

Subject: FEBEG comments on ELIA's public consultation on amendment of the T&C BSP aFRR
Date: 18 January 2022

Contact: Jean-François Waignier
Telephone: +32 485 77 92 02
Mail: jean-francois.waignier@febeg.be

FEBEG thanks ELIA for having the opportunity to react ELIA's public consultation on the proposal for amendment of the T&C BSP aFRR¹.
The inputs and suggestions of FEBEG are not confidential.

Context and general comments

The aFRR Capacity Market Design has already been extensively discussed. The resulting design, which is represented in the T&C now under consultation, is a delicate balance between the viewpoints of all different market participants. We appreciate the efforts of Elia to come to a balanced proposal and to take into account, as much as possible, the concerns put forward by the market parties in the various workshops and discussions.

FEBEG will limit the below comments to a few remaining concerns on the T&C, or to elements which have not been discussed (in detail) before. Indeed, for FEBEG there is no need to adapt the current Capacity Market Design as these changes could distort the balance in the current proposal, which would be unfortunate.

Best Effort obligation in case of Congestion Management / Energy bids affected by Red Zones

In the proposed T&C ELIA requests the BSP to make best effort to update their aFRR Energy bids and shift the aFRR obligation to other DPs whenever the BSP's Energy Bids are impacted by a Red Zone. In contrast to the current aFRR T&C ELIA can request the BSP to demonstrate the actions taken. This makes it important to have a mutual understanding of what constitutes "best effort".

As the term is not defined in 'Art. 1.1. Definitions' the common legal interpretation of "best effort" is a heavy obligation. Although for "best effort" a party is not expected to take actions possibly leading to bankruptcy, the term would mean all needs to be done to perform the obligation, even if it incurs substantial costs on the side of the BSP. These substantial costs can arise when, for example, a less efficient and cold CCGT would need to start to take over the aFRR obligation of a DP in a red zone.

¹ https://www.elia.be/en/public-consultation/20211208_public-consultation-on-amendment-of-the-tc-bsp-afrr

From FEBEG's point of view, ELIA has the means to make the aFRR reallocation between two units of a BSP through redispatch. The non-constrained unit can be redispatched by ELIA to an operating level suitable to take over an aFRR obligation. When this is done the BSP can adjust their aFRR Energy bids.

It can't be expected from a BSP having to absorb costs following the reallocation of an aFRR obligation due to a red zone for the following reasons:

- The costs linked to congestion management are to be borne by the TSO (cf above)
- A BSP being placed in a red zone is already suffering income losses due to the impact on the activation revenues
- This expectation would discriminate between BSP's with only one asset and BSP's with multiple assets. The first BSP would face no costs when confronted with a red zone while for the second BSP there can be additional costs
- The above (risk of) costs can't be charged in the capacity auction without impacting the competitive position

Hence FEBEG requests to either:


- Define the term "best effort" in the definitions, **clarifying that it's not expected from the BSP to carry costs**
- Change the term to 'reasonable effort'
- Indicate that redispatching actions that are required to reallocate the reserves, and their related costs, are to be borne by the TSO

Additionally FEBEG would like to remind that the current practice on red zones, which can only impact generation units above 25MW of aFRR, is also discriminatory.

Other dispositions: activation of aFRR services for other purposes

The proposed T&C aFRR would allow ELIA to use aFRR for reasons of redispatching. This is an evolution which could potentially have some negative effects on balancing, furthermore we would like to remind ELIA of the principle that costs of redispatching should be borne by the TSO.

When a DP is delivering aFRR for redispatch the capacity of that bid and the potentially linked bid will become unavailable for balancing purposes. This could mean:

- More expensive bids will have to be activated when there is a need for FRR balancing energy. These additional costs will need to be borne by the BRPs in the form of a higher/lower imbalance price 
- The unavailability of the linked bid can lead to opportunity costs. No activation margins can be captured by the BSP on the linked bid for the duration of the redispatch

Hence both BRPs and BSPs are facing part of the costs of congestion instead of the TSO.

Additionally this raises questions on the dimensioning of FRR reserves. As due to redispatching aFRR energy bids are unavailable, it reduced the available aFRR below the procured capacity.

Therefore FEBEG requests ELIA to monitor these effects and ensure a maximum transparency. Should these effects be structural and/or considerable ELIA would need to review this approach.

Procedure Following a Forced Outage

Article II.11.11 and II.11.12 mention the proposed procedure to be followed when a BSP is confronted with a Forced Outage of one of their aFRR DP's. It requests communication of the forced outage through two different channels: through an update of the affected Energy Bids and through the use of an email template.

The moment of a Forced Outage of a major unit is a hectic and heavily charged moment in which the dispatching teams have many priorities including legal obligations such as REMIT communications which also includes communication toward the TSO.

Hence the requirement to communicate to ELIA on aFRR through two additional channels seems redundant and an inefficient use of time at a moment where time is scarce. Especially considering that updating energy bids is mostly done manually and is to be done on a platform which is known to have performance issues (BMAP).

Hence FEBEG asks to ELIA to review the communication requirements of Forced Outages. FEBEG suggests ELIA to list which already existing communication procedures (REMIT, OPA/SA) would exempt the BSP from mentioned aFRR forced outage communication requirements.

