CONSULTATION REPORT

Public consultation on the market functioning rules for the compensation of quarter-hour imbalances (“Balancing Rules”)

13 May 2022

Content

1. Introduction

Between 23 December 2021 and 02 February 2022, Elia organized a public consultation on its new proposal for the market functioning rules for the compensation of quarter-hour imbalances ("Balancing Rules")[1].

The Balancing Rules are developed and amended pursuant to article 200 of the Federal Grid Code of 22 April 2019.

The consultation aimed to receive feedback from the stakeholders on the new proposal of the Balancing Rules, which were related to the proposal and simultaneous entry into force of step 2 of the amended T&C BSP aFRR (connection to PICASSO). All relevant information related to the public consultation of the T&C BSP aFRR is available on the dedicated consultation page[2].

Elia received 2 non-confidential answers to the public consultation from the following parties:

- Febeg
- Febeliec

In addition, Elia received a feedback from an individual person, fully supporting Elia's proposal.

The response from Elia to the comments of the stakeholders clearly mentions whether or not Elia modified its proposal of the Balancing Rules following the consultation feedback.

Below, the summary of the modifications to the Balancing Rules[3] in response to the consultation feedback.

Article 3	Introduction of the definition of "Dead Band" Adaptation of the definition of "Value of Avoided Activation"
Article 16	New proposal for the determination of the marginal incremental price
Article 17	New proposal for the determination of the marginal decremental price
Article 26	Monitoring of the new approach for the determination of the marginal incremental and decremental prices

All relevant information on this consultation is available on the consultation webpage[1]. Elia has submitted the final proposal of the Balancing Rules together with the consultation feedback and the consultation report to the CREG in line with the Federal Grid Code.

[1] Consultation webpage: **https://www.elia.be/en/public-consultation/20211223_public-consultation-on-the-market-functioning-rules**

[2] Consultation webpage: **https://www.elia.be/en/public-consultation/20211208_public-consultation-on-amendment-of-the-tc-bsp-afrr**

[3] A final version of the Balancing Rules with track changes is also available on the consultation webpage.

2. General comments

2.1. Consultation process

FEBEG feedback

FEBEG would like thank Elia for its continuous efforts to improve the balancing mechanism and acknowledges the importance of the proposed modifications to the balancing rules for the future evolution of the Belgian balancing mechanism.

We would nevertheless have preferred that such structuring topic as the "Balancing Rules" would have been discussed more elaborately with the stakeholders upfront of the publication of the public consultation.

We invite ELIA to liaise broadly with the different stakeholders in the future when such important topics are addressed.

The future evolution of the Belgian balancing mechanism is and will remain a priority for the coming months and FEBEG is committed to constructively contribute to the discussions.

ELIA answer

- The feedback from stakeholders on the Balancing Rules almost exclusively concern the impact of PICASSO on the imbalance price. The evolution of the imbalance price results from the implementation of the ISH, which is a European methodology approved by ACER since 15 July 2020. A first version of the methodology was consulted by TSOs (including Elia) from 16 July 2018 till 28 September 2018. ACER then consulted the methodology in March 2020. Eurelectric, of which Febeg is a member, was fully aware of the potential impact of this European methodology and responded to the public consultation.
- Regarding the specific application of the ISH in Belgium, Elia has at several occasions brought the topic to the stakeholders:
    - Working Group Balancing of 17th March 2021 (9 months before the start of the public consultation)
    - Workshop on imbalance costs of 11th of October 2021
    - Working Group Balancing of 28th of October

  At each of those occasions, Elia mentioned the importance of the topic and invited stakeholders to provide feedback or to contact Elia in case of questions or remarks. The few informal feedback received was generally supportive of Elia's proposal, and Elia nevertheless continued to work on improvements.

  Since the end of the public consultation, Elia has organised several bilateral meetings with a.o. FEBEG's members to better understand their concerns while explaining Elia's ones. Those intensive alignments led to an adapted proposal that addresses the feedback received. Elia intends to continue such constructive alignments for the coming evolutions, starting with those linked to MARI.

2.2. Order of activation aFRR/mFRR

FEBELIEC feedback

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.

ELIA answer

The connection to PICASSO will give access to additional liquidity. However, situations with limited (or no) ATCs or with high CBMPs are expected to occur. Therefore, Elia is currently analysing this topic and will further discuss it with market parties before the connection to PICASSO.

Elia however would like to draw Febeliec's attention on following elements:

- aFRR is an automatic product, reacting quicker than mFRR and whose activation can be modulated on a 4-second basis. Its activation is necessary to control the FRCE, in particular for imbalances within the quarter-hour. Therefore, activations of bids with high prices cannot be avoided in case of quickly changing power deviations.
- Proactive activation of mFRR could be considered but could lead to overshoots, in particular if BRPs react to the imbalance price and resorb (part of) the system imbalance. Such overshoots would result in counter-activations of aFRR and can be limited if Elia gives the opportunity to BRPs to perform reactive balancing before activating (significant volumes of) mFRR. With the evolution to a consumer-centric model (CCMD), the contribution of reactive balancing is expected to increase. By unlocking flexibility and giving the right incentive to activate it at the right time, the need for mFRR activation and balancing costs should remain under control despite a significant increase in flexibility needs as a result of RES developments.
- Economic optimization becomes even more difficult when connecting to PICASSO, as the price will change every 4 seconds, depending on the potentially fast evolving aFRR demand from each PICASSO TSO and the ATC constraints.
- The connection to MARI has an additional impact, as MARI will increase the time between the decision to activate mFRR and the actual mFRR delivery, at least if MARI TSOs want to benefit from a full optimisation of the activation in the MARI platform, hence a minimisation of costs, by using scheduled activation.

3. System imbalance calculation

FEBEG feedback

We understand and find it justified to adapt the way System Imbalance is computed as a result of joining the PICASSO platform. Both the ACE and NRV will need to be modified as they are impacted by the exchanges with foreign countries through, in this case, the PICASSO platform. FEBEG agrees with the adaptations as proposed by Elia.

ELIA answer

Elia thanks Febeg for the positive feedback.

4. Imbalance price

4.1. Legal basis

FEBEG feedback

- FEBEG wants to remind a key principle that has been shared throughout the past years. The Imbalance Settlement Price should reflect the ‘real time value of energy’ (EBGL art. 44.1(b)).
- The EBGL foresees an integrated balancing market. Integrating the EU Balancing market is about building synergies and taking advantage of pooling means and needs enabling netting, whenever and as much as possible. To obtain most of these benefits, all parties should strive, in an effective and efficient manner, towards the EU target model.

