febeliec
federation of belgian industrial energy consumers

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Febeliec comments on the mFRR Design Note

Febeliec would like to thank Elia for this latest update to the mFRR Design Note. Febeliec greatly appreciates that Elia continues to involve stakeholders in the discussions, as the switch to the European MARI platform remains a very important modification that could potentially bring great benefits to the Belgian system (more liquidity, lower overall costs), yet also comes with additional risks and potential cost increases if issues arise during implementation. For Febeliec, it remains very important to keep a clear view on the overall cost-benefit analysis throughout the implementation phase of the updated mFRR design through the MARI project. Febeliec in this aspect tales note of the two-step approach of Elia, with first a local go-live of the new mFRR bidding and iCAROS phase 1 in Q1 2023 and a afterwards in a second step the connection to the EU mFRR balancing energy platform around Q2 2023. Febeliec hopes that this timing will be respected, as the MARI platform (if functioning properly and with sufficient liquidity) should bring benefits to consumers through a reduction in grid tariffs and balancing costs. Febeliec insists that this timeframe should be met, as market parties have been informed and involved since a significant enough time to make the necessary preparations, but also insists that the timeline is monitored and assessed, taking into account all relevant information that could lead to a further delay in case it is clear that the MARI platform would either not function properly or liquidity would be limited. Nevertheless, every endeavour should be maintained in order to respect the proposed timeline, as this implementation could otherwise become a substantial bottleneck in the further market development. Febeliec strongly asks for clear go-no go milestones and a continuous interaction with all involved stakeholders and asks for further derogations if market functioning would be endangered.

General remarks

- Febeliec wants to reiterate that the proposed **design remains quite complex** and difficult to comprehend for the involved stakeholders. Febeliec greatly appreciates the fact that Elia staff is very available to discuss and explain the proposed design to stakeholders, yet the inherent complexity remains an entry barrier to this market.
- Febeliec insists that all **flexibility should find its way to the market**(s). As the explicit Elia balancing products are not necessarily best suited for direct participation of some types of flexibility, such as a.o. demand side response with a need for a neutralization time (see also below), it is essential that first such issues are mitigated (see also below), second that such flexibility is in any case able to offer implicitly in other markets (day-ahead, intraday or explicitly or implicitly via BSPs or BRPs in the balancing market) and third that combination rules for offering flexibility over different markets and products are relaxed such that delivery points can participate in different markets and/or via different BSPs/BRPs.
- Febeliec also insists that it should not only be possible to offer different services and participating in different markets on a same delivery point with different BSPs/BRPs, but also that switching between BSPs/BRPs should be made easier and faster, by looking into the **(pre)qualification rules for delivery points**, in order to ensure that these rules do not constitute a barrier to entry or switching, as these are currently perceived by a wide range of actors.
- On **mFRR Flex**, Febeliec regrets that Elia has abolished the Belgian mFRR Flex product, which had specifically been developed for Belgian mFRR suppliers which were previously delivering via other products (in particular ICH). While Elia has mentioned that appetite in the product had apparently diminished over time, Febeliec insists that this is primarily due to the almost disappearance of any volumes contract by Elia (without a buyer, no sellers will continue offering volumes for the product). Febeliec in discussions with its members maintains that the proposed MARI mFRR standard product remains very stringent and complex (see also below) and not tailored for industrial processes with flexibility as these are often characterized by the need for an activation downtime between two activations. While Febeliec greatly appreciates the proposal of Elia to implement bidding assistance tools (one of which could be to help grid users mimic the important activation downtime feature which is part of the mFRR Flex design), it is clear that the more restrictive and complex MARI mFRR product will lead to lesser (aggregated) demand side response volumes from the parties who had been delivering such volumes in the past. Febeliec can only hope that sufficient additional flexibility will be found to compensate this shortfall as well as the increasing needs for mFRR volumes indicated by Elia in its forecasting studies.

