

**CONSULTATION REPORT**

# **Analysis of the possibility to offer different types of balancing products on DPpg**

**December 23, 2022**



# Content

1.	Introduction .....	3
2.	Answers to the feedback of FEBELIEC .....	3
3.	Answers to the feedback of FEBEG .....	6
4.	Answers to the feedback of Centrica Business Solutions .....	9

## 1. Introduction

Elia launched a public consultation of the stakeholders on the analysis of the possibility to offer different types of balancing products (FCR/aFRR/mFRR) and/or to combine the offer of balancing products and the supply of energy in the DA/ID markets through Transfer of Energy (ToE) at a single DPpg delivery point. In this context, Elia carried out a transversal study to assess the opportunity and feasibility of opening up these combined offers at DPpg points in Belgium, considering the interest of market players in some "combos" in response to the Elia survey.

In addition, the study included a comparison of the concepts of "DPsu" and "DPpg" (as defined in the T&C BSP) with the concepts of "reserve providing unit" and "reserve providing group" as defined in the SOGL.

This consultation aimed to receive any comments from market participants and stakeholders regarding the consulted document. The consultation period was set from October 20<sup>th</sup> to November 20<sup>th</sup>, 2022. Elia received three non-confidential answers to the public consultation:

- **FEBELIEC**
- **FEBEG**
- **Centrica Business Solutions**

All relevant information to this consultation can be found on Elia's webpage ([link](#)). The feedback received during the consultation did result in some modifications of Elia's recommendation for the FCR-aFRR combo as Elia received in the consultation an alternative for this combo (the "virtual split of delivery point") which deserves further analysis before a concrete implementation plan is proposed for this combo. The general implementation plan is added as a new chapter 7 in the final report.

The consultation report is submitted to CREG on December 23, 2022.

## 2. Answers to the feedback of FEBELIEC

- *Febeliec wants to stress with the utmost importance that it is necessary to develop both (in Elia terminology) the "contractual combo" (where a BSP can use the same delivery point to offer different products) and the "combo activation" (where the BSP uses the same delivery point to offer different products during the same validity period), as it is the only way to enable and thus unlock the full potential of demand side response by removing some of the most important remaining entry barriers. Indeed, if a BSP is not allowed to offer different products on the same delivery point, a potentially significant volume of flexibility will not be unlocked, as not all flexibility can reply to the sometimes stringent criteria of a single product and thus capacity remains unused. Moreover, even if different products can be offered on the same delivery point, but not during the same validity period, not only will a part of the flexible capacity remain unused but also will BSPs have to make an ex ante trade-off for which product they will offer for any given delivery period, which could even further reduce the efficiency and effectiveness. As such, Febeliec is adamant that both combos should be developed as soon as possible in order to ensure that the regulatory and product framework are in place to unlock as much as possible the full potential of flexibility in order to allow demand side response to attain its full potential and help in countering the many challenges in the short and longer term that the Belgian system is facing. Febeliec*

*insists that by not developing both combos, Elia would maintain the current chicken-and-egg deadlock and status quo at the detriment of the overall system efficiency and costs. Febeliec wants to stress that the benchmark conducted by Elia clearly indicates that the neighbouring countries allow the contractual combo and even in some cases combo activations (which are also being used).*

First, Elia would like to confirm that the contractual combo (a situation where a BSP can use the same Delivery Point DPpg to offer different products) is already allowed for all products, including the Transfer of Energy in DA/ID markets, provided that the DP is registered in the corresponding contracts in order to offer the services. In reality today, the contractual combo with DPpg is rarely used by market parties except for the contractual combo between FCR and aFRR. Moreover, Elia observed that the contractual combo mFRR with energy supplied to DA/ID markets is not used at all as no DPs have yet been registered for participation to the DA/ID segment with ToE.

Nevertheless, Elia does see potential for combo activations. The assessment of this potential and the study of relevant design changes to unlock it are the purpose of the study.