Elia answer

- Elia has always been supporting EU integration and is definitely willing to take advantage of EU balancing markets as long as it does not jeopardize the grid security and/or cause additional costs (e.g. balancing capacity reservation costs) for the Belgian consumer. For Elia, this means that the Imbalance Settlement Price should (at least in the current context and considering the existing tools and legislation) never incentivize

BRPs to aggravate the Belgian System Imbalance and that, in some situations, it should incentivize BRPs to reduce the local System Imbalance (see further explanation in section 4.2). This philosophy allows to benefit from the advantages of European integration (e.g. netting opportunities) to some extent, and is compliant with Elia's interpretation of the EBGL and ISH methodology. EBGL actually states that the settlement process shall provide incentives to balance responsible parties to be in balance or help the system to restore its balance (Art. 44.1 (c)). The ISH methodology further clarifies in its article 8(4) that the “system” corresponds to the imbalance price area, which in the case of Belgium corresponds to the Belgian LFC Block. The ISH methodology indeed relates the character (i.e. aggravating or non-aggravating) of an imbalance to the situation of the imbalance price area. Aggravating imbalances are defined as situations when the BRP imbalance has the same direction as the total system imbalance of the imbalance price area. As a consequence, a BRP can only help the system if its imbalance is in the opposite direction than the total system imbalance of the imbalance price area. This interpretation is reinforced by Art. 9.1(resp. 9.2) of ISH methodology which imposes the Value of Avoided Activation (“VoAA” in the rest of the document) as lower (resp. upper) bound for the imbalance price in case there is no positive (resp. negative) balancing energy activated for negative (resp. positive) imbalance. This article clearly imposes a decorrelation between the imbalance price signal and the cross-border marginal price(s) (which seems to be considered by FEBEG as the ‘real-time value of energy’).

- Note that the Belgian T&C BRP are compliant with the European legislation since it allows BRPs to "contribute in real time to the overall objective of maintaining the balance of the Belgian control area".

4.2. Objective function

FEBELIEC feedback

- […] 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.

FEBEG feedback

- FEBEG is worried by the trend of past years to move away from the real-time value of energy. Next to the above two proposed measures, one can think about alpha component, scarcity component, etc. We consider that it is more efficient, more market-based and more transparent to avoid artificial interventions into the balancing prices and instead allow the market to properly function. FEBEG members underlines that, in their role of BRPs, it is absolutely key to stick to this principle both for the market functioning and for being exposed to clear and understandable balancing prices whenever they are facing a deviation as a BRP.
- FEBEG is convinced that the Imbalance Price formula proposed by Elia is too country specific and could lead to undesired extreme Imbalance Prices.
- It is fundamental that BRPs can take informed decisions when helping to balance the system, considering system imbalance volume and balancing energy prices.

- We believe it is a good proposal [Febeg's formula – cf. section 4.10] because BRPs are incentivized to solve the deviations of the wide uncongested area, similarly to BSPs activating balancing energy bids to solve issues in the same zone.

Elia answer

- Elia believes that the objective function of the Imbalance Price should be to balance the Belgian control area at the least possible costs, while ensuring the grid security. In this respect, Elia is not opposed to the use of an Imbalance Price that incentivizes the Belgian BRP to help the EU system instead of the Belgian system when it is economically efficient, as long as the reaction of Belgian BRP can be carefully controlled so that it does not jeopardize the grid security and does not increase the balancing capacity to be procured in Belgium. Besides, Elia believes that it is crucial that the Imbalance price remains at all times sufficiently predictable/stable to drive reactive balancing, which is at the cornerstone of Belgian balance philosophy. Elia advocates for a careful and progressive evolution towards an Imbalance Price that would fulfil this objective function and insists that complex tools and access to a significant amount of information are needed to develop a price signal pursuing this kind of objective function. In the meantime, Elia believes that a price signal which never incentivizes BRPs to aggravate the Belgian real-time situation is the only acceptable objective function from an operational and a cost perspective.
- Elia insists that a Belgian imbalance price reflecting the European imbalances (through the CBMP of the uncongested area, as suggested in Febeg's formula) could, in some situations, violate the European legislation since it would not be compliant with Article 9 of ISH (which defines the Value of Avoided Activation as lower (resp. upper) bound of the imbalance tariff in case of short (resp. long) system).
  Furthermore, the price signal resulting from Febeg's formula sometimes incentivizes the BRPs to aggravate the Belgian System Imbalance in an uncontrolled way. This price signal indeed provides the same incentives to BRPs whatever the residual transmission capacity on the borders, and whatever the severity of the Belgian System Imbalance. This has two consequences:
  - The price signal could provide an incentive for strong cross-border implicit reaction whereas the capacity available on the borders does not allow such a strong reaction. If the BRPs only look at this price signal to calibrate their implicit reaction, without adequately taking the residual transmission capacity available on the borders into account, then their reaction could create dangerous real-time congestions. One could answer that it is not in the interest of BRPs to saturate the borders with their implicit reactions (because they would then modify the uncongested area to which Belgium belongs and make the Imbalance Price switch towards a value which is no longer advantageous for them) and that BRPs will hence look at other parameters than only the Imbalance Price to calibrate their implicit reaction. However, in the context of European integration, the parameters that need to be analysed by BRPs to adequately calibrate their implicit reactions are numerous and complex: Direct activations in the mFRR platform MARI and the 4-second based evolution of the aFRR demand of TSOs are, for instance, two parameters that impact the residual capacity available for implicit reactions and that are very difficult, if not impossible, to properly anticipate. In practice, BRPs would need to gather lots of information and to develop very complex algorithms in order to try to adequately calibrate their implicit reaction. This obviously creates a huge barrier for implicit reactions and could:
    - Either discourage market parties to deviate from a balanced position to help the system, hence hindering the until now successful reactive balancing model and increasing system costs.
    - Or, in case BRPs still take the risk to react in an uncontrolled manner to a price signal which does not properly reflect the physical reality of the grid, significantly increase the occurrence

of real-time congestions and the unpredictability of the Imbalance Price (that would oscillate between possibly extreme values when the ATCs are reached).

- The price signal could provide an incentive for BRPs to create System Imbalances in Belgium that are larger than the locally available reserves when cheap flexibility is available abroad. This could jeopardize the grid security in case it is suddenly no longer possible to use cross-border flexibility to cover these System Imbalances (f.i. in case of loss of ATC due to MARI activations using Belgian ATCs, evolution of aFRR demands from other TSOs, loss of connection to the EU balancing platforms, grid security issues detected by a TSO, etc.). On the longer run, this could also impact the balancing capacity to be procured and hence increase the costs for the Belgian consumer.

