febeliec
federation of belgian industrial energy consumers

Febeliec answer to the Elia consultation on the Terms and Conditions for balancing service providers for automatic Frequency Restoration Reserve

Febeliec would like to thank Elia for this consultation on the Terms and Conditions for balancing service providers for automatic Frequency Restoration Reserve. Febeliec would like to start by referring to all its contributions during the discussions in the Work Group Balancing and expert groups as well as during all the consultations in the previous years on the aFRR design.

In general, on the new aFRR design, Febeliec understands, as already indicated in an earlier phase, that Elia tries to break the chicken-and-egg deadlock for new entrants and new technologies. However, Febeliec strongly insists on the need to avoid a cost increase for the reservation of balancing capacity for this purpose. Febeliec understands the reasoning behind Elia's proposal that is now being consulted and will be sent to the regulator for approval. The proposed two-step approach seems to strive towards a compromise, allowing for the development of new entrants (with a cost increase for consumers as a 20% uplift in prices for selection is allowed in the second step, potentially leading to suboptimal solutions from a total cost perspective). Febeliec remains principally opposed towards such cost increase, and insists that if the regulator would nevertheless approve the Elia proposal, this must only be allowed insofar the potential for cost increases is clearly limited and closely monitored, in order to minimize the negative (cost) impact for consumers. As such, Febeliec strongly urges that shifting volumes towards the second step in the proposed aFRR is only done insofar the aFRR market succeeds in materializing the required volumes at a competitive price level. Febeliec also urges for a bidirectional system, allowing for required volumes to be shifted back to the first step in case the second step would not or no longer lead to the presumed and desired outcome. As already indicated before, Febeliec remains concerned about the minimum threshold volume of capacity to be acquired under the second step, as this volume could need to be acquired at a very high cost, and urges Elia and CREG to monitor this very closely and propose mitigating measures or revert to a different approach in case the proposed approach would lead to substantial cost increases. In any case, Febeliec hopes that the proposed approach will foster more competition through more liquidity if new entrants and new capacity finds its way to the aFRR product, thus reducing the cost for consumers. Moreover, Febeliec also hopes that the proposed approach will not be prone to speculative bidding behaviour and in any case asks both Elia and the CREG to follow this up very closely and take the necessary measures in case such behaviour would be observed.

In general, Febeliec remains disappointed that it will not be possible to offer aFRR and mFRR from a same delivery point. Febeliec hopes that Elia will in the very near future investigate the settlement rules needed to allow a combination of both products and come with a proposal that could solve this issue, in order to avoid that market actors have to arbitrate between both products (or not being able to valorise all the potential on a same delivery point, also with volumes not able to fulfil the aFRR product requirements but which could fulfil mFRR requirements), thus reducing liquidity and competition by this additional market entry barrier. Febeliec would like to request Elia to provide a clear timeline on when such analysis would be performed and when such combination could be implemented, preferably as soon as possible.

On Transfer of Energy, Febeliec has understood that this will not be introduced at this point for aFRR based on priorities, but wonders whether this will be done at a later stage, after for example the introduction of Transfer of Energy in the Day-Ahead and Intraday markets, or whether Elia does not at all foresee such evolution.

Specific comments to the Terms and Conditions

- In the whereas, DSOs are mentioned several times. It would be good to clarify explicitly whether or not CDSOs are also to be considered as DSOs, as could be inferred from the European legislation referred to.
- On the General Conditions, Febeliec refers to its comments on the consultation on these general conditions by Elia. In the framework of aFRR (and balancing in more general), Febeliec takes note of the liability cap of €12,5 million per year and per party, which seems high but in light of the possible €13.500/MWh for imbalances (and even possible higher caps in the future, as currently being discussed), this might not prove sufficient and could leave the consumers exposed to large excess liabilities. Febeliec would like to ask Elia and CREG to justify the proposed amount, but also to indicate which procedure will be used to revise this cap in the future in light of any evolutions. Febeliec also noted that a point I.12.5 is listed, without content however.

- On the definitions, Febeliec wonders whether the BSP-DSO contract is also applicable to CDSOs, as it is listed as "an agreement between the BSP and DSO". Febeliec also refers to its comment on the whereas on CDSOs. This comment is even more critical as the definition for the Public Distribution System Operator mentions "or "DSO"", leading to even more confusion. On the definition of DPaFRR,**max**,down, Febeliec understands that is referred to "the **minimum** aFRR Power", which can lead to confusion in combination with the name.
- On point II.3.6 (and all related), Febeliec wonders why all delivery points that do not have a CIPU contract are excluded; Febeliec does understand that for those with a CIPU contract, this CIPU contract has to be valid, but it is unclear what applies to units without CIPU contract, and if they can only be used in a pool-setting, even though they might be able to deliver the service on an individual basis (so not in combination with other delivery points).
- On point II.5, Febeliec refers to its previous comment on the impossibility to combine delivery of aFRR and mFRR from a same delivery point (unless it has the same BSP) and reiterates its request to review this approach and release this constraint. Febeliec does also not agree on the exclusivity of participation to balancing and strategic reserve, as already indicated several times in the past. Febeliec also does not understand the need for the limitation of combinability with any other balancing service if "any other delivery point, upstream or downstream of the delivery point supplying aFRR service", as this might impose too stringent and undue limitations which can hamper participation and thus liquidity and in fine increase the cost for consumers. Febeliec proposes Elia to reformulate this point in case there would be a valid reason for introducing this limitation and provide a clear justification for it. In any case, Febeliec strongly wants to avoid that this point would hamper the functioning of industrial sites or CDSs and the free choice of supplier/BRP/BSP/...
- On point II.11.10, Febeliec sees that Elia applies the red zones approach, but wonders how this will be dealt with after the introduction of the congestion risk indicator.
- On point II.20.1, Febeliec takes note that this BSP contract will terminate on 31/12/2021 and wonders why this fixed deadline is introduced and which contract will be applicable after this period.
- On annexe 7, Febeliec refers on its general comments on the two step approach. Febeliec in any case strongly urges for a total cost optimization approach, in order to limit the total cost for consumers.
- On annex 9 on the price cap proposed by Elia, Febeliec is in general not in favour of introducing price caps as they limit the possibility of prices to reflect real scarcity. However, as long as the balancing market and the aFRR market in particular are not very liquid, and because of the implications of a combination of aFRR and mFRR activations on the balancing price, Febeliec can temporarily accept such approach to limit undue cost increases for consumers and ask Elia and CREG to analyse this continuously, in order to mitigate any negative effects on the cost for consumers from the proposed approach. For Febeliec, the total cost optimization for consumers remains primordial.
- On annex 11, point 11.C, Febeliec wonders why Elia has to right to test all the aFRR Awarded *at least* once a year, and under which conditions multiple tests would be done (in case the first test was successful). Febeliec's main concern remains the total cost for consumers and is afraid that undue multiple test could lead to increases in the cost. Nevertheless, Febeliec also strongly remains of the opinion that any reserved balancing capacity needs to be available as it is remunerated. Febeliec in any case reiterates its longstanding request for smart testing, to avoid unnecessary and undue tests.
- On annexe 13 and the penalty regime, Febeliec appreciates that the proposed approach by Elia applies a penalty factor which increasingly penalizes but thus avoids that the proposed penalty is too penalizing and would create a barrier for entry for new entrants. Febeliec nevertheless urges Elia and CREG to follow whether the proposed penalty scheme maintains the right balance and does not lead to unwanted perverse effects that could drive up the cost for consumers.