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federation of belgian industrial energy consumers

FEBELIEC vzw/asbl
BluePoint Brussels, Bld. A. Reyerslaan 80, 1030 – Brussel/Bruxelles
Tel: +32 (0)496 59 36 20, e-mail: febeliec@febeliec.be, www.febeliec.be
RPR Brussel - TVA/BTW BE 0439 877 578

Febeliec answer to the informal Elia consultation on the design for mFRR in the framework of the European MARI project

Febeliec would like to thank Elia for this informal[1] consultation on the design for mFRR in the framework of the European MARI project as well as related workshops that have been and will be organised by Elia. Febeliec greatly appreciates that stakeholders are from an early phase involved in the discussions, as the switch to the European MARI platform is a very important modification in many aspects (see below) that could bring potentially great benefits to the Belgian system (more liquidity, lower overall costs), yet which also comes with additional risks and potential cost increases in (mostly) the short run. For Febeliec, it is very important to keep a clear view on the overall cost-benefit analysis throughout the implementation phase of the MARI project. Indeed, while at European level the (according to Febeliec correct) decision has been taken to start integrating the balancing markets of the different LFC blocks in order to come to a better overall integrated European balancing market with more liquidity and less inefficiencies (e.g. through netting of opposing needs to the extent possible and thus less activation and potentially reservation of balancing capacity), which should have a positive effect on the overall cost of balancing, it is of the utmost importance that the expected benefits are not jeopardized a too hasty implementation phase. As will be described below, Febeliec is concerned that the current design proposed by Elia is not yet sufficiently well advanced to be implemented within the foreseen timeframe. This concerns both open design questions as well as, even more importantly, insufficient comprehension of stakeholders on the concrete implications of all the different modifications (which, as referred to, are not yet all clear in the design), to not even mention the inability of stakeholders (and potentially even Elia itself) to start implementing this (incomplete) design in operational and contractual procedures. As long as the entire design and implementation framework is not completely finalised and presented to and discussed with stakeholders, Febeliec urges the utmost caution with regards to the proposed timeline by Elia for joining the MARI platform in order to avoid that this could lead to a significant reduction of liquidity in the Belgian LFC block which could erase all the expected benefits and even lead to a worse overall outcome in case of isolation of the Belgian LFC block from cross-border markets. In this light, Febeliec strongly asks for clear go-no go milestones and a continuous interaction with all involved stakeholders. Febeliec wants also to refer explicitly to the decisions and discussions in several neighbouring countries to apply for a derogation with regards to the original timeline for joining the MARI platform. Febeliec in any case insists that it wants to avoid to arrive as first (and potentially only) member of the platform, but with a worsened local liquidity as many stakeholders might have encountered delays or been unable to meet the new and more stringent requirements. In this framework, Febeliec explicitly refers to the (recent) events in several balancing products and markets of Elia, where expected outcomes were only materialized much later than expected or even not at all (yet). Febeliec last but not least wants to insist that also the impact of the still on-going sanitary crisis and its financial and operational impact on (non-monopoly) stakeholders should not be neglected or minimized, as many companies are still coping with its effects and might not see the MARI platform as their number one priority. Nevertheless, Febeliec wants also explicitly to stress that it believes that a well-functioning MARI platform and integration of balancing markets should eventually bring great benefits, and insists that its comments are almost exclusively related to lack of complete comprehension of the proposed design and all its implications as well as the proposed timeline of the implementation. Febeliec finally very strongly wants to insist that it greatly appreciates the fact that Elia staff is very available to discuss and explain the proposed design to stakeholders.

On the proposed design, Febeliec wants to start to state that the proposed design is extremely complex. Febeliec through its European sister federation IFIEC Europe already warned for this during the first conceptual discussions on the European level on the MARI project, and now sees confirmed that the end product is indeed very complex and difficult to comprehend for the involved stakeholders. While Febeliec, as mentioned above, appreciates the significant efforts by Elia to provide clear understanding of the different modifications and implications, at this point it is for Febeliec and its members impossible to grasp the full impact of the design and thus impossible to validate the timeline and even capacity to comply with the new specifications and operational procedures. Febeliec will in any case engage in further discussions with Elia and the other involved parties to further build up understanding, in order to be able to start implementing at a later phase. For this latter phase, Febeliec expects that the necessary information and

[1] Febeliec wonders what the governance framework is for this informal consultation: to which extent will Elia take these comments into account or justify when is decided not to do so? Will there be a consultation report with an updated version of the design note? Will the outcome of this consultation not only be presented to the stakeholders but also discussed and validated with the regulator?