4.3. EU integration

FEBEG feedback

- The EBGL foresees an integrated balancing market. Integrating the EU Balancing market is about building synergies and taking advantage of pooling means and needs enabling netting, whenever and as much as possible [...]. FEBEG believes that TSOs should aim to avoid national particularities as these would endanger the market functioning.
- FEBEG considers that joining PICASSO will at the same time provide opportunities and bring additional complexity to the market parties. Although it is key that market parties keep having a very good understanding of the market functioning, we see that TSOs might be tempted to overcome this additional layer of complexity by proposing its own local rules without harmonization with surrounding TSOs. FEBEG believes that local TSOs should strive to avoid national particularities as these would endanger the functioning of the market.
- The integration of the EU balancing market will bring overall benefits to the system and those parts of it, in a similar manner as the DA market has already done. The different timeframes (forward / futures, DA spot, ID, explicit balancing and implicit balancing) should follow the same rationale and be consistent with each other.
- Further, implementing the above two measures (exclude some OCs and rely on VoAA) proposed by Elia would lead to different imbalance price behaviour with similar imbalance volumes in the different control areas. This would be a threat to level playing field in the European electricity markets as well as the EU balancing Integration.
- Current developments of explicit balancing are going in the direction of a EU integration as means and needs would be shared amongst TSOs. Implicit reaction, as allowed in Belgium, shall follow the same principles. Local system imbalance can be offset by other TSOs system imbalances in the opposite direction. In this case, the local TSOs issue is solved in a more efficient (less expensive) manner (by the activation of cross-border balancing energy bids), compared to a situation without cross border cooperation.
- Integrating the EU Balancing market is about building synergies and taking advantage of pooling means and needs enabling netting, whenever and as much as possible. To obtain most of these benefits, all parties should strive, in an effective and efficient manner, towards the EU target model. EU market integration goes in both directions, sometimes you are better off, sometimes worse off, but the global welfare is maximized – “cherry picking” is not an option and is a very dangerous approach.

ELIA answer

- Concerning the integration of the EU balancing markets, on which BSPs are active, Elia agrees with Febeg and aims at accessing the European balancing platforms as early as possible (taking into account constraints expressed by Belgian stakeholders) and without any specificities, i.e. without the definition of any specific

products for balancing energy. By doing so, Elia aims at improving the level playing field for all Belgian BSPs and at offering them as many trading opportunities as possible. This being said, Elia notes that balancing philosophies differ between TSOs, which implies that the imbalance price can have different objective functions. This is recognized by ISH. As an example, TSOs who rely on proactive balancing avoid to design the imbalance price in a way which provides incentives to BRPs to help the system.

- As regard "European integration of implicit reaction", Elia would like to clarify that it is nowhere foreseen in the legislation to encourage cross-border implicit reactions. On the contrary, the ISH methodology indicates that implicit reactions should strive to help balance the local system. Besides, the harmonization of the imbalance settlement, and of the balancing philosophies, of European countries is very limited. Belgium is one of the only European countries encouraging reactive balancing. Active cross border cooperation via reactive balancing mechanism will therefore remain limited as long as no further harmonization is reached at EU level. EU integration of “implicit reactions” therefore seems difficult in the current context.
- One other important difference between the reactive balancing mechanism and all the markets that are integrated at European level (wholesale markets allowing cross-border trading on the one hand - Day-ahead market, Intraday market,...- and, on the other hand, balancing markets through which the activation of balancing energy bids in response to TSOs' needs is optimized by using a common merit order list) is that there is no mechanism to allocate capacity to cross-border implicit reaction. The only way to avoid uncontrolled implicit reactions that could create real-time congestions would be to give BRPs a price signal which reflects the residual transmission capacity available on the borders. This is not the case of the CBMP which is set by the price of the last activated bid in the uncongested area, without taking into account the residual transmission capacity available on the borders.
- As regards the level playing field in the European electricity markets, Elia reminds that BRP and BSP are different roles and that it is of importance to ensure a playing field between BSPs from different countries (operating on a EU merit order) whilst BRP plays a national role (so there can, by definition, not be any discrimination between a Belgian and a foreign BRP)
- Finally, Elia acknowledges the fact that netting opportunities will likely increase after its connection to the MARI platform (the connection to the Picasso platform will hardly have any impact in this respect, since aFRR demands are already netted today through the IGCC platform). Elia agrees that when the local system imbalance can be fully and efficiently netted by other TSOs system imbalances, it can be less expensive to cover the local system imbalance with this netting than by stimulating local implicit reaction. In this respect, Elia reminds its long-term ambition to develop a smart balancing controller that would be able to balance the Belgian system in the most efficient way (by stimulating implicit reaction and/or activating explicit energy) without jeopardizing the grid security and while preventing any negative effect on the balancing capacity to be procured by Elia. As a first step in this direction, Elia would like to propose a new revision of the parameters of the alpha component that is currently added to the main component of the imbalance tariff when the local system imbalance exceeds 150MW. Elia indeed believes that a ‘delayed’ version of the alpha component, that, in case the Belgian system imbalance is fully and efficiently netted, only applies for larger system imbalances, could help capture additional netting opportunities, without jeopardizing the grid security or increasing the balancing capacity to be procured. Note that, in Elia's proposal, the main component of the Imbalance Price is always equal to the Value of Avoided Activation (VoAA = first bid of the aFRR and mFRR local Merit Order Lists) when the Belgian System Imbalance is fully and efficiently netted. This VoAA should be a quite neutral signal which does not incentivize BRPs to reduce or aggravate the Belgian System Imbalance. This means that, provided the previously mentioned revision of the alpha, larger System Imbalances would be tolerated in Belgium (from a financial incentive perspective) when they are fully and efficiently netted.

However, Elia believes that this revision of the alpha component can be decoupled from the current revision of the balancing rules since:

- The benefits of this revision are mainly linked to the connection to MARI which increases the netting opportunities compared to today's situation
- This evolution only impacts the alpha component (which is not described in the balancing rules) and not the main component of the imbalance tariff.

4.4. ATCs

FEBEG feedback

- We do not agree that TSOs will need to "counteract with automatic activation of explicit balancing bids". Indeed, priced-based reaction / implicit balancing by BRPs will not only be based on the price but also on the level of cross-border capacity and on the local imbalance (rather the ACE to assess its flipping potential).
- If there would ever be a problem with the ATCs, we believe that it would be for a very limited duration. We wish here to remind that the situation without exports/ imports capacities was already anticipated; and in such a case, Belgium would fall back on a local merit order principle.

ELIA answer

Elia acknowledges the fact that when there is no more ATC, the price switches to a price signal reflecting the situation of the new uncongested area to which Belgium belongs (possibly Belgium alone). This is however, according to us, not sufficient to avoid jeopardizing the security of the system:

- Depending on how deep the violation of the ATC is, it could possibly be unacceptable even for a very limited duration (considering the thermal limits of the grid elements)
- There might be a latency between the moment the price signal switches and the moment the assets start adapting their setpoint to help the local system and hence to reduce the ATC violation.

Elia can therefore definitely not exclude that uncontrolled implicit reaction creates severe grid issue.

FEBEG feedback

In addition, the fact that in the current context and the one of CRI, Elia has /will have tools to ask a BRP to get back to a production plan that does not create congestion (back to nomination under current setup / redispatching under iCAROS/CRI setup)

ELIA answer

The link that is made between the use of ATCs for reactive balancing and the CRI is not clear to Elia. The CRI is an indicator of a risk of congestion in Belgian Electrical Zones (as defined in the coordination rules) when Technical Units are deviating from their schedule. ATCs can be limited even when no high/medium CRI is identified in any of the Belgian Electrical Zones. In addition, the possibility to request a "return to schedule" is only applicable to Technical Units providing schedules (DP_{SU}).

