

Febeliec answer to the Elia consultation on the proposal of amendments of the T&C BRP following the progressive relaxation of the Day-Ahead Balancing obligation of the BRPs

Febeliec would like to thank Elia for this consultation on the proposal of amendments of the T&C BRP following the progressive relaxation of the Day-Ahead Balancing obligation of the BRPs. As already indicated several times throughout the process leading to this consultation, Febeliec is most strongly opposed against a relaxation of the day-ahead balancing obligation of BRPs, as it undermines one of the fundamental cornerstones of the organization of the market. Moreover, Febeliec is also of the opinion that by allowing this relaxation, the value of the day-ahead price signal as the first moment in time where suppliers and their BRPs start bidding in individual assets (as compared to portfolio bidding in earlier timeframes) and matching assets with demand from consumers could become jeopardized. Febeliec wants to stress that many price contracts are linked to the day-ahead market prices, being the most liquid market at this point, and as such any action (significantly) impacting this price signal could lead to very negative effects on market functioning and even have fallout in the intraday and realtime markets. Febeliec is not convinced that the theoretical qualitative analysis conducted by Elia provides sufficient certitude and guarantees towards the safeguarding of the day-ahead market. Additionally, Febeliec wants to point out that even though liquidity in the intraday market has been increasing, this market is nowhere as liquid as the day-ahead market, without any guarantees regarding liquidity in moments of system stress, which implies that in such moments saving the system from potentially very high imbalances would have to be performed by only the imbalance market. Febeliec is gravely concerned by this, as there is no fallback for the balancing market: if for any reason the system cannot be balanced in the realtime timeframe, this will lead to curtailment (most probably of loads), which is not in line with the mission of the transmission system operator. Moreover, the balancing timeframe is the playing area of a limited subset of actors, those with assets that can react within the very short timeframes of balancing products, which could mean that when the day-ahead price signal loses its relevance, activating certain assets with longer lead-times than those of balancing products could be pushed out, leaving the system additionally vulnerable, which is unacceptable for Febeliec. Especially as all the risk is here put on the consumers, both directly (potentially up to curtailments in the worst case) and indirectly (through a higher reservation of balancing capacity due to the intricate methodology for calculating these needs based upon historic imbalances, in which case costs for consumers would yet rise again¹). While Febeliec understands that some parties want to try to invigorate market functioning and open up better trading and hedging opportunities, it is extremely worried that this is done at the expense of consumers, as they bear all the risks and not necessarily reap any benefits. In any case, in the strongest possible way, Febeliec adamantly wants to oppose any further relaxation of the obligation for BRPs to be physically in balance towards the realtime timeframe, as this could even more jeopardize the physical integrity of the system in realtime. Even though BRPs with large imbalances would then still be financially penalized, the spillover effects of possible brownouts (or even a blackout) would be at the detriment of consumers and society. As such, Febeliec insists that even though it is, very reluctantly, willing to look into a relaxation of the day-ahead obligation of BRPs to be physically in balance in the day-ahead timeframes, with all the caveats discussed in this answer, it is completely opposed to any such relaxation in the realtime timeframe, now and in the foreseeable future.

On the concrete proposal, notwithstanding the above nor the fact that Febeliec even though opposed to the relaxation wants to ensure that any potential modification of market functioning is duly addressed and encapsulated in a correct regulatory framework, Febeliec has following comments:

- Febeliec welcomes the fact that the proposal includes several phases with gradual relaxation over a longer period, with a go-no go decision after each phase based on a report from Elia and a decision from the CREG. Febeliec insists that these reports are shared with the stakeholders and discussed and that they will be allowed to provide their feedback before any decision of the regulator.
- Febeliec also welcomes that when significant negative effects on the reliability, security or efficiency of the grid are detected, Elia will be allowed to reduce the allowed maximum open position. Febeliec insists that also CREG would have this same prerogative of initiative to revert to a lower allowed open maximum position (up to the point of no allowed open maximum position).

¹ Febeliec in this framework refers also to its numerous comments on invoicing at the very least an important part of the reservation cost for balancing capacity to BRPs, e.g. based on their imbalances in realtime, in order to provide an additional incentive for BRPs to ensure that they are balanced or otherwise exposed to additional costs

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 38 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxco Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Proxiums, Recticel, Sol, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

- Febeliec challenges Elia to assess and quantify potential benefits of the proposed BRPs' DA balancing obligation relaxation for electricity consumers.
- Febeliec invites Elia to assess the potential impact of the BRPs' DA balancing obligation relaxation on the availability for the system of demand response and other flexibility sources that cannot respond to real-time price signals but would be available in DA if the DA price signal were a correct reflection of the system balance in real-time.
- On the proposed timeline, Febeliec is only concerned that the test period for a 100% relaxation will cover winter 2022-2023 and refers to the previous point and asks that the follow-up is conducted permanently in order to immediately detect any anomalies and risks and act accordingly, in order to limit costs and risks for consumers.
- On the proposed parameters and benchmarks for this follow-up, Febeliec at this point has no additional comments but insists that the proposed list is not considered exhaustive, in order to allow also here to adapt in case it is observed that other or additional parameters are deemed interesting or necessary to do a correct follow-up.
- Febeliec also strongly insists to exclude any anomalies detected because of this relaxation, which are afterwards remedied, whichever remedy used, from the datasets, analysis and methodology to calculate the balancing needs and means and related analyses, in order to avoid that unexpected events during this test period would over the course of several years unduly negatively impact the costs for consumers, especially if during the meantime the causes for this anomalies would have been remedied.
- Last but not least, Febeliec insists that an analysis is conducted as soon as possible and in any case sufficiently in advance of the go-live of the first test period on the impact of this relaxation on the operational procedures, a.o. for consumers and CDSOs. Febeliec insists that there should be no impact or if there would be an operational impact, this should be kept at the minimum and be communicated duly and in advance to the concerned parties.