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specifications (not only related to the design but also to the It implementation phase) are released in due time, leaving sufficient time for implementation at the side of the market participants, in order to at least avoid that liquidity would drop due to insufficient time.

Below Febeliec will give an overview of the topics which it considers still to be not sufficiently clarified or where it has (fundamental or minor) issues remaining. Febeliec explicitly also refers to the discussions it has had on these topics with Elia and remains of course available for further clarification if needed.

- **New product**: the MARI mFRR standard product is a different product from the current Belgian mFRR product, and is even more stringent (e.g. full activation time of 12,5 instead of 15 minutes). As a result, Febeliec is worried that a number of parties might not be able to offer this product anymore or only at a higher price, which would result in a cost increase without any additional benefit for the system (especially if cross-border capacity is not available and no volumes can be procured at a lower price there).
- **mFRR Flex**: Febeliec yet again notices that Elia wants to abolish the Belgian mFRR Flex product, which has specifically been developed for Belgian mFRR suppliers which were previously delivering via other products (in particular ICH). Over the course of the last years, the design of this product has already been subject to modifications (making it more stringent). Febeliec opposes an untimely abolishment of this product and this in particular for two main reasons. The first reason is the overall cost impact (mFRR Flex having shown to be often significantly cheaper than mFRR standard), the second the fact that the product itself provides some advantages for in particular demand side response, with an activation downtime between two activations. As long as it is not clear whether sufficient capacity will be found to provide MARI mFRR Standard in Belgium and it is unsure whether (see also below) the MARI bid properties will allow to mimic certain aspects of mFRR Flex, Febeliec insists that this product is maintained in the arsenal of the TSO. Indeed, multiple recent events have shown that predicted outcomes do not always materialize (or at least not soon enough) and thus it seems Febeliec prudent and fair to maintain this product until the new MARI mFRR platform has shown to be capable to fulfil the expectations, and this to avoid cost increases for consumers.
    - In any case, Febeliec insists that a bid property covering the minimum duration between the end of deactivation and the following activation, which apparently has not been added by Elia but forms part of the ACER decision on the implementation framework of mFRR, is added, as such feature is extremely important for a.o. demand side response, and would allow to mimic this important feature which is part of the mFRR Flex design.
- **Derogations**: As it becomes ever more clear that multiple countries seem to be advancing towards derogations with regards to their ascension to the MARI platform, Febeliec wants to urge the utmost caution for Belgium. Febeliec is concerned (see also above) that there will be insufficient time for implementation, including testing, for market actors as well as Elia itself. Moreover, Febeliec would like to avoid that abovementioned risk of liquidity in the Belgian zone (because of a more complex product and/or incomplete implementation by certain market actors) would be exacerbated by insufficient liquidity on the platform itself (if insufficient TSOs have already joined). For Febeliec, sufficient liquidity is a necessary requirement for a successful MARI story and as long as this cannot be guaranteed, Febeliec urges for the utmost caution.
- **Complexit**y: As already mentioned before, the proposed solution remains very complex, with currently many questions from stakeholders (Febeliec also explicitly refers to the discussions with Elia in the workshops for more background information). Amongst others, Febeliec has questions about the determination of the applicable baseline (especially in case of multiple consecutive activations, while ramps up or down are still on-going), the applicable ramp rates (in case of multiple activation in the same or following quarter hours and in the same or opposing directions), the impact of the activation of different products in the same time period, the combination of (up to 5 different) mFRR prices and the impact on the overall imbalance price (which Elia has indicated will be discussed later but entails for Febeliec an integral part of this discussion on MARI), the number of non-intuitive activations[2] (e.g. for congestion or in the same direction as the Belgian imbalance) and their impact on the portfolio of BRPs and prices for bids (to take into account the uncertainty of impact of ramps up/down outside of product delivery itself), the impact of combinations of direct and scheduled activations on the same provider, potentially even in opposing directions, … For Febeliec, it is important that full clarity exists about the possibilities and limitations of the MARI platform, in particular with respect to bid properties and the possibility of allowing market actors to correctly bid their available flexibility into the market. Febeliec in this context also explicitly wants to stress that even though the MARI platform itself might have some limitations, this does not mean that in a Belgian context such limitations might not be mitigated,