- *Febeliec understands that allowing for both combos entails further developments and reflections, a.o. on attribution of volumes, yet insists that these elements can be tackled, as can also be observed in the combos that have been implemented in other countries. Febeliec insist that all combos are enabled, as for example a combo activation of FCR and aFRR could bring much needed liquidity in these markets and avoid the ex ante choice on which product to offer for BSPs. The same applies for example also to the combo activation of aFRR and mFRR, which could also bring additional liquidity to these markets. Febeliec insists that at the very least for these combinations an implementation is done.*

Today the combo activation with DPpg is only authorized for the simultaneous activation of FCR services with any products but some improvements have been identified. In order to prioritise efforts and deliver first the new possibilities with the highest value for the market, Elia organised a market survey and a benchmark. Priorities have been identified that correspond to the ones identified by Febeliec, and the focus of the study and implementation plan have been set accordingly.

The FCR-aFRR combo is already allowed and used by some market parties today and, in the context of this study, Elia has identified improvements for this combo. Regarding the proposed improved design for the FCR-aFRR combo, it would require some further reflections as an alternative solution to the FCR-aFRR combo was proposed by a market party and this deserves to be analysed before deciding what solution to implement, and when.

On the other hand, the proposed design for the aFRR-mFRR combo did not raise any questions during consultation and is therefore identified by Elia as a combo to be developed; this combo is part of the implementation plan.

- *Also for the combo of balancing products and the supply of energy to day ahead and/or intraday markets, Febeliec insists that, even though Elia states that “this combo may bring theoretical benefits, its effective usage and economic availability is highly uncertain” (an analysis not supported by Febeliec), it is nevertheless important to develop this option as it has an intrinsic optionality value for consumers. While Febeliec could maybe not oppose the recommendation not to prioritize the implementation of this combo, it insists that the work on the conceptual and regulatory framework should be continued (if not the full operational roll-out of the combo).*

Elia understands that the combo mFRR and DA/ID with ToE could bring benefits in theory and potentially in the future. However, Elia believes it is not opportune to proceed with the implementation of this combo at this point in time considering:

- that the implementation of this combo entails significant complexity; and
- that 1,5 year after the go-live of ToE DA/ID (and despite very high electricity prices) not a single DP has yet been registered for participation to the DA/ID segment with ToE nor are there clear indications of the future use of the combo.

Nevertheless, a design for enabling the combo mFRR and DA/ID with ToE has been elaborated by Elia. As Elia has not received any specific comments related to the proposed design, Elia considers that the proposed design provides a solid basis for an eventual implementation at the moment there are specific indications regarding the effective usage of this combo. Besides, the ongoing development of Exchange of Energy Blocks could open the door to alternative ways for demand response to participate to DA and ID markets while also offering other balancing products on the same DP. Indeed, with the supply split possibility, consumers could appoint a dedicated BRP and supplier for their flexible assets who could directly valorise this flexibility both in the DA and ID markets and in the balancing market.

- *In general, Febeliec also wants to insist that it could be advisable to look into new baselines and baseline methodologies to allow for combos. Febeliec insists that while it is important to ensure a proper delivery of a service, a too strict approach monitoring should not become in itself a barrier towards the development and enabling of demand side response, while solutions such as allocation order over different products could lead to pragmatic improvements.*

In the study, Elia is looking for using new baseline methods which would bring some improvements in the control of the FCR-aFRR combo.

For other products, in the 2021 study on baseline methodologies<sup>1</sup>, Elia considered the possible impact of the choice of baseline methodology on the opportunities to enable combo activations (value stacking). In this study, Elia has concluded that ensuring a proper activation control (allocation of the delivered volume to the different products) requires a coordinated (i.e., cross-product) volume allocation and activation control and cannot be fully resolved by the design/choice of baseline. Indeed, in the design proposed in this study, Elia has proposed a design based on coordinated cross-product volume allocation (e.g., subtracting the volume of aFRR delivered when calculating mFRR supplied in case of the aFRR- mFRR combo).

Elia agrees with Febeliec that unnecessarily complex (or strict) monitoring rules should be avoided to not impede the development (and increase the cost) of liquidity, while on the other hand the proper delivery of the service must be ensured. Elia strives to reach the right balance and to lower entry barriers while not endangering system security and incentivising a good service quality.

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<sup>1</sup> The study is published on the [Elia website](#).

