CONSULTATION REPORT

Winter plan Balancing: proposed modifications to Elia's LFC Block operational agreement and Elia's methodology to determine the required balancing capacity

September 29, 2023

Content

1. Introduction

Elia consulted on a modification of Elia’s LFC block operational agreement (hereafter referred to as LFCBOA) and Elia’s methodology to determine the balancing capacity in the Elia LFC block (hereafter referred to as LFC Means). These documents specify among others the methodologies and rules for balancing in the Belgian control area and the methodology to calculate the balancing capacity to be procured to cover the reserve capacity needs in the Elia LFC block.

In accordance with article 119(1) of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (SO Regulation), the LFC block operational agreement specifies the dimensioning rules for the "Frequency Restoration Reserves" or "FRR" (also referred to as aFRR and mFRR) and the methods for fulfilling the obligations regarding the balancing of the Belgian control area. Elia has developed a proposal for amendment to introduce, as part of its escalation procedure, a bidding obligation during the first mFRR balancing capacity auction in case of tight market conditions. Elia also takes the opportunity to prepare the update of the full activation time of aFRR to 5 minutes and to introduce a fallback procedure in case of technical problems with Elia’s new dynamic aFRR dimensioning methodology.

The LFC Means specifies, in line with Article 213(1) of the Code of conduct for Electricity of 20 October 2022 established by the CREG and in accordance with article 31(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EB Regulation), the methodology to determine for each balancing service the balancing capacity of aFRR and mFRR to be procured. The proposal for amendment introduces a process which temporarily limits the contribution of reserve sharing in covering the upward mFRR reserve capacity needs during periods with tight market conditions in countries with which Elia has concluded a reserve sharing agreement. During such periods, upward mFRR balancing capacity requirements will therefore be increased with 250 MW.

Subject to the approval by CREG, the adjustments will take effect in line with the implementation plan specified in the proposal. It should be noted that only the proposals for amendment on Elia’s LFC block operational agreement (referred to as LFCBOA) and Elia’s methodology to determine the balancing capacity in the Elia LFC block (also referred to as LFC Means) were subject to consultation. The explanatory notes and the documents with track changes compared to the previous versions, are published for information.

This consultation aimed to receive any comments from market participants and stakeholders regarding the consulted document and the consultation period was set from **August 18, 2023 to September 15, 2023**. In total, Elia received two answers to the public consultation:

- **FEBEG**
- **FEBELIEC**

All relevant information to this consultation can be found on Elia’s webpage (**link**). The feedback received during the consultation did not result in modifications of the proposal.

2. Answers to the feedback of FEBELIEC

- Febeliec would like to thank Elia for this consultation on the LFC Block Operational Agreement (LFCBOA) and the methodology to determine the required balancing capacity. In the framework of these consultations, Febeliec wants to refer to its answers in other balancing consultations as well as the discussions during the numerous workshops on balancing products.

- Febeliec remains very much worried by Elia's proposal regarding procurement of mFRR in case of potential liquidity issues during what Elia considers tight market situations in Belgium, as this will remove additional capacity out of already tight energy markets, capacity which might prove not to have been needed or used by Elia, while exacerbating price and cost increases for consumers. Febeliec insists that these events and Elia's actions are closely monitored and if needed swift modifications are made to ensure that negative spillover effects do not continue to negatively impact costs and wreak havoc on already suffering consumers. Febeliec is mostly concerned because the actions of Elia will have a direct interference with the energy markets and thus regulatory oversight to mitigate avoidable side effects is required. Febeliec also explicitly wants to stress that balancing is the responsibility of the individual BRPs, each for their own perimeters, with Elia only being responsible for the residual imbalances. As such, Febeliec insists that there would be no imbalances at all if each BRP at each moment in time would maintain balance in its portfolio. While Febeliec understands that this is not feasible, and that Elia maintains a role to cover the residual imbalances, it should be clear that any endeavor should be undertaken to ensure that this residual imbalance is as small as possible, as this would make the task of finding sufficient balancing capacity less difficult.

