

Febeliec answer to the CREG public consultation (PRD)658E/68 on the proposal of decision concerning the objectives for Elia in 2021 in the framework of the discretionary incentives of the CREG

Febeliec would like to thank the CREG for this public consultation (PRD)658E/68 on the proposal of decision concerning the objectives for Elia in 2021 in the framework of the discretionary incentives of the CREG.

Concerning incentive schemes for Elia, Febeliec would like to reiterate its position that in principle it is not in favour of such schemes, but that from a pragmatic point of view and in light of the results of the previous years, it can accept such incentive schemes insofar the goals are clearly measurable, have as goal to increase the efficiency and reduce the total system costs, and do not fall under the normal day-to-day activities of the TSO. Moreover, for Febeliec it is very important that under any such incentive schemes the CREG is very strict in controlling that the objectives are completely attained within the requested timeframe. Concerning this latter point, Febeliec would like to draw the attention of the CREG towards the issue that could arise when Elia does not reach the objective within the required timeframe. This could lead to a situation where Elia does not provide any attention anymore to the objective, as the incentive would in any case be unattainable. Febeliec wonders whether CREG has considered this and has a solution in place in case this situation occurs, in order to avoid that certain objectives that were selected but not attained in time would not be attained at all.

Moreover, Febeliec would like to ask CREG to publish a clear report on the incentive schemes of the previous year(s), showing to which extent Elia has reached its objectives and which incentives were awarded, as such transparency would help stakeholders to get a better view on the past evolutions, but also on which objectives should be included in following years.

Concerning the incentives for 2021, Febeliec as a general comment regrets that all proposed objectives only involve studies, and that no concrete tangible objectives are taken into account that would more directly benefit the grid users. On the proposed objectives, Febeliec has following comments:

1. On the first objective on the elaboration of a framework for the development of scenarios for prospective studies by Elia, in collaboration with stakeholders, Febeliec is not in favour to such an objective, as it is of the impression that Elia should already have followed such approach, without an additional financial bonus, and, moreover, because of it being an essential part of Elia's legal obligations in the framework of adequacy studies (and yet according to Febeliec not part of the regulated core business of Elia as a TSO). Moreover, Febeliec misses an important and very worrisome element in the proposed objective related to the governance framework. While it is clear that the CREG will verify whether Elia has attained its objective relative to the proposed milestones, it is very unclear what the governance structure will be for decisions on the framework itself, as in most/all cases the formal governance on the selection of scenarios refers to European or Belgian legal or regulatory decisions (e.g. Minister or regulators). As such it is for Febeliec unclear what would be the status of such framework as proposed by Elia and in particular why an incentive should be given. In case the proposed objective would be retained, Febeliec strongly asks CREG to further elaborate on the governance structure related to the outcome of the subject of this objective. Febeliec also notices that the objective states that the scenarios and public consultation will be updated yearly, yet it is unclear how an incentive in 2021 will guarantee this in future years, unless CREG is planning to include such incentive every year or include it in its over-arching general tariff methodology. However, Febeliec strongly suggests to replace the proposed objective by another objective, also related to adequacy assessments, yet with a more tangible result, which would also reduce the concern that these discretionary incentives only lead to additional study work. Febeliec is and has been for many years surprised that for many of Elia's adequacy assessments, it does not have a concise database with an overview of all the available flexibility (generation, demand response and storage) in Belgium to produce a bottom-up analysis for its studies, but rather uses top-down (system based) based government reports (e.g. NECP, Energy Pact) without much quantitative underlying data and an often unclear methodology for the determination of the data. As these top-down reports function as a blackbox and do not allow for easy recalibration nor give much transparency, Febeliec suggest that Elia develops a methodology and database to conduct such analyses bottom-up (and market-based), in order to provide better insights and allow to update the relevant data over time. This information on flexibility in the Belgian system

