

## **Febeliec answer to the CREG consultation on the project of decision (B)658E/73 on the discretionary incentives for Elia for 2022**

Febeliec would like to thank the CREG for this public consultation (PRD)658E/73 on the proposal of decision concerning the objectives for Elia in 2022 in the framework of the discretionary incentives of the CREG.

Concerning incentive schemes for Elia, Febeliec would like to reiterate its position that in principle it is not in favour of such schemes, but that from a pragmatic point of view and in light of the results of the previous years, it can accept such incentive schemes insofar the goals are clearly measurable, have as goal to increase the efficiency and reduce the total system costs, and do not fall under the normal day-to-day activities of the TSO. Moreover, for Febeliec it is very important that under any such incentive schemes the CREG is very strict in controlling that the objectives are completely attained within the requested timeframe. Concerning this latter point, Febeliec would like to draw the attention of the CREG towards the issue that could arise when Elia does not reach the objective within the required timeframe. This could lead to a situation where Elia does not provide any attention anymore to the objective, as the incentive would in any case be unattainable. Febeliec wonders whether CREG has considered this and has a solution in place in case this situation occurs, in order to avoid that certain objectives that were selected but not attained in time would not be attained at all.

Moreover, Febeliec asks CREG to publish a clear report on the incentive schemes of the previous year(s), showing to which extent Elia has reached its objectives and which incentives were awarded, as such transparency would help stakeholders to get a better view on the past evolutions, but also on which objectives should be included in following years.

Concerning the incentives for 2022, Febeliec as a general comment regrets that all proposed objectives only involve studies, and that no concrete tangible objectives are taken into account that would more directly benefit the grid users. On the proposed objectives, Febeliec has following comments:

1. On the follow-up of the quality of the input data (forecast) in the framework of congestion management, while Febeliec does not want to minimize the importance of this data, Febeliec is of the opinion that because of the importance of congestion management, as rightfully indicated by the CREG, this is an inherent core task of the TSO and as such should not be remunerated additionally via an incentive scheme. Additionally, if the CREG were to maintain this incentive, Febeliec thinks that the proposed amount of €400.000 is excessive and that the specific objectives and milestones should be better defined as well as the criteria to decide on the final amount to allocate to the TSO for the (full, partial or non) achievement of the objective. Last but not least, Febeliec insists that the results of the study are also shared with market parties and also discussed with them, preferably already before the delivery of the final (draft) report.
2. On the analysis of the possible evolutions regarding daily nominations by BRPs for the day ahead and intraday markets, Febeliec does in principle not agree with this proposal as in 2022 only the first steps towards the relaxation of the day ahead balancing obligation will be taken. Febeliec reiterates its position against this relaxation and insists that the proposed timeline covers a period of at least 18 months, extending into 2023 with several clear milestones and go-no go decisions along the road and at the end. As such, Febeliec thinks that allocating €300.000 towards an objective for a study related to a project of which the lessons learned and conclusions, and even the decision towards acceptance, are far in the future is premature. Febeliec does not state that such study would be irrelevant but strongly questions the proposed timing. Moreover, Febeliec also has comments towards the context of this objective, as the CREG is referring to the role of the Scheduling Agent. Apart from the probable delay of the go-live of the first phase of the iCAROS project, Febeliec wants to insist that the perimeter covered by the Scheduling Agent is not equal to the perimeter covered by the BRPs; a.o. scheduling of type A generators is not obligatory, type B generators can opt for an ON/OFF schedule and demand response scheduling is voluntary and will in any case not cover all (residential, commercial and industrial) demand in Belgium even in the most optimistic scenario possible, leading to a situation where substantial sections of the supply and demand balance might not be covered. Febeliec also refers to the extensive discussions on this topic during the iCAROS task force meetings. Last but not least, Febeliec wants to stress that even if the physical day ahead balancing obligation for BRPs were to be abolished after a positive

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*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, Arlanxeo 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.*

outcome of the trial period, this does not necessarily mean that nominations, even if then no longer in balance, would not provide useful information to the TSO but also to market players; Febeliec here reiterates its longstanding request to publish an overview of the performance of BRPs on balancing their portfolios as this information would be very useful also for grid users, in day-ahead and realtime. In the future, information on the open positions of BRPs in the day-ahead timeframe would also provide very valuable insights for market functioning.

