

Response ID ANON-KBXF-VJJN-3

Submitted to Proposal for Amendment of Pricing Methodology
Submitted on 2021-07-23 21:09:16

Introduction

1 What is your name?

Name:
Michaël Van Bossuyt

2 What is your email address?

Email:
mvanbossuyt@febeliec.be

3 What is your organisation?

Organisation:
FEBELIEC

4 What type(s) of organisation do you represent?

Association, Consumption

5 If you selected "other" in question 4, please specify.

Type of organisation:
Belgian Federation of Industrial Energy Consumers

Public consultation questions

6 Any views on amendment proposal to the Pricing Methodology are welcomed:

Feedback:

• FEBELIEC represents the interests of industrial energy users in Belgium for whom energy is a significant component of production costs and a key factor of competitiveness in their activities in both Europe and throughout the world. To this end, some of the key interests of FEBELIEC members are competitive electricity prices and a high security of supply, both of which may be facilitated through effective cross-border trade. Furthermore, the costs of electricity infrastructure are borne by end-users, who thereby have a strong interest in the optimal utilization of this infrastructure. The proposal would lower the current price maximum of 99.999,- €/MWh and raise the minimum of -99.999,- €/MWh to €15.000,- and €-15.000,-, respectively. FEBELIEC agrees that technical price limits are needed, as stated in the proposal, but points out that the technical price limits of +/-99.999,-€/MWh were already introduced for this specific reason.

In the proposal, under the third whereas statement, the claim is made that certain balancing prices may be exaggerated. FEBELIEC wonders on what basis it was calculated, by whom and with which methodology, that the prices that are signalled, are in fact exaggerated. This same question applies to the claims of an "artificial scarcity situation", "wrong and exaggerated imbalance settlement prices", "intolerable financial risks", that the aforementioned would lead to "inefficiencies", and lastly the "appropriate maximum and minimum energy prices". While FEBELIEC can understand that the current methodology could create risks for certain parties (primarily BRPs) under specific situations, it wants to insist that the very strong wording used by TSOs should be backed up by a thorough quantitative and qualitative analysis, which FEBELIEC cannot find in the proposal. FEBELIEC believes that at least part of the issues signalled by TSOs fall within the purview of the TSOs and can be addressed by them in the design of their balancing markets and products. TSOs could thus also mitigate many transitory effects themselves. Moreover, and importantly, FEBELIEC remains a very strong proponent of the balancing responsibility of the BRPs, which is a cornerstone of the market model, and thus wants to avoid that wrong or artificially insufficient price signals were to be given.

• FEBELIEC reads that it is stated by all TSOs that "balancing energy auctions as foreseen by EB Regulation do not necessarily provide an incentive for truthful bidding" and requests that this assessment is elaborated upon as well as indicated which alternative all TSOs would like to put in place, including the required changes to the EB Regulation and the rest of the legal and regulatory framework.

• FEBELIEC is surprised to see that TSOs state that the potential high price spikes "uncorrelated with the real-time situation which would generate wrong incentives and exaggerated imbalance prices", as this would lead to "increasing market entry and investment barriers". FEBELIEC insists that those prices are not only paid by (some) BRPs but also paid to (some) BRPs and thus could provide more incentives for new entrants. FEBELIEC wants to specify that BRPs are not exposed to any (high) imbalance prices at all if their portfolios are balanced in real-time. Moreover, it is unclear to which extent such high prices are correlated (instead of uncorrelated as mentioned above) with the real-time situation, which is very worrisome as any in-depth analysis is lacking. All TSOs mention that "energy bids above the proposed maximum balancing energy price hardly ever occurred in the current local balancing energy markets", which implies that this already has occurred. It is also uncertain to which extent this could happen again (or even increasingly so) in the future. FEBELIEC wonders what the position of TSOs is on such a situation, as an unduly low cap could limit market functioning. In more extreme cases, it could even result in curtailment of consumers if insufficient consumers can offer and valorise their flexibility because their (opportunity) costs are above

the arbitrarily chosen, proposed new price cap.

• FEBELIEC understands that undue risks should be limited, while maintaining correct market functioning. As such and from a conceptual perspective, FEBELIEC proposes to put the price cap for balancing energy at the level of the highest Value of Lost Load (VoLL) as applied by the Member States of the interconnected zone. A price cap above this level would provide no additional value, as consumers above this level would no longer consume energy and would not provide any additional price signal. A price cap below this level would mean that certain consumers within the interconnected zone would not be able to offer their flexibility (see above). Especially in light of increasing demand side response from industrial consumers, as well residential and commercial consumers (i.e. through the introduction of smart meters and dynamic price contracts). These should result in a more price elastic demand side (as compared to the previous mostly price inelastic demand side), albeit with certain types of flexibility only becoming available at higher price levels. FEBELIEC insists that in the real-time balancing market, with no fallback later timeframe, the alternative of finding solutions in the market implies involuntary and nonremunerated curtailment of consumers, which should be avoided to the highest extent possible.

In summary, FEBELIEC supports the modification of the current price caps to a different level in function of the highest level of VoLL in the interconnected zone. Such an approach would also avoid the need for a mechanism for adjusting the cap (considering a correct calculation of the VoLL by the Member States).

In case the proposal by FEBELIEC would not be followed, FEBELIEC insists that the governance on monitoring and decision making should be better specified in the proposal.

7 Other comments:

Feedback:

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Confidentiality questions

8 I want my answer to remain anonymous.

If you tick this box, we will publish your comments, but we will not publish your name and organisation.

9 I want my answer to remain confidential.

If you tick this box, we will not publish your answer to this consultation.

10 I agree to ENTSO-E's Consultation Hub privacy policy

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