Elia confirms that the proposed measure would result in a shorter merit-order in the day-ahead market, which may lead to higher clearing prices in this market. Nevertheless, Elia considers that this measure is entirely justified by the requirement for Elia to cover its reserve needs and manage system security in line with SO Regulation. Elia also wants to stress that Elia is one of the only TSOs that consider reserve sharing in their dimensioning. This means that most of the time, it addition of bringing great benefits in terms of procurement cost, it allows preserving the day-ahead merit order. So unlike the majority of TSOs, it is only in exceptional circumstances that Elia will not rely on reserve sharing and contract the full reserves as balancing capacity.

Febeliec's request for monitoring and regulatory oversight is covered in the LFC Means proposal on the measure to increase the required balancing capacity with 250 MW : Article 4(7d) "*Elia will yearly report to the CREG on the availability of the shared volumes with neighbouring countries during periods related to a "Critical Grid Situation" for the past period, at the latest one month after March 31*." Elia also refers to the communication plan specified in the proposal and also commits to discuss the occurred events in one of the the Working Group Balancing meetings following the occurrence of the event.

Elia takes note of the position of FEBELIEC on balancing responsibility of BRPs and reminds of FEBELIEC of the different measures proposed and taken by Elia in the past such as publishing forecasts to help BRPs to balance their portfolio, opening the market for the participation of flexibility and provide adequate imbalance price signals to maintain the system balance quality, as well as Elia's proposals in the framework of its consumer-centric market design.

- Febeliec also wants to reiterate its comment on the additional contracting of 250MW mFRR balancing capacity whenever Elia considers tight market situations to occur in any of the neighboring countries and not being able to depend on reserve sharing agreements. Febeliec considers Elia's approach excessively conservative, as it omits taking into account the 350MW of sharing agreements it has with all four electrical neighbors, for a total of 1400MW, and by doing so and contracting 250MW additional capacity on the markets will exacerbate the tight market situations even more as described above, by depleting merit orders with the related potentially very high price (and thus cost) impact for all parties active on these energy markets as well as all those with contracts indexed on the market reference.

Elia refers to the answer given above concerning the impact on the market. On the availability of the 250 MW during tight market conditions, Elia reminds again that the availability of the capacities related to the reserve sharing agreements with neighbouring countries is not guaranteed. Elia reminds that:

- the capacities can be declared unavailable at any time by the service-delivering TSOs, e.g. following the (expected) activation of these reserves by the service-delivering TSO for local reasons;
- the capacities can also be unavailable because of transmission constraints. Indeed, their availability to cover imbalances in the Elia LFC block depends on remaining transmission capacity after the intra-day time frame.

The current contribution of 250 MW in the FRR dimensioning was determined in the LFC Means based on a statistical analysis of historical observations of available transmission capacity (ATC) after the intraday time frame[1].These calculations used a reliability level of only 99.0% and Elia has shown in the WG BALANCING of June 2023, based on an analysis of latest historic data available transmission capacity after intra-day, that no margins currently exist on this capacity.

In addition, it was clarified that the 250 MW sharing contribution mainly relies on Great Britain and France (and is thus less dependent on the availability of Germany and The Netherlands) while adequacy simulations show that tight market conditions are typically occurring as a regional event and the probability of losing availability of the sharing capacity on multiple borders at once is high. It can therefore not be concluded that the availability of the sharing on one border will automatically cover the unavailability of another one during the tight market conditions envisioned.

In addition, it is shown that the availability of ATC after intraday is substantially reduced during tight market conditions. Finally, Elia also highlights the uncertainty related to the outcome of the escalation process on the CORE IDCC methodology (foreseen in 2024) which may impact the future availability of ATC after intraday for import to Belgium in the balancing time frame.

Therefore, Elia disagrees with FEBELIEC that sufficient margins necessarily exist to compensate the loss of capacities on one or more borders trough the availability of sharing agreements on four borders. Elia wants to stress that the regional nature of the considered event, i.e. an adequacy issue in one of the neighboring countries, increases the probability that the capacities on more than one border will be simultaneously declared unavailable.

