

Subject: FEBEG's position about the public consultation on the targets for 2024 regarding the balancing incentive

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Introductory remarks

FEBEG thanks the CREG for having the opportunity to react to its *Public consultation regarding the objectives to be achieved by SA Elia Transmission Belgium in 2024 as part of the incentive to promote system balance referred to in Article 27 of the tariff methodology*¹. The comments and suggestions of FEBEG are not confidential.

Background

In order to promote the balance of the electricity system, and after consulting ELIA, the CREG decides the conditions for granting a financial incentive of € 4,200,000 to the realization, during the year 2024, of following objectives (or projects) :

1. Improvement of data availability
2. Vision and roadmap regarding flexibility for congestion management and transparent communication regarding the activation of flexibility in the framework of contracts with flexible access
3. Fixing requirements for a load management strategy concerning DP with limited energy supplies offering balancing services simultaneously
4. BRP billing process
5. Implementation of Smart Testing for reserves availability
6. Co-optimisation to minimize the system-costs for congestion and balancing
7. Economically optimise the use of balancing means and products by Elia
8. Analysis of technical feasibility of selective decoupling

¹ [Projet de décision sur les objectifs à atteindre par la SA Elia Transmission Belgium en 2024 dans le cadre de l'incitant à la promotion de l'équilibre du système visé à l'article 27 de la méthodologie tarifaire | CREG : Commission de Régulation de l'Électricité et du Gaz](#)
[Ontwerpbeslissing over de doelstellingen die de nv Elia Transmission Belgium in 2024 moet behalen in het kader van de stimulans ter bevordering van het systeemevenwicht bedoeld in artikel 27 van de tariefmethodologie | CREG : Commissie voor de Regulering van de Elektriciteit en het Gas](#)

General Remark

As a general feedback, and as mentioned in previous reactions on the consultation on balancing incentives, FEBEG appreciates any initiative that can contribute to market improvement and reduction of overall societal costs. Looking at the balancing roadmap 2023–2024 and the amounts of projects to be delivered, it seems straightforward that the most important ones need to be on top of the priority list. FEBEG members are currently extremely busy working on MARI and iCAROS projects, which have absolute priority. Also further advancement in the implementation of the CRM mechanism with the first occurrence of two auctions in one year (T–1 and T–4) will put a higher burden on market participants. We believe that CREG incentives should not be delivered at the expenses of these projects, certainly when it comes to the support / responsiveness of ELIA to continue to improve certain elements in the design, most notably for iCAROS. Furthermore FEBEG is of the opinion that further progress should be made of the implementation of ICAROS Phase 2 after Phase 1 has been finalized, indeed including demand and production <25MW seems a necessity to come to a better congestion management – which is increasingly important in the management of the system.

Specifically on the consultation this summer on the incentives for 2024, FEBEG regrets this takes place over the summer and in parallel with ~10 running consultations on balancing topics organized by ELIA, consultations related to the CRM organized by CREG etc. It makes that the time FEBEG is able to dedicate to this consultation is more limited, which is unfortunate, since it is also an important topic.

FEBEG wishes to underline the fact that both ELIA and market parties are investing a significant amount of time in the follow-up of the incentives. Given the heavy workload on many topics (see above remarks), it is very difficult for FEBEG and its members to follow all the ELIA consultations and workshops. In fact, we see that conclusions from the incentives are rarely picked up in practice, in part because the roadmap of both ELIA as of the market participants is already full.

In conclusion we consider that it would be a good idea to investigate if the current system of incentives is still fit for business and if it is still workable in its current form, where few market parties manage to follow the discussions resulting in limited impact in practice. In that sense we think it would be better in some years with high foreseen workload to restrict the number of incentives to a lower amount (3–5 instead of 7–9).

Nevertheless, FEBEG does see that some of the incentives which are proposed by the CREG are interesting, and have in the past also been suggested by FEBEG and its members, both in consultation documents as in other exchanges. Namely the “economically optimal use of balancing means and products by ELIA” has been an issue that FEBEG has underlined frequently in the past.

Detailed comments

1. Improvement of data availability

The aim of this incentive is to make the data available to ELIA better available to the various market players involved in helping balance the electricity system (Balancing Service Providers or BSPs, VSPs, SAs, BRPs, OPAs).

FEBEG thinks that such an increased transparency could indeed be helpful for the market parties, we also appreciate the comments and suggestions of the CREG (requesting that ELIA works together with market parties to ensure, that in the end, the data availability really makes a difference). Indeed, next to the data as such, it is important that the way the data is shared (via website, excel, download, API...) facilitates the life of the FEBEG members.

