRR sharing agreements between neighboring TSOs (whether at the request of ELIA or at the request of the neighboring TSO).

Extract from T&C BRP applicable since 22<sup>nd</sup> May 2024

### Justification :

Considering the short period of time between the mFRR technical GO-live and the connection to MARI, the T&C BRP foresee to use the imbalance price formula developed for the connection to MARI, and hence excluding the mFRR sharing agreements prices, as from the mFRR technical GO-live. This pragmatic approach was proposed in order to :

- avoid sunk costs to develop features in the new IT applications (to be deployed at the mFRR technical GO-live) that had little chance to be used;
- avoid having to adapt the imbalance price formula twice in a very short period of time, considering the impact on the operational teams of both the BRPs and Elia.



\* Inter-TSO reserve sharing

## The connection to MARI had to be postponed by a few months, until after the summer 2024\*

As a consequence, in case of mFRR sharing activations, BRPs might be exposed to an imbalance price that does **not fully reflect the marginal prices** of the activations made by Elia to cover the residual imbalance of the Belgian imbalance price area (and that does not even take a part of these activations into account in the price construction) during the upcoming summer.

This situation is deemed **inefficient** :

- it does not encourage the BRPs to efficiently use the flexible resources of their portfolio to help balance the system, and it is therefore **not aligned with the decentral balancing model** applied in Belgium;
- it **creates financial incentives**, resulting from spreads between imbalance prices of imbalance price areas with imbalances in the same direction, to **aggravate the Belgian imbalance** (through “**geographical arbitrage**” between imbalance price areas) and comes with a **high risk to create an important balancing margin** which is then **passed on the Belgian consumers** through the grid tariffs



## The mFRR sharing prices should urgently be re-introduced in the imbalance price calculation until the connection to EU BAL platforms



An inefficient market design during the period between the mFRR Technical GO-live and the connection to the EU BAL platforms is not deemed acceptable considering the fact that this situation will last for several months.



Besides, summer outlook highlighted high risks of incompressibility situations, and hence possible quite intensive use of mFRR sharing agreements, during the forthcoming summer



The re-introduction of mFRR sharing agreement prices in the imbalance price calculation is therefore deemed **necessary and urgent** in order to decrease the risk of “geographical arbitrage” during the expected incompressibility situations of the upcoming summer



# Elia proposes the re-introduce the mFRR sharing prices in the exact same way as it was before the mFRR technical GO-live, but through a fast track revision of the Tariff Proposal

- Elia would like to propose the re-introduction of the mFRR sharing prices in the construction of the imbalance prices, **in the exact same way as it was before the mFRR technical GO-live.**
- Theoretically speaking, this proposal would require the modification of the MIP and MDP that are now (since 22<sup>nd</sup> May 2024) described in the T&C BRP.

Otherwise, the Marginal Incremental Price corresponds to the maximum of the following elements:

3. The element accounting for regulation in the positive direction at Elia's request in the framework of the mFRR sharing agreements between TSOs. This element is equal to the agreed price defined in the bilateral contracts with the corresponding TSO. In case Elia had no such request in the positive direction during the Imbalance Settlement Period, this element is inexistent.

Extract from Balancing Rules applicable until 22<sup>nd</sup> May 2024

- However, considering the urgency of the measure and the fact that a revision of the T&C BRP is subject to a long and incompressible regulatory trajectory, Elia suggests to re-introduce the mFRR sharing prices **through an adaptation of the Tariff Proposal.**



**Proposal to introduce an  $\alpha'$**



# An $\alpha'$ additional component added to (resp. removed from) MIP (resp. MDP) to restore the status quo (compared to situation before mFRR technical GO-live)

		System Imbalance	
		Positive	Negative or zero
BRP imbalance	Positive	MDP - $\alpha$ - $\alpha'$	MIP + $\alpha$ + $\alpha'$
	Negative		

Where  $\alpha'$  is equal to :

- Zero for the period starting with the first connection to a European balancing energy exchange platform
- Zero if no volume has been activated at Elia's request under the mFRR Sharing Agreements for the considered quarter-hour

- Otherwise :  $\left\{ \begin{array}{l} \text{MAX (MP\_RSAup (t) - MIP (t) ; 0) if SI(t) < -25 MW ;} \\ \text{MAX (MDP (t) - MP\_RSAdown (t) ; 0) if SI(t) > 25 MW ;} \\ \text{0 if -25 MW} \leq \text{SI} \leq \text{25 MW (dead band) ;} \end{array} \right.$

→  $\text{MIP} + \alpha' = \left\{ \begin{array}{l} \text{marginal price of the mFRR sharing activations UP if higher than MIP} \\ \text{MIP otherwise} \end{array} \right.$

