

## Febeliec answer to the Elia consultation on the study on the daily prediction of non-contracted balancing energy bids

Febeliec would like to thank Elia for this consultation on the study on the daily prediction of non-contracted balancing energy bids. Febeliec finds the topic of contracted balancing capacity reserves very important, as the costs for this capacity reservation are paid for by consumers<sup>1</sup>. As such, any analysis looking into the possibility to reduce (or even abolish) balancing capacity reservation is interesting, insofar of course system security remains guaranteed. This study, which looks into the predictability of available non-contracted balancing energy bids for the next day in order to facilitate a dynamic calculation of the balancing means is in this framework a very relevant component.

While Febeliec and its members are no experts in machine learning methodologies, and as such cannot give any additional advice on this specific topic and its components in the analysis, some conclusions of the report are interesting and lead to some general comments. Febeliec for example supports the conclusion that no downward mFRR balancing capacity needs to be procured, as is currently already the case and which the study substantiates further. Concerning the upward mFRR balancing capacity, Febeliec still wonders whether the results could not also be interpreted that at least for certain periods/days no such capacity would need to be contracted, as the data shows that currently already for at least 14% of the time volumes of over 1GW can be found. While Febeliec understands that this might require further analysis, Febeliec insists that such analysis is conducted and the situation monitored as this share could become larger in the future and in any case savings on the related capacity reservation costs could have a non-negligible impact on consumer invoices.

For aFRR, Febeliec understands that based on the (limited) dataset, no conclusion could yet be drawn, but insists that this exercise is conducted again once a sufficiently large dataset is available, as also in aFRR potentially very large future cost efficiencies could be realized. In any case, the study at hand provides the methodological foundation for such analysis and as such future analyses should become less time-consuming as they can build further on the already gained experience.

Febeliec learned from the study that, at least in theory, replacing contracted with non-contracted capacity should not have a negative effect on the operation availability of non-contracted capacity delivered, which is already a significant conclusion on its own. In general, Febeliec would also like to point out that it is important to clean and filter datasets, in order to avoid that specific events, related to specific periods, conditions or balancing changes not (or no longer) relevant for the analysis continue to have an impact on the outcome. The same applies clearly also for future changes, not in the least the introduction of the PICASSO and MARI platforms in the Belgian bidding zone. However, Febeliec regrets that Elia postpones any meaningful conclusions or next steps towards 2023-2024 (and thus implementation even further in the future) because of in particular the introduction of the European platforms (as well as some other changes). While Febeliec understands that these platforms will have an impact, Febeliec wants to point out that nonetheless Elia will continue with other design changes, such as the phase-out of mFRR Flex, and does not consider the impact of the switch to the European platforms to have a significant negative impact on the liquidity of the Belgian system and as such there should also be no negative impact on the scope of this study. Or alternatively, if such negative impact were to be expected, some choices made by Elia which could impact liquidity, a.o. the phase-out of mFRR Flex, could be questionable<sup>2</sup>. Moreover, Febeliec wants to point out that in the recent years, the design of the balancing products has encountered continuous bigger and smaller changes and as such delaying any meaningful conclusions on

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<sup>1</sup> Febeliec also wants to reiterate its position that it considers that (at least part of) these costs should be directly assigned to the BRPs, in order to give them a stronger investment signal in new flexible capacity (or contracting it, which gives an investment signal to other actors) and allow BRPs with better balanced portfolios to benefit from their better performance compared to BRPs who perform less well, in order to give them a positive competitive edge and also alleviate the costs for their consumers, which are now equivalently invoiced for balancing capacity reservation, even if their BRP is not necessarily equally responsible for the need for such capacity reservation.

<sup>2</sup> Febeliec refers here also to answers on other consultations on this topic, in particular the recent consultation on the proposal of Elia to phase-out mFRR Flex.

the prediction of non-contracted balancing means and the impact on contracting of capacity reservation until a few years in the future seems not only long but also wishful thinking as *ceteris paribus* will clearly not apply in the (near) future for balancing products, if ever. Febeliec asks Elia thus to be more ambitious on this point as well as to be more coherent and consistent in its choices in the balancing timeframe.

In general, Febeliec would also like to better understand for Elia intends to forecast the day-ahead market price. Elia mentions this will be done based on a forecast tool available at N-SIDE, but to Febeliec's knowledge such tool and its outcome have not been presented or discussed with the market parties. As the forecast of the day-ahead market price could have an important impact on the outcome of this study and thus on the costs for consumers (as they pay for the balancing capacity reservation), Febeliec would like to have a better view on this tool and the way its inputs are used, as it is to be avoided that the TSO through its sourcing (based on tools and price forecasts) would start to impact market price formation also in other markets than the balancing market and as such would either create self-fulfilling prophecies or undermine its own results.