Elia stresses that it is required to adequately cover reserve capacity needs following system security needs as legal requirements specified in Article 157(4) of the SO Regulation, and to ensure the availability of sufficient reserve capacity

[1] https://www.elia.be/en/public-consultation/20201008-public-consultation-on-a-modification-of-the-methodology

to cover at least the loss of the largest power plant or the loss of the Nemo Link interconnector. Without the 'firm' contribution of the capacities facilitated through sharing, these conditions are not fulfilled anymore. This poses a threat to the system as Elia cannot guarantee to be able to cover the loss of such large power plant or HVDC-cable during these periods of shortages in neighboring countries. Indeed, the likelihood to find additional non-contracted balancing energy bids during such tight market conditions is expected to be low.

- Febeliec also wants to reiterate its disapproval of only taking into account 250MW of reserve sharing capacity under non-tight situations according to Elia, when, as described above, 1400MW of such capacity is available. By removing this capacity, Elia estimates that in Belgium the dimensioning incident for the balancing capacity occurs simultaneously with the dimensioning incident for the determination of the required capacity reservation in all neighbouring countries with whom it has such an agreement, which seems extremely unlikely.

Elia refers to the arguments given above on the non-guaranteed nature of the availability of the capacity speficied in the sharing agreements, as well the results of the analysis on recent ATC after intraday values showing that while the situation seems to have recovered in the first part of 2023, 'ATC after ID' on the four borders was below the targeted 99% levels. Despite the observed reduction of ATC availability in 2022, Elia currently justifies maintaining the 250 MW contribution under normal conditions following the observed recovery in 2023, as well as the prevalence of the UK contribution being unaffected by the uncertainty of CORE IDCC methodology.

- Febeliec also strongly continues to oppose the all or nothing approach taken by Elia regarding the determination of the volume to be taken into account for reserve sharing (not omitting the above comments that Febeliec considers the 250MW currently being applied being too conservative from Elia's side), as it considers the justification provided by Elia to be insufficient. Febeliec urges Elia to take a more active and proactive approach on this topic and explicitly, as also indicated during the meetings, does not agree with the outcome of the analysis of Elia and insist that Elia should come up with a better approach to ensure that no volumes are unduly excluded, with a potentially very important cost impact on grid users.

On the 'all or nothing' principle applied during tight market conditions, Elia already explained it cannot engage in 'ad hoc' real time bilateral discussions and analysis with other TSOs. On request of CREG and stakeholders, Elia did investigate the possibility to finetune the mechanism in view of defining the impact of losing the availability of one or more of the sharing agreements ex ante. Elia demonstrated quantitaively that:

- tight market conditions are typically occurring as a regional event and that the probability of losing availability of the sharing capacity on multiple borders at once is high;
- the effect of losing one or two borders shows that the 250 MW sharing contribution mainly relies on Great Britain and France;
- availability of ATC after intraday is substantially reduced during tight market conditions.

Elia concluded that following these observations, and the uncertainty related to the outcome of the escalation process on the CORE IDCC methodology (foreseen in 2024), it is not possible to refine the all or nothing approach. Elia proposes to maintain the current 'all or nothing' approach and consider potential modifications after return of experience after implementation of the IDCC methodology.

- Febeliec is also greatly unsatisfied with Elia's very vague proposal regarding potential modifications as no timelines are foreseen and experiences from the past have shown that these situations often lead to unacceptable cost increases for grid users due to insufficient focus from Elia on mitigation efforts.

It is not exactly clear to which modifications Febeliec is referring to. Elia clarifies that the mechanism to increase the 250 MW of balancing capacity in absence of sharing will likely be implemented in the framework of the regional sizing proposals recently approved by ACER[2], and further integrated in the dynamic procurement methods to be implemented in 2027. This roadmap has been presented to stakeholders.

On the bidding obligation in Belgium to cover liquidity issues during tight market conditions : Elia reminds that the mechanism will not be triggered in absence of such a tight market condition trigger. Elia also hopes that the likeliness of facing such a trigger reduces with adequacy measures taken trough the CRM and that the reduced liquidity in the mFRR balancing capacity market is further improved on the long-term by means of initiatives such as :

- its CCMD Design for developing a market model based on individual perimeter correction (at access point or behind) allowing smaller BSPs to enter the market more rapidly than with existing ToE/Opt-out models (end-2023 for TSO grid users);

- its low voltage market model to open up the aFRR and mFRR markets segments to LV assets with a mFRR test in 2023, and full implementation in 2024.