4.5. Reactive balancing model

FEBEG feedback

We acknowledge that the EU integration of the balancing market(s) will cause some decorrelation between the local system imbalance and the balancing activations by the platform. But this shouldn't be a showstopper, in the contrary, we consider that as a normal consequence of the EU market integration. Integrating the EU Balancing market is about building synergies and taking advantage of pooling means and needs enabling netting, whenever

and as much as possible. To obtain most of these benefits, all parties should strive, in an effective and efficient manner, towards the EU target model. EU market integration goes in both directions, sometimes you are better off, sometimes worse off, but the global welfare is maximized – “cherry picking” is not an option and is a very dangerous approach.

FEBEG is strongly supporting the Belgian reactive balancing model, where BRP’s implicit reaction is a key element in reducing system imbalances. Furthermore, we are convinced that FEBEG’s proposal is fully compatible with the implicit reaction in Belgium, and based on a cross border marginal price.

FEBEG wants to reemphasize that its members are committed to do their job of (implicit) balancing with the combination of:

- A pure price signal
- Transparency on the status of the local and global system

ELIA answer

Elia welcomes FEBEG's support for a reactive balancing model. Elia is however concerned that if it cannot make sure that market reactions do not jeopardize the grid integrity through appropriate price signals, it will have to take full control of the flexibility available in the system as real-time approaches, step down from reactive balancing in Belgium and evolve towards an all explicit, centralized control model.

Further integration of “implicit reactions” at European level would require harmonized and coordinated balancing philosophies and imbalance settlement at European level. Elia would of course support any trend of harmonisation towards a reactive balancing market philosophy at EU level as indeed this is the model most wanted by market parties and the most promising in terms of lowering barriers for flexibility (as aimed also by the European codes).

4.6. Balancing costs

FEBELIEC feedback

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.

ELIA answer

Elia agrees with the importance to keep balancing capacity and balancing energy costs under control and that high imbalance prices are acceptable when reflecting a critical situation. With the connection to PICASSO, there can however be cases of high activation prices while the Belgian System has a limited imbalance. If the Belgian’s aFRR demand is low but other TSOs of the uncongested area have a high demand, bids at the end of the common merit-order might be selected, leading to a high CBMP.

To avoid high imbalance prices when the Belgian system is not tight, Elia suggests to introduce a concept of “dead band” allowing to moderate the imbalance price signal for small SIs, as described in section 4.10.2.

4.7. Capacity procurement

FEBEG feedback

We do not agree that TSOs will have to "increase the balancing capacity to be procured". There is no certainty that the system imbalance would be higher in the future (more RES could lead to higher needs, but more cross border cooperation could reduce the net needs). To ensure a low "net-need" the cross border sharing of balancing capacity should continue to be considered as it is currently done by leveraging on cross-border synergies & collaboration. This will decrease the need to increase balancing capacity to be procured.

ELIA answer

- Forecast errors corresponding to additional renewable generation capacity installed is expected to increase the system imbalance. Although the extent of the impact depends on the ability of market players to cover these additional forecast errors, analyses conducted in the MOG 2 system integration study[4] shows a net increase of the system imbalances and therefore of the reserve needs. This can be understood by the fact that reserve needs are dimensioned on a probabilistic analysis covering 99% of the expected system imbalances (together with the dimensioning incident).
- Note that Elia already manages the balancing capacity requirements through sharing agreements with neighbouring TSOs in which the legal framework provided by SOGL is used to reduce balancing capacity procurements in view of available cross-border transmission capacity and availability of the service. Elia reminds FEBEG on the discussions in the framework of the last public consultation on the LFC Means[5] on the importance to carefully determine the availability of the energy and transmissions capacity before taking into account these sharing agreements in the calculation of the required balancing capacity. In its answer to the last public consultation on the LFC means, FEBEG itself stated the following "*How can Elia ensure that reliability level* [FEBEG's answer here refers to a reliability level of 99% in accordance with SOGL] *while "sharing agreements on mFRR are voluntary and can be subject to modifications on request of the counterparty and these reserves are never guaranteed as the availability of cross-border capacity is not ensured and are therefore subject to the operational availability of interconnection capacity at borders, as well as internal network operating constraints such as congestions"? Note that we consider such assumption as very optimistic and clearly very risky*".
- Furthermore, Elia repeats its concerns that using the CBMP as Imbalance price in all situations could increase the balancing capacity to be procured. Elia indeed believes that if Belgian BRPs maintain or create high and persistent System Imbalances in reaction to the CBMP signal they would receive when the Belgian System Imbalance is fully netted, it might increase the FRR needs depending on the frequency and on the volume of the resulting System Imbalances. Even if a legally acceptable method is found to net these System Imbalances before calculating FRR needs, the FRR needs will most likely increase as uncertainties on the availability of the netting opportunities (due to continuous evolutions of ATCs and of the FRR demands of other TSOs) have to be taken into account. This will be required to avoid operational risks in which System Imbalances exceed the available reserves.

4.8. Role of BRP and BSP

FEBELIEC feedback

[4] **https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2020/20201222_mogii-system-integration---final-report.pdf**

[5] **https://www.elia.be/en/public-consultation/20211001_public-consultation-on-a-modification-of-the-methodology-to-determine-the-balancing**

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.

FEBEG feedback

- As the role of BRP tends to the one of BSP when it comes to implicit balancing (provide system support to the TSOs through the activation of real-time energy - deviation from schedule for BRP / Balancing energy bids for BSP), we should strive to have as much as possible a level playing field between both roles. In particular, there is no need to "tweak" the effect of European market integration for the BRP only
- While we acknowledge that the product is slightly different, BRP and BSP are in a sense interchangeable, the means are different but results are comparable

ELIA answer

BRPs and BSPs fulfil a fundamentally different role:

- BRPs have a national role: they have to keep their portfolio in balance or help the local power system according to the EU legislation (as explained in section 4.1)
- BSPs participate to a European integrated market: they offer their balancing energy through their connecting TSOs on the European balancing platforms on which they are activated according to a common merit order.

Both BRPs and BSPs can help balance the system through very different mechanisms:

- BRPs can implicitly help the local power system by self-activating flexibility. BRPs take on the risks related to the activation decision but they are not subject to any kind of activation control or profile activation and they have full control of their assets (e.g. they can avoid recurrent switch on-off to avoid wear and tear effects and spread start-up costs on a longer period than when offering flexibility explicitly).
- On the contrary, the decision to activate BSP energy bids is taken by the TSOs. In that case BSPs have to follow specific activation profiles and are subject to control and penalties when not delivering the service as requested. They also have to fulfil to strict metering and communication requirements and complex bidding properties. On the other hand, they are certain of receiving at least the price of their bid, regardless of the local imbalance price and increase the probability of activation if they are competitive.