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- On the **standard MARI mFRR product** (a similar comment has been made by Febeliec on the standard PICASSO aFRR product), Febeliec wants to reiterate its well-known position on the complexity, in particular related to the lack of neutralization time (see also above) as well as the 12,5 minute Full Activation Time and the complexity for baselining and reference levels in case of multiple activations on the same delivery point over time. 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 or no longer directly but only via service providers, 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).
- On the **order of activation of aFRR and mFRR**, Febeliec is worried about the current approach as it sometimes leads to very high imbalance prices when aFRR is (almost) saturated while a large volume of (much) cheaper mFRR bids is available. Febeliec insists that this topic is analysed for the Belgian LFC block in order to try to reduce sometimes very high imbalance costs for grids users which are merely the result of a design choice and not the result of a lack of balancing bids in the control area. While Febeliec understands that such a modification would come with an operational impact, Febeliec nevertheless considers this a key element to ensure a cost efficient balancing of the system from the perspective of consumers.
- Febeliec also would like to insist, as also already referred to above, that it is of the opinion that the **imbalance price in Belgium for BRPs should reflect the Belgian imbalance**, while it can understand that BSPs are remunerated base don the European activation price of bids according to the European merit order and activation by the algorithm. Febeliec understands that this would entail an impact on the regulatory account of Elia, as the imbalance price for BRPs could be different than the activation price for BSPs, but Febeliec nevertheless most strongly insists that it is adamant that the right signals related to the imbalance I the Belgian control area are given to BRPs, in order to ensure that it remains possible to balance the zone even when no cross-border capacity bids would be available, without having to contract ever-increasing balancing capacity volumes. The Belgian imbalance price should be maintained as a strong investment signal for the Belgian system. Febeliec also continues this discussion with Elia and other stakeholders and refers also to these discussions as part of its input on this topic, beyond the scope of this specific consultation.
- Related to (conditional) linking of bids, while Febeliec understand that in some cases Elia will make **bids unavailable**, Febeliec insists that Elia in such interacts with the concerned parties before making too many bids unavailable too soon, in order to prevent that bids are made unavailable with potentially big impact on liquidity and thus the balancing market, especially when such concern would arise without intent from the concerned parties.
- On **penalties**, Febeliec is a strong proponent of penalty schemes, in order to ensure that services that are paid for by consumers are also delivered. However, Febeliec also urges for some flexibility in order to avoid that penalties become a barrier of entry for a.o. new participants, which could be subject to toothing issues. As already voiced before, Febeliec could accept that a first transgression is less penalized, as long as it is clearly remedied afterwards, so that lessons learned can be drawn by new entrants and beginner's mistakes do not jeopardize participation and thus liquidity. It is clear that the normal penalty scheme should be applicable after a certain threshold is reached. In general, Febeliec observes that Elia products are often very much focused on monitoring and penalties and while those elements are essential to good functioning of the markets and ensuring that services are delivered, they are not a goal in itself.

Specific remarks:

- On 9.1.2.8, Febeliec finds it extremely worrisome that elements such as the maximum number of exclusive groups per BSP are not known at the point of consultation. While Febeliec understands that such a limitation might be required for operational (computational) reasons, it finds it unacceptable that it has to agree with a design without knowing which "local rules" will be applicable. As a principle, Febeliec cannot agree at all with rules that are not known at the time of consultation or discussion and as such from a principle perspective does explicitly not accept the proposal by Elia.
- On 9.1.5.1, Febeliec makes the same principle objection towards the filtering of balancing bids after GCT in a medium CRI zone, as the filtering of bids containing several DPpg is still under study. Febeliec cannot implicitly accept any unknown element as and as such from a principle perspective does explicitly not accept the proposal by Elia.
- On 9.3.1.3, Febeliec wonders why Elia is much more stringent for contracted than for non-contracted mFRR energy bids concerning the use of back-up delivery points.
- Concerning 9.3.1.4, Febeliec greatly appreciates the addition of the graphical representation of multiple activations on the same providing group. Febeliec as a general comment would like to reiterate its position

that it hopes that the proposed ramps (especially in case of consecutive activations in different directions) are not to steep and would not create a barrier for participation, which could hamper liquidity.

- On 9.4.1, Febeliec supports that mFRR energy bids not selected for activation because of the statues unavailable will not be remunerated, as no service has been delivered.
- On 10.1.1, Febeliec does not understand why only 80%/90% is taken into account. While Febeliec can imagine that this has to do with ramps during specific quarter hours, it does not understand why this would be applicable for all quarter hours, especially if the entire quarter hour would fall during an activation window. Febeliec thus would like to have a clarification and if needed a correction for the latter case.

For the implementation phase, Febeliec expects that the necessary information and 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.