→  $\text{MDP} - \alpha' = \left\{ \begin{array}{l} \text{marginal price of the mFRR sharing activations DOWN if lower than MDP} \\ \text{MDP otherwise} \end{array} \right.$

Status quo



## Adaptation of the $\alpha$ calibration parameter formula to base its calculation on the MIP/MDP and the mFRR sharing prices

Here again, in order to restore the status quo compared to the situation before mFRR technical GO-live:

cp is determined as a function of the values of MIP, MDP and  $\alpha'$  according to:

- If  $SI(t) \leq 0$  :
  - If  $MIP(t) + \alpha'(t) > 400 \text{ €/MWh}$ ; 0
  - If  $200 \text{ €/MWh} < MIP(t) + \alpha'(t) \leq 400 \text{ €/MWh}$ ;  $(400 - MIP(t) - \alpha'(t)) / 200$
  - If  $MIP(t) + \alpha'(t) \leq 200 \text{ €/MWh}$ ; 1
- If  $SI(t) > 0$  ;
  - If  $MDP - \alpha'(t) \geq 0 \text{ €/MWh}$ ; 1
  - If  $-200 \text{ €/MWh} \leq MDP(t) - \alpha'(t) < 0 \text{ €/MWh}$ ;  $(MDP(t) + \alpha'(t) + 200) / 200$
  - If  $MDP(t) - \alpha'(t) < -200 \text{ €/MWh}$  ; 0



# Legal Justification

## Both the EU regulation and the currently applicable version of the T&C BRP allow to re-introduce the mFRR sharing prices in the Imbalance Price calculation through $\alpha'$

- ISH allows the use of these mFRR sharing agreement prices in the calculation of the imbalance price until the first connection to a European platform for the exchange of balancing energy;
- ISH allows the use of additional incentivizing components to fulfil nationally defined boundary conditions;
- Article 30.6 of the currently applicable T&C BRP refers to the Tariff Proposal for the description of the additional component before the first connection to a European platform for the exchange of balancing energy;
- Article 4 of the BRP contract mentions that if there is a conflict of interpretation or any divergence between the BRP Contract and one or more components of the Tariffs, said Tariff component(s) shall take precedence.



# Impact analysis

## On the imbalance costs and balancing margin

As explained previously, the purpose of the modifications is hence to restore a market design which is as close as possible to the one that existed before the mFRR technical GO-live.

The re-introduction of the mFRR sharing agreement prices in the calculation of the imbalance price, through the use of an  $\alpha'$  parameter, is therefore not expected to have any impact on the total imbalance costs or on the balancing margin compared to the previous framework.



## On the imbalance price publications (1/2)

According to the applicable Balancing Rules, Elia will publish :

- the 15' imbalance price on the first working day following the 15th calendar day following the month of the concerned quarter-hour in a validated manner;
- the 15' imbalance price 15 minutes after the quarter-hour in a non-validated manner;
- per minute information about the imbalance price, within the concerned quarter-hour and, if technically feasible with a maximum delay of 2 minutes, in a non-validated manner.

However, since the IT tools have not been developed to include the prices of mFRR sharing agreements in the calculations and publications of the imbalance price (for the reasons explained in the previous slides), the close to real-time publications of the 15' imbalance price and 1' imbalance price won't necessarily be correct in case of mFRR sharing activations.

An UMM will therefore be published each time mFRR sharing agreements are activated at Elia's request, in order to inform of the possible impact on the 15' and 1' close to real-time publications.

The 1' publications of the imbalance price will not be updated ex-post to account for the prices of mFRR sharing activations, contrary to the 15' imbalance prices that will be updated and validated on the first working day following the 15th calendar day following the month of the concerned quarter-hour.



## On the imbalance price publications (2/2)

The UMM published when mFRR sharing agreements are activated at Elia's request, aims at informing the market parties that the actual imbalance price could be more "extreme" (i.e. higher when the system is short, lower when the system is long) than the one indicated in the close to real time 1' and 15' publications.