[2] As well as the reason for such activations. It should be clear that these should remain exceptional, in particular for use of congestion, and even more so if the result of cross-border requests

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e.g. through the use of a local interface that enables additional features which are then translated into MARI-compliant bids (e.g. possibility to extend linking of bids beyond the limitations resulting from MARI, so that market participants can in a Belgian interface include additional links in their orders, e.g. to mimic the activation neutralization period in mFRR Flex, the duration of activations, the number of activations, without having necessarily people standby 24/7 to manually update bids).

- On the **activation type** of mFRR Energy Bids (9.1.2.4) and **maximum and minimum bid volumes** (9.1.2.5), Febeliec is not sure that the limitations are advantageous for market functioning. The same applies to the reduction of offered bid volumes in case of BRP balancing, as Febeliec is not convinced that this could not lead to manipulation of the outcome.
- On the **max/min price for mFRR Energy Bids** (-99.999.99 to +99.999.99 €/MWh), while Febeliec does not oppose correct price signals in the balancing market, it wonders to which extent an analysis has been made of the potential impact on the Belgian market, on the positions of BRPs, the required collaterals, the overall level of the imbalance price, … As (theoretical) prices could reach levels more than 7 times higher than the current (technical) maximum, Febeliec would be interested to get Elia's view on this.
- On **bid properties**, Febeliec reiterates that at this point it is unclear how the proposed properties could be used to correctly reflect and thus offer the available flexibility of its members. Febeliec is looking forward to the announced upcoming document from Elia which should bring hopefully more clarity and thus explicitly reserves itself the right to come back to this topic once this information becomes available. In any case, Febeliec refers to its abovementioned comment on an additional bid property covering the minimum duration between the end of deactivation and the following activation, which it considers essential for a.o. demand side response, yet seems currently not included by Elia in its design.
- On the **guaranteed volumes**, Febeliec would like to get some better understanding, in particular to avoid that some TSOs might unduly or arbitrarily apply this parameter, which could have a significant impact. While Febeliec does not necessarily put in question the advantages of this parameter, it does not (yet) fully understand the overall potential impact.
- **Testing and penalties**: Febeliec could from the current document not completely understands what are the impacts in terms of testing requirements and penalties applicable under MARI. Febeliec refers to its previous comments on the complexity and lack of full clarity (yet), but also refers to comments and examples presented and discussed by other stakeholders during the workshops. Febeliec asks that this topic is much more explicitly covered (although it might become clearer if abovementioned topics are further clarified). Febeliec a.o. finds the requirements for a prequalification test too stringent, as the need for a prequalification test prior participation (new participant versus switch from BSP) could seriously impede market dynamics and functioning. Febeliec remains available to discuss this further, as this might be broader than just the MARI project.

Febeliec is very much concerned that all the above could lead on the one hand to higher costs (pay-as-cleared in combination with additional uncertainty for BSPs, leading them to ask higher prices which would apply to all bids and thus increase the overall cost) and on the other hand could result in higher balancing needs for aFRR as ramps up/down are not directly attributed nor slopes imposed to BSPs, which could result in much larger variations and thus higher needs for aFRR or even mFRR. As these would be paid for by consumers, Febeliec remains uncomfortable with the comment from Elia that experience building is required. While Febeliec does not as such oppose that comment, it is very concerned about the possible overall cost implications and asks for a quantitative impact analysis (also taking into account the very bad experiences with aFRR and its cost in recent months which are discussed in a different topic).

Febeliec in any case remains available for further explanation about its comments and of course also stays involved in the on-going discussions.