- *Febeliec also insists that listing combo activations as allowed but with limitations (e.g. under the premise of a same BSP for the different products) does not fully reply to the overall question of unlocking the full potential of demand side response.*

Elia takes note of Febeliec's request to enable a combo with multiple FSPs active on a single delivery point.

As indicated in the study, the multiple FSP situation falls outside of the scope of the current study. Indeed, in essence the situation where different FSPs are allowed to offer and activate different services with a same delivery point consists in a combo (like the ones analysed in the present study) with additional constraints and features. Therefore Elia proposed to first analyse in this study how and at what conditions different services can be offered and activated by the same FSP behind a same delivery point and this for the services for which the market had showed interest, before analysing the additional features and conditions (and complexity) that would be necessary to allow the delivery of those services by different FSPs. Besides, Elia wants to refer to the conclusions of the study done in 2019 (See chapter 7 'Multiple FSP activation' in document "20190617\_Final\_study\_ToEDAID.pdf" - [20190617\\_Public-Consultation-Designnote\\_ToEIDDA \(elia.be\)](#)). Specifically:

- There was no unanimity among market parties regarding the advantages and need for the multiple FSP functionality
- Enabling a combo with multiple FSPs involves additional design, implementation and operational complexity (for Elia, the DSOs, the GUs and the FSPs), while no concrete insights have been provided regarding the delivery points and volumes that would benefit from this feature.
- Elia has doubts on whether the FSP lock-in effect would be removed by enabling the multiple FSP functionality as the continuous alignment that would be needed between the GU and the multiple FSPs could rather lead to a strengthening of the commercial conditions imposed by the first FSP active on the Delivery Point.

Nevertheless, Elia foresees to come back to this point in one of the WG Balancing of begin 2023 to remind the main outcomes of the study of 2019, to further explain its conclusions and finally to discuss whether further investigation of the multiple FSP feature would need to be foreseen in the future as a follow up of present study.

### 3. Answers to the feedback of FEBEG

- *FEBEG supports the efforts made by Elia to investigate the potential improvements to facilitate the participation to and delivery of the balancing products. We also appreciate the pragmatic approach to assess the market potential, the appetite of market participants and in which extent some products available to market parties were effectively used in the past<sup>2</sup>.*

Elia takes note of this remark.

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<sup>2</sup> This study indicates that TOE DA/ID was not used by market parties so far. mFRR non-contracted energy bids was not used neither. FEBEG stresses that projects should be prioritized in accordance with the benefits they are expected to bring.

- *On the other hand, we regret that this analysis focuses to a large extent on what could be improved for DPpg while some elements of the current balancing market design could also be improved to the benefits of DPsu and consequently, increase the social welfare. The concepts of DPsu and DPpg should evolve and converge when it comes to the rights and obligations imposed to the delivery points.*

First, today the DPsu have more choices in term of combinability of balancing products as it is possible to offer aFRR and mFRR with the same delivery point DPsu as specified in Annex 9A of the T&C BSP aFRR and in Annex 9A&9B of the T&C BSP mFRR. For delivery point DPpg, this is not possible today. The scope of the incentive is to see how to allow DPpg to use combos. Of course, design improvements of combos for DPpg if relevant, may also be applied to DPsu.

As far as a full convergence of the concepts of DPpg and DPsu is concerned, this is out of scope of this study and Elia invites FEBEG to give this feedback in the ad hoc market design discussions.

While iCAROS phase 2 will indeed extend the scheduling obligation to the power units with a maximum power between 1 and 25 MW and some demand facilities, the form of this obligation still needs to be finalized and discussed with the market parties. The go-live of iCAROS phase 2 will then not necessarily lead to a full convergence of DPsu and DPpg concepts.

- *FEBEG wishes to remind the importance of an effective level-playing field. Each technology should have the same rights and obligations at all times, irrespective of their (artificial) label DPsu or DPpg.*

Elia confirms that the level playing field is always a key element considered by Elia when drafting new evolution of market designs.

In addition, Elia wants to remind that, in all current T&C's, the contractual dispositions aim to be technology neutral. Therefore, Elia confirms that same rights and obligations apply for all type of technologies participating in balancing services.