- should also be made publicly available, with frequent updates, in order to not only allow a good view of flexibility in the system but also make visible to all market actors, in particular BRPs, how much flexibility is already available and could be contracted, while also giving a signal towards investing in additional flexibility by them in order to avoid that they would end up with non-balanced portfolios, which would be detrimental to the system as Elia is only required to cover residual imbalances. In case all BRPs would acquire the right volume of flexibility for their portfolio, it should be clear that no adequacy issues would exist in the Belgian system. It could even be additionally very interesting to publish data per BRP, to clearly indicate if and which BRPs would not be able to cover their obligation of balanced positions, thus giving valuable information to the market (e.g. with smart meter roll-out, it could in the near future be possible in case of adequacy concerns to only selectively curtail consumers of BRPs/suppliers who are not balanced, thus creating a clear incentive for BRPs to either be balanced or adapt their contractual framework with their to allow for such curtailment and thus letting markets function with a differentiation in offered contracts).
2. On the second objective related to the prediction of the system imbalance, Febeliec wonders in general for this objective merits a discretionary incentive by the CREG, as it is already also covered (partially) under other incentives. Febeliec also has a question related to the treatment of the €100.000 difference in the incentive itself in case the second part of the project corresponds with the model that will be developed in the framework of the research and development plan of Elia. Will this amount then be withheld or will it be redistributed over the other objectives?
 3. On the third objective regarding the analysis on the necessary requirements for the development of a technology-neutral framework for the use of units with limited coordinability, Febeliec is pleased that this is included as an objective as technology-neutrality in all Elia products is essential. However, Febeliec regrets that the objective only entails the analysis itself, without the development of a clear implementation plan as it is clear to Febeliec that while maybe the practical elements for such product are in the scope of this analysis, the implementation of it is a clear requirement (unless technology neutrality would not be considered essential for Elia products) and thus including a roadmap for the implementation could speed up the process to ensure technology neutrality. Febeliec also could wonder whether such analysis should be covered under an incentive scheme or should rather be done by default, yet pragmatically supports this objective as it can only help in creating a level playing field for all flexibility. While the amount of €350.000 for this incentive is quite substantial and taking into account the previous comment, Febeliec is of the impression that the elaboration of an ambitious implementation roadmap should be part of the objective.
 4. On the fourth objective of the revision of (current and future) baseline methodologies, Febeliec has no comments, but asks CREG to elaborate on the governance towards potential decisions on modifications of existing or introduction of new baselines in light of this objective.
 5. On the fifth objective on the analysis and the modernisation of schemes that allow the designation of multiple BRPs per access point, Febeliec has no particular comments, yet asks that the particular situation of CDSs is closely investigated from the start, as it is essential that any solution also tailors to those situations.
 6. On the sixth objective on the determination of a method for the daily prediction of the volume of non-contracted aFRR and mFRR balancing bids available in the Elia LFC block, Febeliec reiterates its comment on the question whether this is not part of the core tasks of a TSO and whether this should thus be covered by a discretionary incentive. In any case, if this incentive would be maintained, Febeliec would like to have a guarantee that any positive outcome of this analysis will be duly be taken into account by Elia in its balancing dimension calculations.
 7. For the seventh objective on scarcity pricing, Febeliec wonders on the pertinence of the incentive, as Elia still has to deliver a study this year on scarcity pricing and CREG still has to take a decision on the implementation, a.o. based on the results of the design and parallel runs, after consultation with the stakeholders, while in this incentive CREG seems already to be indicating that it intends to introduce such mechanism in 2022. For Febeliec the ongoing study is still to prove the pertinence of implementing scarcity pricing in the Belgian market, as it is not convinced this will solve the problems it is supposed to solve at the lowest possible cost. Febeliec also wonders on the amount of €500.000, which seems rather substantial for the steps still to be taken by Elia in the framework, as over the previous years already several studies and incentives were given to Elia in the framework of scarcity pricing. Febeliec also thinks that in the sentence above the different milestones, the CREG wrongly refers to the incentive for 2022 instead of 2021.
 8. Febeliec would also like to suggest some additional or alternative incentives that do not only entail studies but provide some more tangible results that benefit the system and consumers. Adding some new objectives might require also a recalibration of the incentives. Next to what was already proposed above, Febeliec can also see

clear value in adding an objective with respect to the maximum simultaneous import capacity in Belgium. With the entry into force of Alegro in 2020, the upgrades in the grid (e.g. the HTLS-upgrades of Elia's backbone) and a wide range of measures in the framework of the minimum 70%minRAM for cross-border capacity under the Clean Energy Package, Febeliec thinks that it would be good for the market to reintroduce the incentive that existed in the past in this domain (albeit with now revised volumes), in order to give Elia an additional incentive to ensure that Belgium is capable of importing without being limited by an external constraint.

9. Febeliec would also see fit to introduce an objective related to the practical impact of a wide range of projects that Elia has been or will be conducting (e.g. Internet of Energy, E-mobility study, scarcity pricing, Transfer of Energy), under which Elia would indicate what has been the added value for grid users and society, for example via a table indicating not only the costs but also the benefits, current and future (similar to a cost-benefit-analysis, but partially ex post and partially with a forward-looking component), as such information would be very interesting and relevant for all on-going and future discussions.