3. On the rejected proposal on the analysis of the impact and proposals with regard to the implementation timing of a full activation time of 5 minutes for the activation of aFRR, Febeliec supports the comments and conclusion of the CREG, including the extension of transfer of energy towards the aFRR market.
4. On the revision of the modalities and conditions for the delivery of mFRR and aFRR services in the European context, Febeliec supports this proposal and insists on the continuous involvement of stakeholders throughout the process, in multilateral or bilateral meetings according to the needs of Elia and /or stakeholders, in order to be able to provide insights and have in-depth discussions and avoid design choices that could wreak havoc upon implementation with regard to liquidity.
5. On the analysis of the possibility to combine different types of balancing products and/or services in the market on a same delivery point (combo), Febeliec fully supports the proposal and only regrets the fact that this study will only be conducted in 2022, with implementation presumably not before 2023 at the earliest. Febeliec has been a strong proponent of such combo, in order to ensure that market parties can offer their flexibility on a delivery point in any market which best suits the flexibility capabilities, thus not limited to the choice of one product or service provider. Febeliec believes that this is the best guarantee that eventually all available liquidity will find its way to the markets, either directly or indirectly and ensure the highest degree of freedom to market parties and in any case avoid lock-in effects. (Febeliec also assumes that in the document I the last sentence “technologie” should presumably be “terminologie”)
6. On the follow-up study of the method for the daily prediction of the volume of non-contracted offers for aFRR and mFRR balancing energy, while Febeliec is not opposed to such analysis, Febeliec thinks that in light of the derogation request for MARI and iCAROS that will normally be introduced to the CREG in the course of 2021, this analysis would be premature and in any case not warrant an incentive as such analysis would have to be conducted over a (too) short timeframe. Febeliec proposes to replace this analysis by an analysis to attribute (at least part of) the cost of reservation of balancing capacity to BRPs in function of their individual real-time balancing position, in order to incite them to perform better and reduce the residual imbalances to be covered by the TSO. Such mechanism would also enable better-performing BRPs to gain a competitive edge towards less well performing BRPs and as such could create a virtuous cycle and reduce the overall imbalances and costs for consumers. Febeliec also regrets that an extra incentive is given because an incentive already exists on the influencable costs
7. On the analysis on the optimisation of the estimation and compensation of grid losses, Febeliec is not opposed but has a few minor remarks: Febeliec insists that at least 5 relevant TSOs are to be chosen for the analysis (e.g. with a similar grid and market structure or with useful experience on alternative solutions) and regrets that already a study in 2023 is announced, with a possible decision at the earliest then in 2024 and an even later implementation. Febeliec wonders whether this timeline can not be shortened in case a positive outcome is found. Febeliec also wonders whether the study cannot be extended to investigate to which extent grid losses could be calculated differently, e.g. based on netted volumes at the connection point of the grid.
8. On the analysis and implementation of the FCR evolutions, Febeliec supports the CREG (and Elia?) vision to allow for derogations of standard products when these reduce or eliminate entry barriers (Febeliec insist that it considers that this rule should also be follow in all other ancillary products of Elia) and as such supports the proposal. However, Febeliec wonders to which extent this should be covered by an extra incentive, as Elia already has an incentive on reducing balancing capacity reservation costs and Febeliec moreover considers such analysis as part of the core tasks of a TSO. In any case, if this incentive were to be maintained, Febeliec questions the amount that is allocated to it.

Febeliec would like to include an additional incentive for Elia (which would also mean recalibrating the amounts for the listed incentives, especially for those that Febeliec considers to be part of the core tasks of the TSO) related to the Strategic Reserve. Febeliec thinks that the Strategic Reserve is and will be a very good tool to help maintain system adequacy in Belgium by ensuring that no capacity leaves the system prematurely and as such could be a very cost effective solution in the near but also in the longer term. While Febeliec is aware that the decision on a Strategic Reserve (extension) is not in the hands of Elia, Febeliec asks that the current Strategic Reserve would be thoroughly analysed and that potentially necessary or useful modifications be listed, from the conceptual over the design to the implementation and follow-up phase.