- *The study indicates that DPpg do not always have the same possibilities than DPsu. FEBEG wishes to remind that DPsu do not always have the same possibilities as DPpg neither.  
For instance, a combo activation aFRR - mFRR can only be performed by DPsu but not DPpg. Similarly, the current market design only allows the aggregation of DPpg but not DPsu on mFRR contracted energy bids. For instance, two DPpg of 25 MW can be aggregated within a pool to deliver contracted mFRR energy bids, while two DPsu of similar size do not have such a possibility.*

In the context of this study, Elia points out that the DPsu have today more possibilities than the DPpg as all combo activations are allowed for DPsu which is not the case for DPpg (i.e only the combinability with FCR product is allowed for DPpg).

The objective of this study was primarily to analyse the conditions to open the combinability of products for DPpg and Elia made design proposals to allow these additional possibilities.

Other differences between DPsu and DPpg were out of the scope of this study and therefore Elia recommends to address the relevant requests in the context of the relevant evolutions of market designs.

- *When it comes to the level playing field, FEBEG wants to make the following remarks.*

*First, FEBEG wants to challenge the relevance of having a DP<sub>su</sub> - DP<sub>pg</sub> differentiation. We regret that the current market design defines a “cut” between DP<sub>pg</sub> and DP<sub>su</sub>, each of them living in its own world. To the contrary, we see advantages of a convergence of those two artificial concepts and hope it will happen very soon. Some benefits would be a simplification of the T&C’s, of the IT systems, a guaranteed level-playing field, an enhanced grid security (through daily schedules of smaller or demand facilities DP’s<sup>3</sup>), etc.*

Elia takes note of this remark and refers to the responses above.

- *Second, if a cut DP<sub>su</sub> - DP<sub>pg</sub> is absolutely necessary, FEBEG believes that iCAROS projects could be a better fit to solve the non-level playing field between DP<sub>su</sub> - DP<sub>pg</sub>. In fact, the market design proposed in the phase 2 of iCAROS will impose obligations to send daily schedules on DP with capacities up to 1 MW as well as demand facilities. In this context of convergence between DP<sub>su</sub> & DP<sub>pg</sub> where many delivery points currently labelled as DP<sub>pg</sub> will become DP<sub>su</sub>, FEBEG believes that iCAROS phase 2 should happen close to phase 1. Next to the large simplification it will bring, it will also be fair as the rights and obligations would be the same for all delivery points irrespective of the technology.*

Elia takes note of this remark and sees that the proposed design evolution of iCAROS phase 2 is positively perceived from FEBEG. Regarding the convergence of DP<sub>su</sub> and DP<sub>pg</sub>’s rights and obligations with iCAROS phase 2, Elia refers to its response above.

As far as the implementation timing of iCAROS phase 2, Elia wants to highlight that it should be looked in the complete portfolio of Elia projects where many different internal and external factors should be taken into account. In this matter, Elia wants to redirect to the Elia communication about the planning of projects given during the Working Group balancing where regular updates are provided.

- *Finally, regarding the potential to move to SOGL concepts of RPU - RPG, we acknowledge that such a move would lead to significant changes of the current T&C’s. This being said, the concept of RPG would bring benefits to the current design as it allows to aggregate Technical units of different connection points. Currently, there are some pure Belgian restrictions associated to the concept of DP<sub>su</sub> where no aggregation of Technical units on different connection points is allowed to deliver mFRR contracted energy bids. FEBEG welcomes the possibility to make such an aggregation in accordance with SOGL guidelines.*

Elia takes note of FEBEG’s confirmation that suppressing the concepts of DP<sub>pg</sub> and DP<sub>su</sub> to exclusively rely on the concepts of RPU and RPG would imply significant changes in T&C’s.

Furthermore, the current concept of Delivery Point offers additional flexibility to the BSPs in terms of prequalification but also in managing their portfolio compared to a model where RPU and RPG would be defined in a static way. The

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<sup>3</sup> This weakness was raised in the consultation regarding the improvement of the quality of input data for the congestion management.



model currently implemented in Belgium in all balancing services removes entry barriers for market actors. Nevertheless, Elia invites FEBEG to continue the discussion on the need for further aggregation of DP<sub>su</sub> in the context of design evolutions of the mFRR product.