The prices applicable to these two balancing mechanisms hence serve very different purposes:

- The price (or rather tariff) applicable to BRPs aims at triggering reactions that help balance the Belgian system. It should be as representative as possible of the desired behaviour of the BRPs to balance the Belgian system, so that this price signal steers their self-activation in an efficient and secure way. As foreseen by the ISH, this tariff is based on prices provided by the European balancing platforms and/or on bids' merit orders. It is defined taking into account the system balance philosophy of each TSO and may include additional components (e.g. incentivising components);
- The price applicable to BSPs aims at remunerating the energy activated by BSPs at the request of the TSO. It is the result of an optimization of the explicit activations done at European level which takes operational constraints, such as available transmission capacities, into account. According to the Pricing methodology, this price is the same for all BSPs offering the same product in an uncongested area. As a result, there are many (sometimes very different) prices applicable for BSPs within the same ISP (up to 225 CBMPs aFRR, 1 CBMP mFRR Scheduled Activation, 4 CBMPs mFRR Direct Activation,…).

- It is therefore logical and the result of the European market design that the prices applied to BRPs and BSPs differ in some circumstances.

4.9. Convergence of prices to BRPs and BSPs

FEBEG feedback

FEBEG pleads for a convergence (rather than a decorrelation) of prices to BRPs and BSPs. A price convergence seems much more consistent. It avoids twisted situations and difficult decisions where the system imbalance of a local balancing area is long while aFRR needs from the uncongested area are in the upward direction, and vice-versa. Does it make sense to expose a given company at the same moment to a low imbalance price and a high CBMP? How can this company take actions with confidence that it is really acting in an efficient way from a social welfare point of view?

ELIA answer

Elia would like to emphasize that BSPs are not exposed to one but to up to 230 potentially very different CBMPs within one ISP (one aFRR CBMP for each 4-seconds optimization cycle, one mFRR CBMP for schedule activation and four mFRR CBMPs for direct activation). There is no alignment between the balancing market time units and the imbalance settlement period. Ensuring a convergence between the imbalance price and BSPs' remuneration is therefore neither possible, nor in line with the European market design.

4.10. Imbalance price formula

FEBEG considers the following formula to be more appropriate.

$$IP^{\square} = \frac{\sum oc\,[(abs(aFRR\ SD\ oc,j))\ x\ CBMP\ oc,j]}{\sum oc\ (abs(aFRR\ SD\ oc,j))}$$

This chapter describes the arguments from FEBEG supporting this formula and Elia's answers.

4.10.1. Fundamentals

FEBEG feedback

We believe it [FEBEG formula] is a good proposal because :

- BRPs are incentivized to solve the deviations of the wide uncongested area, similarly to BSPs activating balancing energy bids to solve issues in the same zone
- Imbalance Price is impacted by (a) how severe the Belgian system imbalance will be and (b) how extreme the RT value of energy (through CBMP) will be;
    - An ISP which is structurally long or short during 15' should lead to (possibly) extreme imbalance prices and consequently provides the right incentives to the BRPs;
    - An ISP which is partly long and partly short during 15' should lead to (normally) less extreme imbalance prices and would not incentivize BRP to react (too much) as the system imbalance would not justify implicit reaction.
- each role should contribute in the most logical and optimal manner:
    - It is important that BRPs are incentivized to react sufficiently to large structural system imbalances when the signals are very clear in this sense. However, they should not over-react to small system imbalance.

- BSPs should help the TSO to solve situations with large a system imbalances but are certainly also the most logical market parties to help solving small system imbalances situations through explicit balancing activations (as price signals are not erratic, cfr pay as cleared)

ELIA answer

Elia acknowledges that the formula proposed by FEBEG presents advantages in some market situations. However, according to Elia, this formula also presents limitations:

- Elia repeats its concern that the formula proposed by FEBEG provides the same financial incentives to BRPs whatever the remaining transmission capacity on the borders within the wide uncongested area, hence possibly leading to uncontrolled cross-border implicit reaction which could cause real-time congestions when the residual transmission capacity is limited. This is a major difference compared to BSPs activating the balancing energy bids selected by the Activation Optimization Function of the European platforms, which properly take the available transmission capacity into account in their algorithm.
- Elia does not believe that the formula proposed by FEBEG always reflects how severe the Belgian imbalance will be, hence allowing to avoid over-reaction to small system imbalances. If the Belgian system is partly long and partly short during the ISP, resulting in a very limited system imbalance over the ISP, while the rest of the uncongested area remains structurally very short during the whole ISP, hence leading to a potentially very high CBMP for each optimization cycle, then the Belgian Imbalance Price would be equal to this potentially extreme CBMP, whatever the severity of the Belgian System Imbalance.

  Elia however agrees with FEBEG that BSPs are the most logical market parties to help solving small system imbalances situations and that (strong) implicit reaction should hence not be incentivized in such situations. This is precisely the reason why Elia suggests to moderate the incentive to react implicitly (by using a price signal which does not encourage BRPs to deviate from their program) when the Belgian System Imbalance is small, by introducing the concept of "dead band", as further explained in section 4.10.2.

Elia therefore suggests to complement the formula proposed by FEBEG with some new elements that aim at overcoming these limitations, as further explained in section 4.10.2

4.10.2. Use of all Optimization Cycles

FEBEG feedback

- All optimization cycles should be accounted for, as this gives the most complete information to the market on the need for an implicit reaction.
- By using only a part of the optimisation cycles, no distinction is made between an ISP in which all optimisation cycles are in the same direction, and an ISP in which both long and short positions are more balanced. By integrating all of the optimisation cycles in the formula it becomes more clear when a (strong) implicit reaction is useful, and when it is not.
- FEBEG considers that (i) - … - and (ii) excluding some Optimization cycles of ISP will bring extreme Imbalance Price that is decorrelated from the CBMP.
- [...] the formula [FEBEG formula] includes all optimisation cycles within a QH and each optimisation cycle is weighted by the local aFRR satisfied demand. It hence reflects the physical reality of the balancing needs in the uncongested area while putting a weight based on the real Belgian needs.

ELIA answer

Elia would like to remind that its proposal to take only a part of the optimization cycles into account represents a straight continuation of the current way to calculate the aFRR component of the MIP/MDP, which has never been questioned so far.

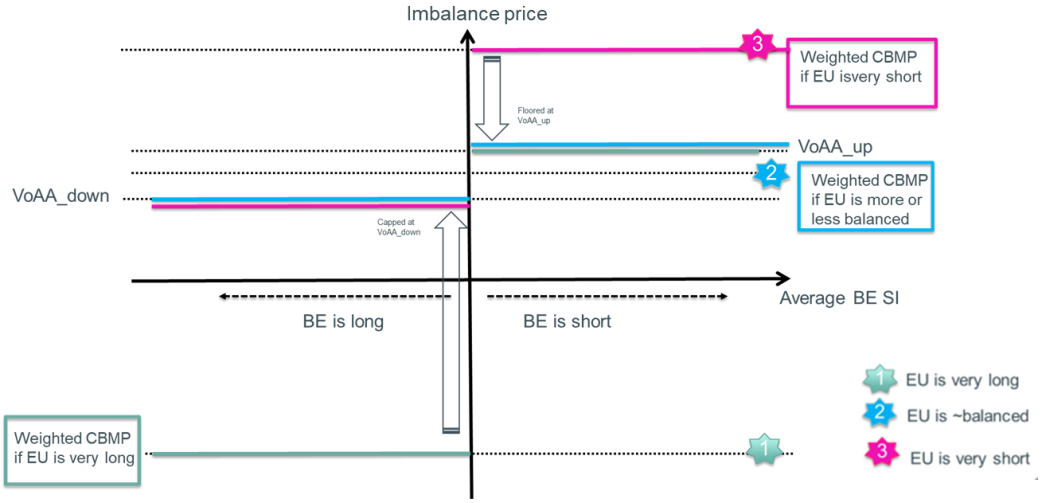
Elia however acknowledges that - in a context where the CBMP does not reflect the local situation, and can hence be potentially high while the average Belgian System Imbalance over the ISP is limited - integrating all the optimisation cycles in the formula can help moderate the potentially strong price signals for ISPs where the SI changes directions.

