

Febeliec answer to the Elia consultation on the proposal for modification of the Balancing Rules

Febeliec would like to thank Elia for this consultation on the proposal for modification of the balancing rules.

Febeliec would first like to make some general comments on the balancing philosophy, also related to these Balancing Rules. As already indicated during several meetings of the WG Balancing as well as meetings on specific topics, Febeliec is evermore concerned about the rapidly rising balancing costs, in particular the capacity reservation costs (which more than doubled in 2021 compared to 2020) but also the balancing energy costs. For the latter, Febeliec has in principle no objection to high imbalance energy prices as they provide a clear price signal towards BRPs (a.o. for investments in flexibility), **insofar** such high price signal is a correct representation of the tightness of the Belgian balancing market. Accordingly, Febeliec has two principal elements it would like to see addressed. First, the order of activation of aFRR and mFRR, as the current approach often leads to the activation of sometimes extremely expensive aFRR bids while much cheaper mFRR bids are available. The lack of liquidity on the aFRR balancing market only exacerbates this issue. And second, as soon as the Belgian balancing market will be connected to the European balancing platforms, the concern for Febeliec that the Belgian imbalance price should continue to reflect the Belgian imbalance and not European imbalances. Febeliec has often addressed this issue during meetings, as it is worried that large Belgian imbalances would be covered by European balancing products (which would happen at lower prices if these are activated abroad and not in Belgium, but could lead to insufficient investments signals in Belgium and major issues whenever cross-border bids are not available) or alternatively Belgian bids would cover European needs (and thus artificially drive the Belgian imbalance price up without necessarily any Belgian substantial imbalance risk). Febeliec is adamant that a strong link between the Belgian imbalance and the Belgian imbalance price is essential, even if this implies that BRPs and BSPs will be exposed to different price signals. This would also be correct, as BRPs and BSPs fulfill a different role. Where BSPs offer balancing bids, BRPs have the responsibility to maintain balance in their portfolio, which implies also applying implicit balancing means in their own portfolios before the TSO becomes responsible for their combined residual imbalances. Febeliec also insists that the imbalance price formula reflects the above, to avoid that European imbalances would create distortions (or even worse, perverse effects) on the Belgian imbalance price.

Febeliec furthermore has some comments on monitoring. Febeliec takes note that the imbalance netting and aFRR CBMP will be monitored with (only) the monthly averages as well as the maximum and minimum and wonders whether this information will be sufficient (e.g. also more information on the distribution could be provided). Febeliec insists that this point is closely monitored and adapted if it is shown that more information would be beneficial for the understanding and follow-up of the market. The same applies to the monitoring of the use of the balancing mechanisms by the BRPs, where Febeliec regrets that this very interesting information will only be shared with the CREG. Febeliec insists that this information (or at least as much as possible without jeopardizing confidential information) is shared with the market, so that market players can make informed decisions about the ability of their BRP to maintain its balance (and also thus the potential impact on its stability, especially in light of the current high prices). Febeliec already for a long time asks for a performance report on all BRPs. On the publication of data on the Elia website, Febeliec notices that Elia will now only publish “complimentary” information to what is on the ENTSO-E website, but insists that it should be possible for market parties to find all relevant data on the Elia website (so without having to consult different sources), which can easily be done from an operational (website) perspective.