centrica
Business Solutions

Combination of Balancing Products & ToE DA/ID

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Contribution of Centrica Business Solutions to the proposal of Elia

November 20th 2022

Executive summary
- **CBS confirms that unlocking the aFRR/mFRR combo is of high interest. This would benefit already today concrete cases live in the market, which can't be combined yet**
- **CBS does not support the modification proposed for the FCR/aFRR combo, as it risks exposing BSP to unjustified penalties in one of the two products, and proposes alternative options**
- **CBS confirms that loosing flexibility during prequalification and bidding of aggregated pools in case of a shift to the European RPU/RPG definitions would lead to either increased administrative costs or a loss of MWs**

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As already expressed to Elia, CBS operates delivery points in FCR an aFRR that could benefit from the aFRR/mFRR combo, and thereby confirms interest in seeing Elia unlock this flexibility.

Under the current regime, CBS needs to choose in which of the two products these delivery points can be allocated for a given quarter hour, and this before GCT. It leads to a lower level of optimization, and to less MWs being offered in one of the two products.

CBS remains at the disposal of Elia and the CREG to provide detailed numbers on the MW potential of this combo measure.

CBS does not support the modification proposed for the FCR/aFRR combo, as it risks exposing BSP to unjustified penalties in one of the two products, and proposes alternative options

CBS supports the principle that the current FCR/aFRR combo framework can be enhanced, in order to reduce the risks for either Elia or the BSPs during the settlement phases, being for activation control or availability tests. However, CBS does not support Elia's proposal, as it risks exposing BSPs to penalties even in case of a delivery within the tolerance standards of the two products.

This risk is partly due to the fact that tolerances for deviation from perfect delivery in the two products do not add up, and Elia taking the incorrect assumption that FCR should be considered as being perfectly delivered (or at least in priority), assigning any error to aFRR delivery. Moreover:

- the "FCR to be supplied" value is a notion that is not always clear during all the FCR activation, as Elia only looks at whether the FCR FAT has been met (allowing for a reasonable amount of non-perfect linear ramping and overshoot);
- the tolerance corridor in FCR is not as clearly defined as in aFRR.

Even without the above-mentioned issues, a BSP delivering FCR in line with FCR standards would still be penalized in aFRR because the deviation to the "FCR to be supplied" value added up to the aFRR error would lead the BSP to move out of the aFRR tolerance corridor. In summary, while the individual product delivery would be accepted by Elia, the combo would not.

CBS therefore cannot support a framework where a BSP would face higher risks of penalties for the same quality of service because of offering it as combo instead of standalone.

Regarding the proposal to move to a FCR declarative baseline, CBS does not oppose but (i) believes it will not remove the risk described above, and (ii) should not close the door to considering more efficient baselines in FCR as well as in aFRR, in particular for non-dedicated assets.

In cases where there would be a breach of tolerance and a penalty would apply, CBS is of the opinion that having Elia decide how to split the penalty between the different products is one order of magnitude less of importance than the previous point. CBS thereby does not object to the TSO establishing priority rules in case the penalty is justified.

As an alternative, CBS asks Elia to reconsider a design that was tabled in 2020, consisting in a virtual split of delivery points combined in FCR and aFRR, in order to treat them as if they were two distinct assets, thereby getting rid of the complexity brought by the combo. CBS remains at the disposal of Elia to re-open this discussion and further investigate the details of its implementation, so an efficient framework can be developed. Interestingly enough, a virtual split could also be a design providing solutions to other issues in other products.

In the case where the virtual split would not be an option for Elia, CBS asks Elia to keep the FCR/aFRR design as such: it is not exempt of flaws but has been in place since the go-live of aFRR, and already effectively allows to perform the combo.

CBS confirms that loosing flexibility during prequalification and bidding of aggregated pools in case of a shift to the European RPU/RPG definitions would lead to either increased administrative costs or a loss of MWs

CBS supports the status quo to maintain the current flexibility BSPs have with regards to prequalification and pool operation.

If moving to RPU/RPG definitions leads to more rigidity, for instance, with an obligation to redo the prequalification every time an asset (even a supporting one) is added or removed from the pool, or with the obligation to only bid pool compositions 100% in line with prequalification ones, CBS does confirm to Elia that this would effectively hamper the operation of the pools and possibly impact the costs or the size of the pools operated.