Gate closing of 5min

ELIA allows BSPs to adjust their aFRR energy bids under certain circumstances up to 5minutes before the start of delivery period. However ELIA does not guarantee that this change will be taken into account. Should a delivery point which is included in a non-contracted aFRR Energy Bid have a technical malfunction, the unit might still be activated by the PICASSO platform even if it was announced as unavailable 5 minutes before the start of the delivery period. To FEBEG, ELIA should be able to avoid aFRR activations on non-contracted bids which have been updated 5min before the delivery – this is similar to the discussions held on the activation of non-contracted mFRR bids in the context of the MARI platform in which FEBEG has the same remark.

Review of the penalties for aFRR activation control

Given that the Belgian aFRR market still depends on gas-fired power plants, capacity premiums are bound to be high on days with high feed-in from renewable generation. These capacity premiums reflect similarly high costs on the market-participant side and can be even higher in the event of high volatility in generation costs as we have seen under recent market developments.

Gas-fired plants are likely to deliver less and less volume (especially on days with high feed-in from renewable generation) while the must-run costs will remain the same. This also means that the capacity price per MWh is likely to reflect that development. Especially in the case of high feed-in from renewable generation, the remuneration for aFRR Awarded will stay high. However, the risk of deviation for gas-fired plants will increase as well.

Currently, penalties are only calculated considering monthly average deviations and monthly total remunerations. This leads to a discrepancy between the quality of aFRR delivered and the corresponding penalties, due to the following:

- The total remuneration for aFRR Awarded depends on the capacity premiums in the respective months, and will be either high or low depending on external factors.
- If a deviation occurs on a day with a low capacity premium, this can still lead to very high penalties if in the same month days occur with high capacity premiums.
- The penalty risk for gas-fired plants increases and is likely to be factored in by the BSP, thus leading to even higher capacity premiums.
- Gas-fired plants will have a structural disadvantage because even when the priced-in margins are reasonably low, the penalties can become very high.

Due to the complexity of the subject FEBEG does not, at this point in time, propose concrete changes to the T&C aFRR in this regard. Nonetheless, we invite ELIA to review and analyse these findings and associated risks and to find a solution together with market participants.

Definition of « LER » and the EMS

The definition of the “Limited Energy Reservoir” (“LER”) and the requirements ELIA would set forth for the energy management strategy (EMS) will be of considerable importance for having a reliable and qualitative aFRR Energy Delivery.

In this section FEBEG would like to point out an inconsistency in the definition of the LER and sketch the context in which the EMS requirements would need to ensure this reliable and qualitative aFRR energy delivery.

The proposed definition of the Limited Energy Reservoir seems not consistent with the definition of the term used in the T&C of FCR:

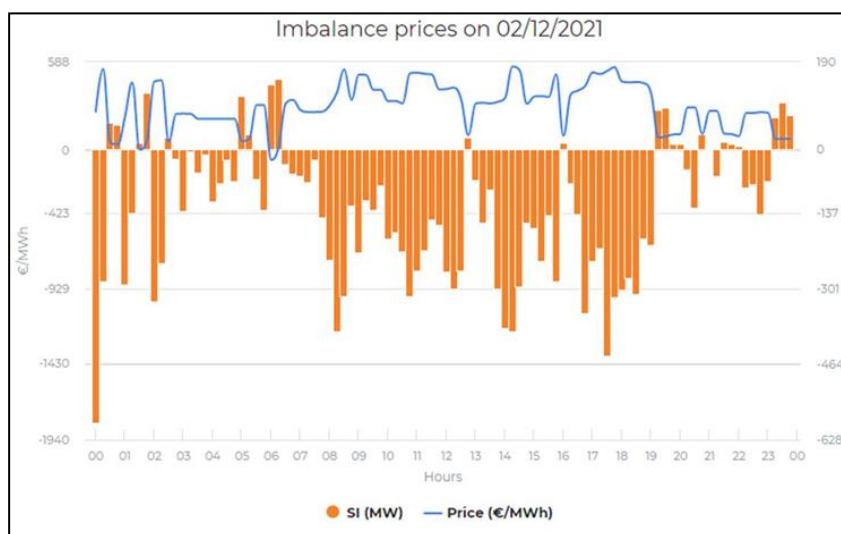
- For aFRR a LER is any Delivery Point with a Technical Unit which is unable to continuously supply one direction for 4 hours (one CCTU) when starting from a 50% filled energy reservoir.
- For FCR this is any delivery point that could face an exhaustion of its energy reservoir within the time frame contracted by ELIA and taking into account the effective energy reservoir level available at the beginning of that timeframe.

To FEBEG the reasoning behind the aFRR LER definition is unclear.

Together with the definition of a LER, good requirements for an Energy Management Strategy or EMS will need to ensure a reliable and qualitative aFRR Energy delivery today and in the future, which is of the responsibility of ELIA.

FEBEG would however like to sketch the context within which the approved EMS would need to operate, and for which we ask ELIA to duly consider in its requirements:

- More frequent occurrences of days with very asymmetric system imbalances (see graph below)



- Relaxing of the Day-Ahead balancing obligation
- High interest of market parties to invest in LERs providing aFRR, potentially leading to a considerable participation of LERs in the aFRR capacity product on a short to midterm horizon
- Reduction in mFRR contracted capacity: potentially both less aFRR and mFRR energy which can be delivered
- The stakeholder consultation on the “ALL CE and Nordic TSOs’ result of CBA in accordance with Art. 256(11) of the Commission Regulation (EU) 2017/1485 of 2 August 2017”