More generally, Elia recognizes the benefits of the formula proposed by FEBEG: associating the CBMP to all the optimization cycles generally provides incentives to BRPs to optimize the EU dispatch. Elia however identifies two important drawbacks in FEBEG's proposal:

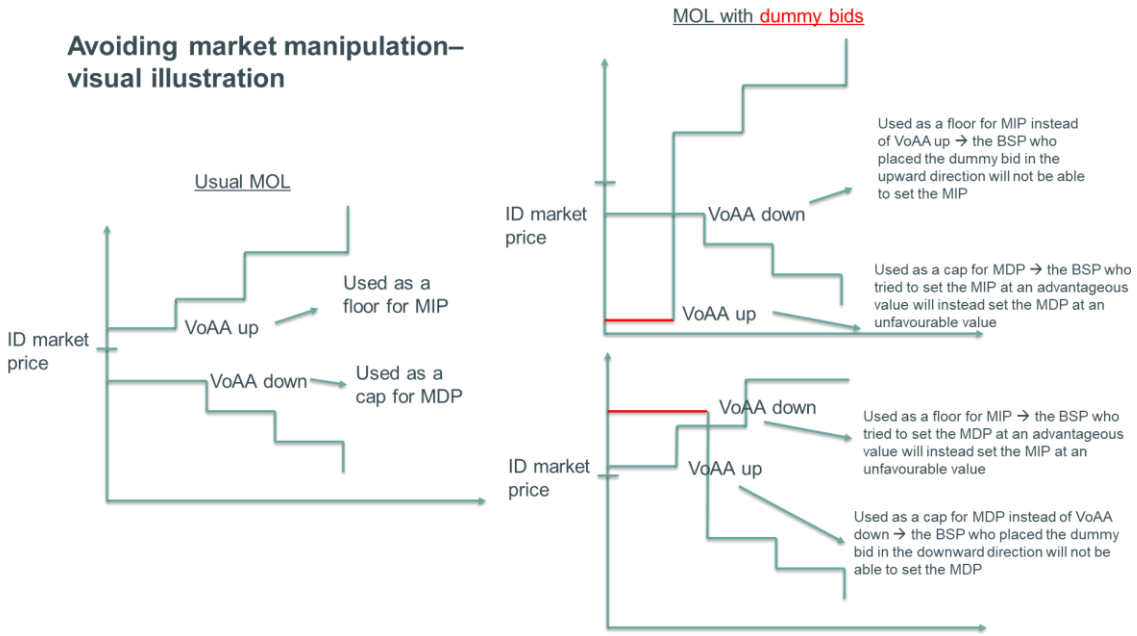
- First of all, the price signal resulting from FEBEG's formula provides, in some situations, incentives to BRPs to aggravate the Belgian System Imbalance in an uncontrolled way (i.e. without taking the residual transmission capacity or the reserves locally available into account). As explained before, the resulting uncontrolled implicit reaction could jeopardize grid security and cause additional balancing capacity reservation costs for the Belgian consumer, which is not acceptable for Elia, as TSO.
- Besides, the formula proposed by FEBEG does not succeed in moderating the Belgian Imbalance Price when the Belgian system is close to be balanced: if the CBMP remains unchanged over the whole ISP, this CBMP would be used as Belgian Imbalance Price whatever the situation of the Belgian system over the ISP (structurally long positions, structurally short positions, both long and short positions that are more or less balanced over the ISP, etc.).

Elia therefore agrees to use the formula proposed by FEBEG to build the aFRR component of the Imbalance Price, provided that the two following elements are added to the determination of the imbalance price to overcome the two drawbacks outlined for FEBEG's proposal:

- First of all, Elia suggests to introduce a cap (resp. a floor) to FEBEG's formula to ensure that the resulting price signal never incentivizes the BRPs to aggravate the Belgian System Imbalance. More concretely, if the price resulting from FEBEG's formula (over the whole ISP) is higher (resp. lower) than the minimum (resp. maximum) between the VoAA in the upward direction and the VoAA in the downward direction when Belgian System Imbalance is positive (resp. negative), then the price signal is capped (resp. floored) at this value. These cap and floor aim at preventing uncontrolled implicit reaction that could jeopardize grid security, while ensuring that the price signal provided to Belgian BRPs is moderate when cheaper flexibility can be imported from abroad. In practice, these cap and floor will not be applied directly on the aFRR component but it will instead be applied to the marginal decremental and incremental prices which are built based on both the aFRR and the mFRR components of the Imbalance Price, as illustrated in the formulas at the end of this section. This allows to make the approach for the determination of the marginal incremental and decremental prices much more robust for future evolutions of the Imbalance Price in the context of the connection to MARI.



Note that the value of the cap (resp. floor) is set by the minimum (resp. maximum) of the VoAA in both upward and downward directions in order to discourage any tentative of market manipulation by a BSP/BRP that would set dummy bids to influence the VoAA, and hence, in some situations, the Belgian Imbalance Price. In a well-functioning market, the VoAA in the upward direction should logically be higher than the VoAA in the downward direction. In this case, the minimum (resp. maximum) of both Values of Avoided Activation is always equal to the VoAA down (resp. up). However, if a BSP offers 1MW aFRR in the upward (resp. downward) direction at an artificially low (resp. high) price, in order to decrease (resp. increase) the VoAA up (resp. down) and hence decrease (resp. increase) the cost (resp. remuneration) for BRPs that don't help the Belgian system, then the VoAA up becomes lower than the VoAA down. In this case, the cap (resp. floor) applied on FEBEG's formula when the Belgian system is long (resp. short) is equal to the VoAA up (resp. down). A BSP who would try to increase (resp. decrease) the remuneration (resp. the cost) of BRPs that don't help the system by artificially increasing (resp. decreasing) the VoAA down (resp. up) would actually generate the exact opposite effect, hence discouraging such a market manipulation.