We do however consider this not to be a priority topic since most market parties are well integrated with ELIA's current platforms and moreover the ongoing implementation of the iCAROS project is reviewing a number of data streams that take place between ELIA and market parties. The same applies for the implementation of the European balancing platforms MARI/PICASSO. **Creating new channels for the exchange of data with ELIA should by no means make the ongoing implementation work obsolete**, or worse, oblige market parties to redo part of the implementation performed today.

2. Vision and roadmap on flexibility for congestion management and transparent communication on the activation of flexibility under flexibility access contracts

The incentive has three main objectives:

- *first, ensure transparent activations of connected plants with flexible access in case of congestion;*
- *second, to develop a vision and methodology for integrating flexibility into cost-benefit analyses to support the connection variants proposed to grid users in the framework of orientation and detail studies;*
- *third, outline a vision and roadmap that integrates the role of connections with flexible access into grid development solutions.*

FEBEG is indeed very concerned about the increased use of flexible contracts, and therefore considers that more efforts are needed to, on the one hand, avoid as much as possible the need for such contracts, and on the other hand, to provide a robust and reliable framework to ensure that market parties are not impacted too much by the more frequent use of such flexible contracts. We see an important role for the CREG to avoid an unbalanced situation where market parties are stuck in a "take it or leave it" situation when they request a connection for a new asset or in case of a modernisation/update of a power plant.

- Regarding transparency, we think that indeed more transparency and follow up would be very useful to ensure correct use of the flexible contracts.
- Regarding the methodology, we also support the idea of a transparent cost/benefit analysis, this to avoid that flexible contracts are imposed on market parties, who bear the costs, while the overall costs to avoid the flexible contact are not (sufficiently) considered. Indeed to lower as much as possible the total societal costs, such full cost benefit analysis would be beneficial.
- Vision and Roadmap: Indeed we think that a long term vision would be interesting to avoid stranded assets or other issues.

3. Fixing requirements for a load management strategy concerning DP with limited energy supplies offering balancing services simultaneously

The objective of the study is:

- ***Evaluate, in consultation with market players, the framework applicable to the load management strategies ('EMS' or Energy Management Strategy) of Delivery Points (DP) with Limited Energy Reserve ('LER' or Limited Energy Reservoir) participating in balancing markets in the following context:***
 - *using the same DP LER for multiple activation purposes simultaneously;*
 - *harmonise requirements for the FCR, currently still subject to discussion among the TSOs of the FCR Cooperation. These harmonisation efforts will not constrain discussions with Belgian market players in the context of this incentive, but will be taken into account here.*
- ***Draft or, where necessary, extend the 'EMS requirements' documents to the elements listed above to provide a clear and transparent framework for all market players involved in the different services FCR, aFRR, mFRR and DA/ID;***
- ***Assess the need for specific controls on compliance with EMSs submitted by BSPs. If controls are needed, several possible control approaches will be defined. These controls will enable Elia to perform its statutory duties, taking into account the workload for the BSPs. The definition of controls will lead to an optimal balance between efficiency and total cost for all stakeholders.***

FEPEG members consider this to be an interesting and useful incentive, however, we do not consider it to be an absolute 'must' for 2024. We would prefer to focus on other topics which are more urgent and could bring more societal value. In any case, the goal of the incentive should not be to set very limitative rules that set boundaries to possible energy management strategies. The end goal is correct delivery of the contracted services. An EMS that ensures this goal should be acceptable for ELIA. Therefore it is dangerous to describe too limitative rules, which would create barriers to innovate.

4. BRP billing process

The purpose of this incentive is to assess the possibility of billing BRPs faster than at present and, based on the results of the analysis carried out, to implement the new billing flow.

FEBEG members consider this to be a useful incentive. We do agree that simplifying and shortening the billing process could offer some benefits. **FEBEG supports measures that improve the billing process.**

Indeed, it would give BRPs a better view of their imbalance during the production month, reduce the need for a bank guarantee in the BRP contract and facilitate market entry for new BRPs and increase competition among BRPs. However, we also want to underline that it remains essential, in general, for BRPs to have a sufficient financial buffer, in order to avoid many BRPs going out of business due to volatile energy markets (such as the case in the recent past, even if in Belgium the number of bankruptcies was limited compared to other countries).

5. Implementation of Smart Testing for reserves availability

This project aims to further refine and implement the outcome of the Smart Testing stimulus conducted in 2020.

FEBEG members agree that, by making greater use of available data to increase the effectiveness of availability tests, this methodology could allow to reduce the number and thus also reduce the associated costs. This would indeed be beneficial for the overall costs of the tests, and thus be **beneficial from a system perspective**.