This UMM would also specify which mFRR sharing agreement(s) were called in, and refer to publications allowing the market parties to :

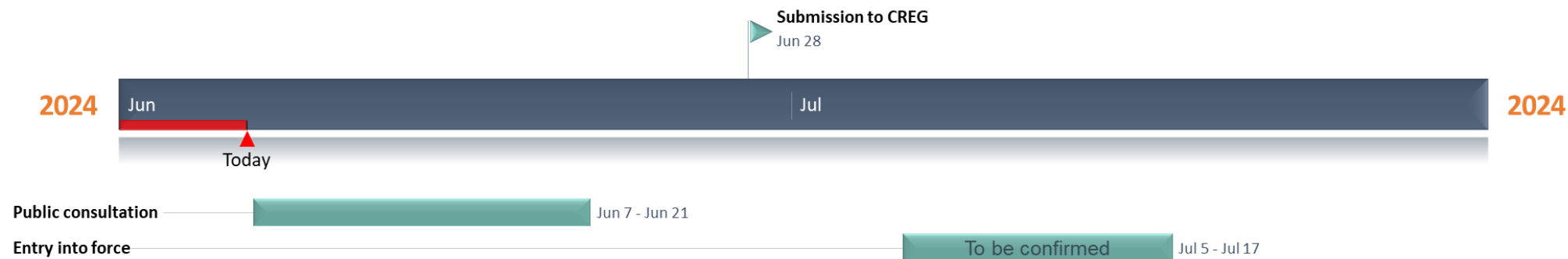
- Know the exact mFRR sharing price applicable for the activated mFRR sharing agreement(s) in case the contracts with RTE, TenneT or National Grid are activated;
- Get a rough idea of the real-time value of energy in the German imbalance price area in case the contract with Amprion is activated.





# Implementation plan

## Proposed timeline



- Public consultation from June 7 to June 21.
- Submission to CREG on June 28.
- In case of positive evaluation of the proposal by the CREG, the modifications are expected to enter into force between July 5 and July 17, depending on the time required by the CREG to make its decision and publish the updated Tariffs



# Practical information

# Practical information



## Public consultation on a proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs

### Topic

Elia is organizing a public consultation on a proposal for modification of the tariff for maintaining and restoring the residual balance of individual Balance Responsible Parties (BRPs). This modification aims at urgently re-introducing the prices of the mFRR sharing activations (i.e. Inter-TSO reserve sharing) in the calculation of the imbalance price through the application of an incentivising component.

### Context

Since the mFRR technical GO-live organized on 22<sup>nd</sup> May 2024, the prices defined in bilateral TSO contracts in the framework of mFRR sharing agreements are excluded from the calculation of the imbalance price. This pragmatic approach was proposed in order to avoid having to adapt the imbalance price formula twice in a very short period of time, firstly at the mFRR technical GO-live and then shortly afterwards at the connection to the European platform for the exchange of mFRR energy (MADR). However, due to an insufficient progress of the interoperability Tests (OT Tests) with the MADR European Platform (as explained during the Working Group Balancing of 21<sup>st</sup> May 2024), the connection to MADR had to be postponed for a few months, until after the summer. In this context, it is deemed necessary to re-introduce the prices of the mFRR sharing activations (i.e. Inter-TSO reserve sharing) in the calculation of the imbalance price, in order to ensure an efficient market design before the first connection to the European Balancing Platform.

Besides, considering the high risk of incompressibility situations during the upcoming summer, the re-introduction of these mFRR sharing prices in the imbalance price calculation is deemed urgent. This is the reason why Elia proposed to re-introduce these prices through the application of an incentivising component or that is described in the Tariff Proposal and not, as it was the case before, in the calculation of the Marginal Incremental (resp. Decremental) Prices that are described in the TSC BRP which are subject to a longer regulatory approval process.

The explanatory note provides an overview, an explanation and a justification of the changes brought to the tariff for maintaining and restoring the residual balance of individual BRPs.

### Consultation period

Elia invites all stakeholders to submit any comments or feedback they may have on the consulted document via the online form during the consultation period from **7 June 2024 to 21 June 2024**.

After the consultation period, Elia will collect all comments and feedback from market participants. Elia will analyse these comments and integrate them into a consultation report which will also include Elia's responses to the feedback received. In addition to the consultation report, Elia will publish the reactions of the market players (in a named manner) on the website, unless it is explicitly stated that the contribution is to be considered confidential. Finally, Elia will submit a final proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs to the competent regulatory authorities.

### Reply form

Please use the online form to reply to this public consultation.

### Want to know more ?

If you would like more information about the public consultations, please feel free to contact us.

Contact us

### Documents for consultation

[Revision Tariff Proposal](#)  
PDF - 03/27 KB

[Tariffs for imbalance 2024-2027](#)  
PDF - 04/24 KB

[Tariffs for imbalance 2024-2027 with track changes](#)  
PDF - 20/77 KB

- Ongoing public consultation until **21<sup>st</sup> June 2024 (included)**
- More information available on Elia website : [Public consultation on a proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs \(elia.be\)](#)
- Any additional question/reaction can be sent to your KAM energy



Thank you.

