POSITION

Subject: FEBEG comments on ELIA's public consultation on the amendment to LFC block

Date: 15 September 2023

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FEBEG thanks ELIA for having the opportunity to react to ELIA's Public consultation on a modification of Elia's LFC block operation agreement and the methodology to determine the balancing capacity in the Elia LFC block[1].

The inputs and suggestions of FEBEG are not confidential.

General comments

Overall, we appreciate ELIA's sensible approach of considering reserves when they are genuinely available. The predefined, fixed value for TSO sharing - defined one to several years ahead and applicable at all times - failed to include the regional nature of events impacting the balancing needs (e.g. renewable forecast errors). Procuring additional domestic capacities to compensate for any unavailability of these shares is a prudent decision.

Furthermore, we believe that this decision should be viewed within a broader framework of aligning balancing capacity needs and means. FEBEG has consistently advocated for dynamic dimensioning, a methodology aimed at safeguarding grid security, procuring reserves as needed without imposing quick fixes on the market. Currently, FRR contracted reserves remain stable throughout the year, even though some periods are more challenging than others. We believe that procuring the right amount of reserves, which inherently cannot be a fixed yearly amount, is the most efficient way to manage the grid.

FEBEG would like to emphasize that, despite numerous discussions and warnings about FRR dimensioning, several short-notice measures, such as the 2022 winter plan and the incompressibility issue presented in June 2023, have been imposed on the market. FEBEG regrets these as its members raised these concerns beforehand. The market had to implement new processes in a hurry which the existing IT infrastructure struggled to accommodate. Operators were required to undergo rapid training, which we find undesirable, especially when these needs were identified well in advance.

Lastly, FEBEG expresses concerns about the increasing trend of regulating and imposing obligations on market participants. This contradicts the belief that a fully liberalized market would benefit the end consumer.

[1] https://www.elia.be/en/public-consultation/20230818_public-consultation-on-a-modification-of-elias-lfc-block-operation-agreement

Specific Feedback

Bidding Obligation

FEBEG acknowledges the critical grid situation requiring the procurement of 250 additional MW domestically and ELIA's concerns about insufficient mFRR liquidity. While FEBEG members are willing to assist ELIA in this challenging situation, we strongly disagree with the additional market obligation imposed on specific companies.

These obligations are:

- Disproportionate, as it forces companies to offer excessive capacities compared to ELIA's requirement of 250 MW.
- Financially risky, as it forces companies to offer injection units on mFRR market while those units are usually offered on EPEX, potentially impacting EPEX prices, and as a consequence end consumers prices in Belgium.
- Operationally risky, as it imposes an unreasonable timing as mFRR auction results (10:05 – 10:30) are communicated shortly before the EPEX offering window, leading to operational challenges to properly prepare the EPEX offers (before 12:00) with sufficient time. Let's remember that CGS will typically occur during tight market conditions.
- Discriminatory, as targeting specific companies.
- Non-market-conforming, contributing to overregulation rather than allowing the market to operate liberally.

Given the short time until November 2023, FEBEG requests that ELIA amends its obligation proposal. This obligation should be temporary and terminated once BSPs are familiar with a fully dynamic FRR reserve procurement that ELIA will likely implement. The obligation should remain proportionate, with BSPs not forced to offer more than the required 250 MW in addition to their usual capacities. This is crucial for maintaining control over EPEX bidding operations and mitigating operational risks. In the end, who will suffer from operational mistakes? Does ELIA intend to compensate for them? What will happen if the mFRR auction process does not follow the automated happy flow (as it happens a few times per year).

aFRR Dimensioning Based on FRCE Quality

FEBEG reiterates its position on this topic, referring to its previous response to the consultation in early 2023[2].

We also want to emphasize that the current fixed procurement of 117 MW lacks proper justification and a clear methodology. Even worse, this measure fails to achieve the goal of reducing overall costs for the final consumer. At the time of writing this answer, marginal mFRR capacity price is much more costly than the marginal aFRR.

This measure has been implemented emotionally without considering that gas prices could evolve back to more moderate levels. It also failed to consider the rapid increase of new volumes participating to the aFRR market. And last but not least, it currently cost more to the final consumer.

Full Activation Time of 5' (FAT 5')

FEBEG understands the harmonization of Full Activation Time at the European level and supports the transition to FAT 5' in Belgium without further remarks.

Conclusion

In conclusion, FEBEG supports the implementation of a CGS as an intermediate step toward dynamic FRR procurement, ensuring that reserves are procured based on actual needs and grid conditions. However, FEBEG opposes the continuous imposition of permanent obligations and can accept a temporary obligation for the upcoming winter only if it remains temporary and proportionate (not exceeding 250 MW on top of usual volumes offered). This approach is crucial to prevent undue operational burdens and costs, and to maintain market dynamics.

[2] FEBEG comments on ELIA's public consultation on the amendment to LFC block (24 March 2023)