Overall, FEBEG supports a more targeted testing approach. After the study, it remains **important to consider cost vs benefit of implementation**, certainly if it requires an implementation burden both on ELIA as on market parties side.

6. Co-optimisation to minimize the system-costs for congestion and balancing

This incentive aims at designing and applying an optimisation model that aims at the optimal deployment of redispatch offers, with the objective of being able to make more balancing energy offers on available, thus minimising the overall system cost.

FEBEG members consider the topic to be very interesting and relevant, indeed the potential increased unavailability of mFFR and aFRR due to increased congestions risks is a very big concern for the market parties. FEBEG is interested in the possible outcome of such a study. Specifically **FEBEG has several times requested more transparency on filtering of balancing bids** towards the European platforms for congestion reasons.

With respect to activation of less economic congestion bids to create a possible benefit for balancing costs, special attention should be given to not create unforeseen, counterintuitive or unwanted effects.

7. Economically optimise the use of balancing means and products by Elia

This incentive aims to develop an optimisation model that will allow ELIA to minimise the system costs associated with the activation of balancing energy. The minimisation of balancing costs is obtained by cost-optimally distributing the expected necessary FRR activations among the available aFRR and mFRR products, based on their expected prices, including those determined by the European platforms. As a result, the optimisation model allows ELIA to pursue a cost-optimal activation strategy, namely a combination between a reactive and proactive activation strategy.

FEBEG has since long requested that, in order to reduce overall societal costs, ELIA should consider also using mFRR, in case of very high aFRR prices, to balance the system. While this was deemed as very complex by ELIA, FEBEG considers that the possibility should be studied in depth and not simply discarded for reasons of complexity. We appreciate that the CREG shares this opinion. We agree that preparatory work could already be foreseen, with a follow up incentive in 2025. **We consider this topic to be a priority issue.**

8. Analysis of technical feasibility of selective decoupling

The incentive consists of the following steps/phases:

- *Phase 1: Inventory of current (and planned) technical potential of selective consumption disconnection (and restart)*
- *Phase 2: Relate inventory (phase 1) to the lists of priority consumers incl. the so-called interruptible tranches and derive inferences*
- *Phase 3: Investigation of necessary actions so that priority consumers can be selectively protected (i.e. permanently powered during system protection and prioritised for power restoration (e.g. after a blackout).*

FEBEG can support the incentive, which would clearly have potential societal benefits. Indeed, as the CREG mentions, it is important to perform a technical feasibility analysis to identify the possibilities of effectively selecting and isolating priority consumers and not interrupting them. **However, we do not consider this a priority issue.**

Conclusion

Overall, given the comments in intro, FEBEG is in favour of limiting the number of incentives to reach a more qualitative participation of all market parties.

If the list of incentives were to be shortened to 3–5 incentives, FEBEG would certainly prioritise the following incentives:

First priority:

Economically optimise the use of balancing means and products by Elia

Other interesting incentives:

- *Vision and roadmap on flexibility for congestion management and transparent communication on the activation of flexibility under flexibility access contracts*
- *BRP billing process*
- *Co-optimisation to minimize the system-costs for congestion and balancing*

And also the *Implementation of Smart Testing for reserves availability* could be considered as a 5th option

FEBEG also thinks that further progress of ICAROS phase 2 is a prerequisite in better managing congestion on a wider scale than only looking at production units >25MW.

Finally, in line with our contribution to ELIA's public consultation on the T&C BRP², we believe that having an incentive for ELIA regarding the testing of alternative imbalance price formulas after the connection to the European balancing platforms would be very welcome. The aim of the study would be to factually confirm the relevance of the safeguards added in the IP calculation such as cap, floor, deadband and possibly relax or decommission them.

FEBEG expects a complete study and presentation of the learnings made – which should include (i) test IP formula without deadband, (ii) test IP formula without cap and floor using VOAA, (iii) test IP formula without deadband and without cap and floor using VOAA. It should be based on at least an analysis on a relevant dataset of 12 months, the output of the tests should be twofold:

- (i) Present what the imbalance price would have been in the alternative scenario's over those 12 months
- (ii) Evaluate the delta and if possible impacts on BRPs reaction (what if analysis)

The analysis should be organized in a transparent and fair way with the practical modalities and parameters being defined in cooperation with market-parties and the results should be presented to the stakeholders and trigger a recommendation that is publicly consulted.

² FEBEG's position regarding the public consultation on the T&C BRP dated of 28/08/2023 to which we refer for more details