- Secondly, Elia proposes to introduce a "dead band" for Belgian System Imbalances between -25 MW and +25MW. When the Belgian System Imbalance belongs to this dead band, the Imbalance Price is always set

to VoAA (down or up depending on the direction of the system) whatever the price resulting from FEBEG's formula for the ISP. This dead band allows better reflecting the severity of the Belgian System Imbalance: when the Belgian system is well-balanced and hence no strong implicit reaction is needed, then the signal provided by the Imbalance Price is 'neutral' (it does not provide any incentive to implicitly react). According to Elia, this "dead band" presents several advantages :

- It ensures that the Imbalance Price is never very punitive when Belgian BRPs correctly made their job to balance the Belgian system;
- It stabilizes the price signal when the system is close to be balanced (the price signal could otherwise oscillate between a potentially extreme value and the VoAA depending on the direction of the average System Imbalance over the ISP, which, in case the system is close to be balanced, cannot be predicted before the end of the quarter-hour);
- it decreases the risk of important System Imbalance oscillations that could otherwise occur due to over-reaction of BRPs to potentially extreme price signals while the system is close to be balanced.

Elia believes the dead band width should be calibrated according to the following criteria:

- it should reflect the range of SIs for which significant implicit reactions from BRPs is not useful;
- SIs for which mFRR bids are usually activated (according to the activation strategy) should not belong to the dead band (in order to give BRPs the chance to occasion to react implicitly before activating – large volume of – mFRR);

Considering the current implicit reaction experienced in BE and the current activation strategy, a dead band of 100MW width (i.e. [-50;+50] MW) could be considered, according to Elia. However, such a dead band width was questioned by some market parties and it represents a large part (~30%) of the SIs in Belgium, according to the distribution of SIs in 2021. Elia is therefore willing to suggest following a careful and progressive approach and to start with a dead band width of 50 MW (i.e. SIs belonging to the [-25;+25] MW range), while foreseeing a monitoring of this dead band and evaluation moments that could lead to an adaptation of the dead band width in a future revision of the balancing rules.

With these two adaptations, the final formulas for the calculation of the aFRR component of the Imbalance Price, that Elia submitted for approval to the CREG, are the following ones:

Determination of the MIP:

- max(VoAA up, VoAA down) when the BE average SI over the ISP belongs to the dead band
- max (max(VoAA up, VoAA down), $\frac{\sum_{oc\ j=qh}(abs(aFRR\ SD_{oc,j})*CBMP_{oc,j})}{\sum_{oc_{j=qh}}(abs(aFRR\ SD_{oc,j}))}$, $LMP_{pos,\ mFRR}$) when the BE average SI over the ISP is outside the dead band

Determination of the MDP:

- min(VoAA up, VoAA down) when the BE average SI over the ISP belongs to the dead band
- min (min(VoAA up, VoAA down), $\frac{\sum_{oc\ j=qh}(abs(aFRR\ SD_{oc,j})*CBMP_{oc,j})}{\sum_{oc_{j=qh}}(abs(aFRR\ SD_{oc,j}))}$, $LMP_{neg,\ mFRR}$) when the BE average SI over the ISP is outside the dead band

This final proposal was presented during the Workgroup Balancing of May 5th 2022, and was supported by a.o. the market parties who had provided an answer to the public consultation (Febeg and Febeliec) and who consider the final proposal as the best possible compromise we could reach. Besides, it was agreed, during this Workgroup

Balancing meeting, that this last proposal would not need to be publically consulted before submission to the CREG. The reaction of the market parties will be included in the minutes of this meeting.

4.10.3. Use of CBMP instead of VoAA

FEBEG feedback

- The use of the VoAA is not giving the right signal – as it gives, in combination with implicit balancing, the incentive to de-optimise the found EU optimum (in the non-congested zone).
- VoAA is no longer included as we think it does not give the right signal to find an optimum from a social welfare point of view. It would deviate from the global optimum which is much sought after as EU integration does materialize on all timeframes.

ELIA answer

Elia reminds that, in the consulted version of the balancing rules, it only proposed to use the VoAA when Elia demand is netted. In a sufficiently liquid balancing market, the VoAA should be a good proxy of the price at the end of the Intraday market. The price signal provided by the VoAA should therefore be neutral and should not provide any incentive to Belgian market parties to deviate from their program. In that respect, Elia does not understand how such a signal could “de-optimise the found EU optimum” since this situation is very similar to a situation where the BRPs do not have the right to deviate from their program close to real-time, i.e. situations that occur in all the countries that do not allow or encourage reactive balancing. Elia would therefore be interested to understand to which "found EU optimum" FEBEG is referring to since there is no EU optimization that takes into account reactive balancing.

This reasoning is even more valid in Elia's final proposal where the VoAA is not associated to specific optimization cycles but is only used as cap or floor when the price resulting from FEBEG's formula over the whole ISP would otherwise provide incentives to Belgian BRPs to aggravate the Belgian System Imbalance. The aim of the cap or floor at VoAA is to rather provide an incentive to Belgian BRPs to not deviate from their program in this case. In Elia's last proposal Belgian BRPs are either incentivized to help both the Belgian and European uncongested systems or, when the flexibility available abroad in the uncongested area is cheaper than the locally available means (e.g. when Belgian System Imbalance is efficiently netted), then the Belgian BRPs are incentivized to keep their position and benefit from this cheaper flexibility (provided that no alpha applies, as discussed in section 4.3).

FEBEG feedback

We are convinced that the imbalance settlement price set by the CBMP gives the correct incentives to BRPs to stay balanced.

ELIA answer

Elia does not understand how a CBMP reflecting the situation of the European uncongested area could incentivise the BRPs to stay balanced. If the uncongested area is very long, leading to negative CBMP, a Belgian BRP would have strong financial incentives to become short instead of remaining balanced. Elia does not believe that the legal real-time balance obligation of BRPs currently described in the Belgian T&C BRPs would be sufficient to prevent Belgian BRPs to become short in this situation.

FEBEG feedback

This [Imbalance Price set by the CBMP] in combination with full transparency on the status of the (local & global) system, will result in BRPs efficiently helping the system.

ELIA answer

Elia supposes that Febeg refers to the European uncongested area and not to the local system. As explained in section 4.2, aside from the fact that helping the European uncongested area, at the expense of the Belgian system,

would not be consistent with the ISH methodology, Elia raises serious doubts with regard to the ability of the BRPs to efficiently and safely help the European uncongested area only based on a CBMP signal and on the status of the local & global systems.

FEBEG feedback

It uses the CBMP for each OC, this time again putting a weight based on the local aFRR satisfied demand.

ELIA answer

ELIA answer

Elia would like to remind that Article 9 of the ISH methodology imposes the use of VoAA as lower (resp. upper) bound for the imbalance price for negative (resp. positive) imbalance in case the Belgian system imbalance is fully netted over the ISP. The proposed formula, using the CBMP for each OC, violates this legal obligation. This violation is however solved when the result of FEBEG's formula is capped or floored at the VoAA as proposed by Elia in section 4.10.2.

4.10.4. Direction factor

FEBEG feedback

FEBEG considers that (i) including a direction factor and (ii) - … - will bring extreme Imbalance Price that is decorrelated from the CBMP.

ELIA answer

It is not clear how including a direction factor could bring extreme Imbalance Price since the price signal that was associated, in the consulted proposal, to the optimization cycles with a direction factor equals to 0 is the VoAA which, by definition, is the first bid of the local merit order lists and should hence not be "extreme".

