

Febeliec answer to the Elia consultation on the methodology to determine the required balancing capacity

Febeliec would like to thank Elia for this consultation on the methodology to determine the required balancing capacity. Febeliec wants to refer explicitly also to all comments it made during the discussions on this topic. Febeliec opposes the removal of 250MW of inter-TSO balancing capacity from the balancing means, as it creates artificially a large gap (about one quarter) I the required balancing capacity needs, while the different inter-TSO contracts cover a multiple of the 250MW that was taken into account by Elia. By removing this capacity, Elia estimates that in Belgium the dimensioning incident for the balancing capacity occurs **simultaneously** with the dimensioning incident for the determination of the required capacity reservation occurs in **all** neighbouring countries with whom it has such an agreement, which seems quite unlikely.

Moreover, by contracting an additional 250MW in Belgium, the day-ahead (and intraday) markets will see a reduction in their merit order of the same size, this will exacerbate the problem of an already very tight system, with the related potentially very high price (and thus cost) impact via a depleted merit order which would impact all parties active on the market as well as all those with contracts indexed on the market reference. Febeliec urges thus for the utmost caution with this approach and, taking into account the first comment, advises negatively on this evolution.

Febeliec nevertheless welcomes the efforts by Elia to reduce the abovementioned impact as much as possible, by limiting the circumstances under which such additional capacity would be procured, but it is exactly at moments of “Critical Grid Situations” that the impact on the merit order and the energy markets would also be the highest (and in the worst case scenario could even lead to insufficient capacity in those markets and thus eventually curtailment of customers for reservation of balancing capacity that might not be needed at all if the dimensioning incident does not occur). Febeliec also wonders whether no intermediate approaches, with smaller volumes, could be identified, in order to limit, if it were to be implemented, the aforementioned impacts.

Febeliec also welcomes the additional channels through which Elia will communicate the contracting of an additional volume of 250MW and insists that all possible channels should be used in order to ensure that all parties with relevant flexibility can still bring this to the market to avoid or at least mitigate the adverse effects as much as possible.