

Subject: FEBEG and FEBELIEC's position regarding the consultation on the review of the "T&C BRP" in the context of the integration of the calculation of the imbalance price

Date: 6 February 2023

Contact: Jean-François Waignier / Michaël Van Bossuyt

Telephone: +32 485 77 92 02

Mail: jean-francois.waignier@febeg.be / mvanbossuyt@febелiec.be

Preliminary remarks

FEBEG and FEBELIEC would like to thank CREG for providing the stakeholders with this opportunity to comment the proposal of the CREG for the reviewed terms and conditions for BRP's¹.

FEBEG and FEBELIEC particularly appreciate the opportunity given to the different stakeholders to ask for clarifications and provide feedback in a transparent and constructive way throughout the entire process.

The inputs and suggestions of FEBEG and FEBELIEC are not confidential.

FEBEG and FEBELIEC's comments

On the integration of the imbalance price calculation in the terms and conditions for BRPs

FEBEG and FEBELIEC do not see any major issues with the integration of the imbalance price calculation in the terms and conditions for BRPs, provided that by moving this to another document, no loopholes, voids or contradictions are created. A thorough and clean transfer has to be ensured and any possible changes with impacts on market parties should be communicated well in advance.

¹ <https://www.creg.be/fr/consultations-publiques/projet-de-decision-sur-la-revision-des-methodologies-et-des-conditions-pour>

On the rules for the calculation of the imbalance price

In the context of this consultation, FEBEG and FEBELIEC want to share the following considerations:

- FEBEG and FEBELIEC deeply regret the lack of consensus in Belgium – amongst Elia, CREG and market actors – on the balancing philosophy, and more particularly the imbalance settlement price calculation, on the long run. **A shared and broadly supported long-term view would definitely facilitate intermediate steps or temporary mitigating measures as the end goal would be clear for all.**
- FEBEG and FEBELIEC support the evolution towards a European integrated balancing market, as integration and harmonization should maximize overall social welfare. Needs and – to the extent possible – means for explicit balancing are more and more harmonized at European level as they will be shared amongst TSOs. FEBEG and FEBELIEC believe that – in a European integrated balancing market – the value of energy towards real-time should be defined by the price formation on the EU platforms and translated in imbalance settlement prices based on harmonized principles. TSOs should refrain from integrating local particularities in the imbalance settlement price calculation for their balancing zone as these would endanger – or at least de-optimize – the functioning of the European balancing market. In this context, **FEBEG and FEBELIEC are convinced that the imbalance settlement price set by the CBMP should in a well-functioning and well-integrated balancing market provide the correct incentives to BRPs to stay balanced.**

This approach – in combination with full transparency on the status of the zonal and regional system – will result in BRPs efficiently helping the system, without jeopardizing the operational grid security, or refraining to do so at moments the signal is not clear or too volatile.

- FEBEG and FEBELIEC are aware that **implementing a target market model goes step-by-step taking into account market circumstances** (e.g. available liquidity, lack of harmonization, market shares, ...), **grid constraints** (e.g. available grid connection capacity, operational grid security, ...) **and learning curves**. FEBEG and FEBELIEC are also convinced that all involved stakeholders should – at all times, if necessary – be willing to take a temporary step back or temporarily modify the design in order to limit unacceptable financial impacts for market parties or to protect the operational security of the grid.
- As FEBEG and FEBELIEC favour the evolution towards a well-functioning and well-integrated European balancing market, they were willing to accept mitigating measures in order to be able to couple to European balancing platforms, in particular Picasso. In this perspective, the compromise proposal struck a balance between a fast coupling to Picasso (with only Germany) and mitigation measures for the TSO (cap and floor) and BRPs (price cap and deadband) in order to avoid

POSITION

undesired impacts because of not yet fully integrated markets (a.o. due to insufficient cross-border capacities in the balancing timeframe).

- FEBEG and FEBELIEC regret the current deadlock and call upon **all involved parties to be responsible and pragmatic** as it would be detrimental for the Belgian market and Belgian market actors if all further evolutions towards a European integrated balancing market would be postponed or even blocked.
- **FEBEG and FEBELIEC believe that Belgium should continue – without further delay – to make pragmatic and prudent steps towards a European integrated balancing market.** FEBEG and FEBELIEC are convinced that a pragmatic and prudent solution can be found in function of timing and based on a test period.

FEBEG and FEBELIEC's proposed approach.

In order to facilitate an early coupling to Picasso, FEBEG and FEBELIEC believe that a pragmatic solution should be found and recommend the implementation of the following proposal which is one and indivisible:

- (1) **The implementation of the imbalance settlement price based on the CBMP with a cap and floor.**
- (2) The implementation of an action plan with a **commitment on test periods with the objective to the gradual relax of the cap and floor.** A first test period should start as of the coupling to Picasso and, if unsatisfactory, a new test period should be set up when market circumstances (e.g. available liquidity, ...) or grid constraints (e.g. available grid connection capacity, ...) would have significantly changed. The test has as objective to evaluate the behaviour of the BRPs in a context of gradually releasing the cap and floor, e.g. cap and floor are applicable as of system imbalance of X MW, Y MW and Z MW. The test period should be organized in a transparent and fair way allowing for sufficient time and margin for BRPs to adapt their behaviour to the new market circumstances and to evaluate the impact on the operational grid security. The practical modalities and the parameters of the test should be defined in cooperation with the market.
- (3) The implementation of an action plan with a commitment on a test period with the object to assess the need of a dead band. The test period should start as of the coupling to Picasso: the coupling to Picasso should go-live without dead band, while the implementation of a dead band is ideally already prepared. The test period should be organized in a transparent and fair way allowing for sufficient time and margin for BRPs to adapt their behaviour to the new market circumstances and to evaluate the financial impact on BRPs and other market parties. If the financial impact would be unacceptable, a temporary dead band could be introduced. The practical modalities and the parameters of the test should be defined in cooperation with the market.