## 4. Answers to the feedback of Centrica Business Solutions

- CBS confirms that unlocking the aFRR/mFRR combo is of high interest. This would benefit already today concrete cases live in the market, which that can't be combined yet. 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.*

Elia thanks CBS for confirming the interest of the market for the combo activation between aFRR and mFRR and Elia would revert to CBS for getting more information on the concrete business cases.

- 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.*

Elia understands the remark of CBS on the FCR-aFRR combo but, as indicated in the study, Elia already identified in the report the need to develop a design on the tolerance band. Elia's intent is to further elaborate this point in consultation with the market prior to the implementation phase.

The aim of the design proposal for the FCR-aFRR combo is certainly not to penalise BSPs if they are within the acceptable tolerance bands for each individual product.

As observed by CBS, the current control of services delivery in case of FCR-aFRR combo could be improved. In the context of this study, Elia assessed the possibility to improve the design of controls in case of combo by using, on one hand, a common declarative baseline per DP for the FCR-aFRR combo and the power measurement on this DP and, as applied already by other TSOs of the FCR Cooperation in case of combos, to allocate the volumes delivered primarily to FCR. As a consequence, an underdelivery of FCR and aFRR (together) would result in a discrepancy for aFRR, and possibly FCR in a second time.

- 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.

First, Elia wants to clarify that the step to consider the perfect delivery of FCR would include a tolerance band for that product as well. As explained before, the concept for combining the tolerance bands of FCR and aFRR must be further discussed with market parties before the implementation phase. Moreover, Elia agrees that the tolerance corridor in FCR is not as clearly defined as in aFRR; this is one of the FCR product evolutions foreseen that will be considered when studying the possibility to move to a declarative baseline and continuous monitoring.

- *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.*

As explained above, the proposed design of activation control in case of combo should provide the same result if products would have been considered separately. It is not the goal of Elia to introduce higher risks for BSP in case of combo activations. For Elia, an important element of the control is to ensure that the same quality of services is delivered if only a single product is delivered or both products are delivered simultaneously.

- *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.*

Part of the future evolution of the FCR product, Elia is considering to introduce a declarative FCR baseline similar to the aFRR baseline. On one hand, the use of similar baselines in both products would simplify and harmonize the data information for the BSPs and for Elia, on the other hand, it will improve the monitoring of the combo activations for FCR and aFRR on a DPpg.

Next to that, Elia is certainly open for further discussions on baselines design in the context of the market design improvements but this is out of scope of the present study. Therefore, regarding new FCR baselines, Elia wants to redirect CBS to specific product market design discussions.

- *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.*

Elia takes note of CBS comment regarding the priority rules in case a penalty is justified after underdelivery of one of the products. Priority rules for penalty in case of combo activations of multiple products are already used by some

TSOs in Europe, like the German TSOs. The definition of strict priority rules mitigates the risk for gaming and that a BSP can do an arbitrage between the penalties of two products.

- *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.*

Elia thanks CBS to provide alternative design proposal for the FCR-aFRR combo with the concept of virtual split of delivery points. Elia acknowledges that the alternative proposal of allowing a virtual split of DPs would have some advantages, not only for the activation control of the FCR-aFRR combo but also for other cases, like the Energy Management Strategies for DPs combining for instance aFRR, FCR and/or reactive balancing.

Elia is certainly open to investigate the details of such design (Virtual Split), where still some open questions need to be addressed. Among other things, complexity of implementation should be scrutinized in terms of new exchange of information between Elia and the BSPs and how to control the new 'split' data of a single asset.

- *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.*

Elia takes note of CBS comment requesting the status quo to maintain the flexibility currently offered in Belgian T&C BSP in prequalification and pool management.

Elia considers that removing the pool management based on the concepts of DP<sub>su</sub> and DP<sub>pg</sub> would require an important effort in terms of conceptual discussions, and implementation for both Elia and market parties where the benefit is limited compared to the additional barriers that it would create for BSPs.