

Febeliec answer to the Elia consultation on the study on procurement strategies for a dynamic calculation of FRR means

Febeliec would like to thank Elia for this consultation on the study on procurement strategies for a dynamic calculation of FRR means, as the reservation of balancing capacity is an ever-increasing cost component and impacts the grid tariffs for the grid users in a negative way. Reserving smaller volumes of (FRR) balancing capacity could significantly decrease this cost for consumers. Febeliec also insists that Elia is only responsible for the residual balancing of the grid, and that the BRPs are responsible for balancing their own portfolios. As such, an increasing share of intermittent renewables and the correlated imbalances should in principle and principal be covered by the BRPs and only in a final real-time setting by Elia. As the residual imbalances due to outages but also, and increasingly, forecast errors are an important driver for dimensioning of reserves and thus procurement of (FRR) balancing means, Febeliec most strongly insists that all possible measures are taken to ensure that the residual imbalances are kept at the lowest possible level, by ensuring adequate signals to BRPs to balance their portfolios. Febeliec insists that as long as BRPs are not sufficiently exposed to the total balancing cost, including the reservation cost (e.g. in relation to their contribution to the system imbalance or any other relevant metric), there remain insufficient incentives to ensure that BRPs strive to minimize the residual imbalance and the correlated impact on volumes to be reserved (and currently paid for by the grid users through the tariffs instead of the BRPs).

Concerning the proposed study, Febeliec wants to indicate that it is surprised in a negative way to see that Elia does not foresee any robustness check before 2025 and any possible implementation before 2027. Febeliec considers this timeline a severe lack of ambition from Elia's side for a topic with possible considerable cost implications for consumers and thus most strongly urges Elia to reconsider this unacceptable timeline. As for good reasons (e.g. the current energy crisis) some projects are delayed or connections postponed, this timeline under the assumptions of Elia would continue to shift ever further in the future. Such additional delays due to a lack of ambition from Elia are unacceptable for Febeliec. Febeliec is very surprised by this extremely conservative approach by Elia as numerous decisions with potentially even larger impacts (some which even materialized and created very adverse effects for consumer tariffs) were and still are (e.g. product changes, design changes, European platforms) rushed through by Elia, despite many comments from stakeholders.

Furthermore, Febeliec considers the study very much skewed towards risks, without identifying and quantifying sufficiently the benefits of a different procurement strategy for FRR means. Elia for example refers to a potential decrease in mFRR energy market liquidity, while Febeliec considers the possibility for FSPs to participate to the Belgian as well as the European balancing markets, even if not selected for capacity reservation, an important trigger for an increased participation with free bids in a merit order market with marginal clearing. Febeliec also considers this an element which goes against the reasoning of Elia concerning possible additional missing money, as participants to the energy markets would at least recover their marginal costs and in most cases, for the non-marginal units, an inframarginal rent. While Febeliec is and always has been a very strong proponent of a secure grid exploitation, a too conservative approach can also have very adverse side-effect. Febeliec insists that where an N-1 approach or statistical approach clearly provides valuable insights, the purpose of the analyses should not be to exclude all possible risks as this would be unaffordable. A balance needs to be found between these different elements.

Febeliec sees some issues in the consideration by Elia that market parties which would not be selected in capacity reservation auctions, a.o. because of different procurement strategies, would leave the market and no longer offer their energy as too conservative in light of the very attractive opportunities in the balancing energy markets at this moment as well as additional opportunities under a European framework (which will be in place before the proposed earliest implementation date of 2027 by Elia). Febeliec thinks that at the very least a partial procurement would bring many (costs) benefits to the system, as also indicated (but not quantified) by Compass Lexecon. A net benefit "is likely to be realized" and Febeliec considers that any measure that can reduce the overall system costs for consumers should be followed-up on as soon as possible, in order to mitigate the very negative impact of ever higher invoices for consumers. Febeliec would rather find it unacceptable and unimaginable that a regulated monopolist would forego an opportunity to reduce the overall costs. Febeliec also wants to reiterate that it considers and earliest implementation date of such approach as of 2027 as insufficient and lacking in ambition and wonders whether additional incentives should be given

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 39 companies (Air Liquide, Air Products, Aluminium Duffel, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Beaulieu International Group, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Etex, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Janssen Pharmaceutica, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Pfizer, Proxioms, Sol, Solvay, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

to the TSO to ensure that its ambition is aligned with the societal goal of reducing system costs as soon as possible to the benefit of all consumers.