

Febeliec answer to the Elia consultation on prequalification, control and penalties for the aFRR and mFRR services

Febeliec would like to thank Elia for this consultation on prequalification, control and penalties for the aFRR and mFRR services. Febeliec would also like to refer to the comments it made during the previous discussions on these topics during the WG Balancing of Elia as well as dedicated workshops.

Febeliec understands that Elia wants to have prequalification and control elements built into the design of its services, yet Febeliec is adamant that these should not lead to undue barriers of entry (as any requirements will create, even if small, barriers), as it is very important that all flexibility that could deliver these services can find its way to offer them.

On **prequalification**, Febeliec appreciates the proposal of Elia and the opening towards more flexible and intelligent modification of pools and switching of BSPs, changes in the prequalification windows asymmetrical test, etcetera, as this will help market functioning. Febeliec nevertheless sees these merely as first (and unsatisfactory) steps. Febeliec remains adamant that the proposal of Elia does not solve all issues and still takes ample time (up to several weeks) to be completed, while also tests can only be conducted for a delivery point can only be part of one prequalification test (meaning that a.o. it is not possible to test for several pools, to see where the best match could be found or to prepare transition towards future different pools). Febeliec remains of the principle that prequalification should only consist of a communication/IT test, and that delivery should be tested during operations (as is the case in other countries), where delivery penalties and other arrangements should be sufficient to ensure correct delivery. In any case will any prequalification test only deliver some visibility on the capabilities and capacities of a given BSP, as each test will only be a picture of one specific moment in time. Febeliec also considers this in line with SOGL, which requires a “prequalification process”, and does not stipulate the necessity for a test of volumes (such process could e.g. entail testing of communication protocols). Febeliec remains in favor of an ex-post validation, as this would introduce the smallest possible entry barrier, also stating that the fact that Elia does consider it “not comfortable” to remove a full prequalification test as an insufficient justification (also taking into account that other countries currently apply this SOGL-compliant approach without major concerns).

On **penalties**, Febeliec insist that it should not be possible for a BSP to arbitrage between controls and penalties, as this would quickly lead to potential system concerns. Moreover, Febeliec is adamant that penalties should have a clear penalizing function, which implies that these should not merely lead to losing the expected revenue for a specific moment for which a test was conducted, but also ensuring through its penalizing effect that the service is continuously delivered as contracted. Febeliec remains very strict about this as any non-delivery of services not only has led to unnecessary payments towards BSPs, but also can create additional cost increases for alternatives that were needed in case of non-delivery, impact on the competitive positions of BSPs in the merit order and even in the most extreme scenarios to system risks or even total system collapse. Febeliec of course understands that there needs to be a trade-off, as too high penalties could lead to higher overall system costs, yet it should also not lead to too low penalties. Moreover, Febeliec wants to stress that BSPs are not exposed to any penalties if the contracted services are correctly delivered according to the product requirements. Febeliec principally supports progressive penalties, insofar they strike a correct balance between the objectives of allowing broad participation of existing participants as well as new entrants and giving the correct incentives towards responsible behavior of BSPs. As such, Febeliec can support the proposals of Elia, although it still questions to which extent the proposal entails sufficient incentives towards BSPs for correct delivery of the contracted service. Febeliec specifically remains with questions regarding penalties (p29) there is e.g. an underdelivery and penalties are not applied up to the level of the obligation up, as it seems that this leads to an insufficient penalty (the BSP should be able to provide the entire contracted capacity and thus missing the requested energy should also lead to penalties regarding the capacity that was also not available).

On the penalties calibration, Febeliec wants to refer to its above comments and insists that penalties should be incentivizing enough to ensure a correct behavior from BSPs (and to avoid any gaming), in a trade-off with overall system impact. Febeliec is in favor of removing as much as possible barriers for participation, but this should not jeopardize, whenever a BSP is selected and participates, delivery of the contracted services for which grid users pay.

Febeliec represents corporate energy consumers in Belgium for whom energy is a significant component of production costs and a key factor of competitiveness. Febeliec strives for competitive prices for electricity and natural gas for its members, and for more security of energy supply in the context of the energy transition. Febeliec's members are 5 sector federations and more than 40 companies from various sectors (chemistry and life sciences, petroleum products, glass, pulp & paper and cardboard, mining, textiles and wood processing, brick, non-ferrous metals, steel, transportation, construction materials, data centers, telecommunications). Together they represent some 80% of industrial electricity and natural gas consumption in Belgium and 225.000 jobs (www.febeliec.be).