4.10.5. Intervention in price formation

FEBEG feedback

We are convinced of the fact that we do not need a “designed” price signal, in fact, we are in principle strongly opposed a future where such interventions risk to become a “common practice”.

ELIA answer

Elia does not see how the imbalance price signal can be “not designed” in a context where there are up to 225 CBMPs (and up to 230 CBMPs when joining MARI) applicable for one single ISP. The way these 230 price signals are integrated (or not) in the imbalance price, while respecting the spirit and boundary conditions of the ISH methodology, requires, as such, some design principles. These principles must of course be elaborated together with market parties and full transparency shall always be respected.

FEBEG feedback

FEBEG is worried by the trend of past years to move away from the real-time value of energy. Next to the above two proposed measures, one can think about alpha component, scarcity component, etc. We consider that it is more efficient, more market-based and more transparent to avoid artificial interventions into the balancing prices and instead allow the market to properly function.

ELIA answer

Elia would like to remind that it has the mission as a TSO to balance and coordinate the grid with a view to guaranteeing secure grid operations. Providing to BRPs a price signal which encourages uncontrolled cross-border implicit reactions, or which tolerates/fosters system imbalances that are larger than the reserves that are locally available, could jeopardize grid security, as explained in section 4.2. Elia is convinced that financial incentives are the main drivers for BRP behaviour and does not believe that any legal obligation to balance or help the local

power system would be sufficient as such to prevent undesired BRP behaviour when the financial incentives are not aligned with this legal obligation (the situation in Germany, and more specifically the important real-time shortages faced by the German TSOs in June 2019 when the German Imbalance Price was lower than German Intraday price, indeed demonstrates the importance to align financial incentives with legal and contractual obligations).

FEBEG feedback

FEBEG wishes to share it concerns that if local TSOs intervene (a lot) in the definition of the imbalance price, we risk to deviate (a lot) from an overall optimum. Indeed, we are convinced that market participants should (and will) adapt to this new EU-interconnected power system and that TSO interventions are very last resort actions to take whenever a country is concretely facing issues with a market design. If such a statement is not backed by evidence or a decent CBA, we see no reasons to deviate from a fully market-based Imbalance price.

The imbalance price should be fully market based, relying only on balancing energy bids effectively activated by the TSOs / the PICASSO platform.

ELIA answer

It is not clear for Elia what is meant by "fully market-based Imbalance price", nor to which market Febeg refers. According to EBGL and its implementing methodologies, BSPs participate to a European market on which TSOs optimally purchase balancing services, while BRPs balance their position or help the local system and are exposed to an incentivising imbalance tariff. Elia's proposal is fully in line with these principles.

FEBEG feedback

Avoiding overly complex and regulated markets (where rules – once implemented - are also constantly evolving) is essential to reduce (to the extent possible) the high entry barriers and to increase the attractiveness and liquidity of the market.

ELIA answer

Elia believes that designing an imbalance price properly reflecting the desired BRP reaction to balance the system is essential to reduce the entry barriers FEBEG is referring to. It would indeed mean that the BRPs only have one price signal to consider in the calibration of their implicit reaction. Otherwise, the BRPs would have to look at many different data and develop very elaborated algorithms to anticipate the evolution of the imbalance price, as explained in section 4.2.

5. Transparency & monitoring

FEBELIEC feedback

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.

ELIA answer

Elia reminds that Title 6 (Reporting and monitoring) of the Balancing Rules only concerns the recurrent reports that are sent to the CREG. Those reports have a standardized format, which allows comparisons across months and years and provides the general trends in the market.

Should it appear that additional statistics would provide valuable insights, Elia will discuss this with the CREG and adapt the regular reports and the balancing rules accordingly.

Next to this recurrent reporting to the CREG, ad hoc more detailed monitoring will be foreseen (f.i. regarding the components of the imbalance prices) even if not described in the Balancing Rules.

FEBELIEC feedback

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.

ELIA answer

Elia considers BRP-specific information as confidential. It is not Elia's role to communicate this kind of information to other parties.

FEBELIEC feedback

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.

ELIA answer

With the connection to PICASSO, data with a 4 seconds granularity will be published on the ENTSO-E Transparency Platform. This will be the case for the CBMP and for the imported and exported aFRR volumes for each TSO. Considering the very high amount of data and its availability on the ENTSO-E Transparency Platform, it has been decided not to copy all this data on each individual TSO website. Elia proposes to add on its website the relevant links to the ENTSO-E Transparency Platform.

FEBEG feedback

FEBEG has appreciated a lot the efforts made by Elia over the past years to publish as many data as possible. We wish to clarify that the transition to European balancing platform should not impact the quality of the publications in general. To the contrary, FEBEG expects that aFRR satisfied demand, aFRR energy bids of PICASSO and aFRR needs (as well as netting) will be published for the entire PICASSO participants (and not limited to Belgium) along with the available CZCs. This information is absolutely key to allow BSPs to have a good understanding of the market and its dynamics. They are also key to allow BRPs to react implicitly and help the system while relying also the published data.

ELIA answer

Elia refers to its presentation during the WG balancing of the 8th of December 2021 listing the impact of the PICASSO platform on what will be published on the ENTSO-E Transparency platform.

In general, the go-live of the aFRR Platform will lead to additional publications, which are indeed necessary to understand the market functioning.

It's to be observed that the available CZCs published are the CZCs before optimizations by European Platforms, as it is the case today with IGCC.

FEBEG feedback

- With regards to the balancing price readability (which is a pre-requisite for a well-functioning electricity market, including implicit reaction), rather than to oversimplify it (and by consequence moving away from the EU target

model), it is better to ensure that data transparency is of the highest quality as just explained hereabove. BRPs and BSPs that have a slightly different view on the system allows the market to function. One oversimplified signal will have an important additional risk, which is the "systemic" risk (when everybody in the market has exactly the same view, and this is not 100% the correct view, the total system will collapse – this risk is a commonly understood issue in financial markets for example).

- Indeed, it is fundamental that BRPs can take informed decisions when helping to balance the system, considering system imbalance volume and balancing energy prices.

ELIA answer

- Elia agrees it is important to have high quality data publications.
- The aFRR Platform increases the complexity of the imbalance price formation, as also noted by the CREG in its decision (B)658E/77 on the revision of the alpha:
    - In the current situation, there is a strong correlation between the Belgian demand and the activated bids. In addition, the paid-as-bid principle mitigates the impact when bids at the end of the merit-order are activated.
    - When joining the aFRR Platform, the CBMP will be used to calculate the imbalance price. The CBMP depends not only on the Belgian demand and on the Belgian merit-order, but also (mostly) on the demands and merit-orders of the other TSOs of the uncongested area. In addition, the uncongested area can change every (4 seconds) optimization cycle, depending on the demand of each TSO, changes in the ATCs, MARI activations, etc.
- In order to mitigate the impact of the aFRR platform on the imbalance price readability/predictability, Elia suggests to adapt the calculation of the imbalance price, as explained in section 4.10.2.