While these existing initiatives should help to avoid liquidity problems on long-term,, these are deemed insufficient to secure the system on short term, e.g. upcoming Winter(s). It is however not expected that these iniatives are sufficent to secure the system on short term. Elia stresses that in years without tight market conditions the mechanism will not be triggered. Elia nevertheless believes that as long as tight market conditions issues prevail, the balancing liquidity issues identified will prevail as well.

Elia also presented in thr WG BALANCING (29/06/2023) the possibility of replacing the Critical Grid Situation indicator by a price-based forecast (in which a probabilistic forecast would predict the reasonable possibility to have a tight market situation during the next day). However, this alternative was ruled out on the short term as requiring investigations and developments which were not feasible with a timeline for implementation in Winter 2023-24. Elia explained it will further investigate such alternative trigger and discuss with stakeholders before engaging in the implementation of such improvements.

- Concerning bidding obligations, Febeliec does not necessarily opposes such approach as system security is of the utmost importance. However, Febeliec considers that it should be made clear that only available mFRR capacity should be bid in by BSPs, taking into account technical limitations, as some assets are not capable of running limitless, while also participation of assets to balancing products in the past are not necessarily an indication of their availability in the future.

Elia takes note of this position and reminds that the bidding obligation is limited to all positive mFRR balancing capacity available through coordinated generation units prequalified for mFRR. This should exclude assets which are not capable of running limitless.

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[2] https://www.acer.europa.eu/documents/public-consultations/pc2023e02-public-consultation-acer-decisions-proposals-harmonised-cross-zonal-capacity-allocation-methodology-and-rccs-tasks-sizing-and-procurement

- On the aFRR capacity volume to be procured, Febeliec supports the determination of this volume at 117MW as it believes that this volume should cover sufficiently the risks for the system in a trade-off with costs for consumers, which might become even larger (ceteris paribus) in the future as the European PICASSO product is more stringent and thus more expensive than the national Elia aFRR product (e.g. related to full activation time and other features).

Elia refers to its answers given in the previous conculation of the LFC block operational agreement including the aFRR dimensioning proposal. It re-iterates that reserve capacity is to be dimensioned on system needs in line with SO Regulation, regardless of the reservation costs. However, the proposed dynamic dimensioning methods allow to adapt the aFRR needs to the system needs and avoid over-procurement during lower periods with lower system risks. In addition, the FRCE feedback loop allows to avoid over-dimensioning in function of a ex post check on FRCE (also referred to as the Area Control Error, ACE) quality.

- Febeliec also insists that all imbalance netting potential should be taken into account for FRR need dimension, thus firstly on aFRR and any extra available capacity on mFRR. Concerning the Elia proposal to move towards a more dynamic value for (a)FRR needs, Febeliec continues to find the methodology applied by Elia to be extremely conservative, with all related cost implications in case of overprocurement.

As already clarified during the previous consultation of the LFCBOA, Elia does not agree with FEBELIEC's position that imbalance netting needs to be taken into account in FRR / mFRR dimensioning:

- From a legal perspective: the possibility of taking into account imbalance netting in FRR / mFRR dimensioning is to be analyzed, as this was according to Elia not foreseen when drafting EU legislation (SO Regulation);
- From a technical perspective: imbalance netting cannot be considered 'firm'. Being subject to large variability and uncertainty, it is difficult to predict;
- From an operational perspective: cross-border synergies are already taken into account via reserve sharing framework, currently constrained by available ATC after the intra-day time frame. Accounting 'firm' capacity via imbalance netting will reduce the amount of reserve sharing which can be taken into account to reduce the mFRR balancing capacity procurement.

Despite the above-mentioned considerations for FRR/mFRR dimensioning, Elia decided take into account imbalance netting in aFRR dimensioning. As it has put forward a method which is based on the expected (simulated) aFRR activations, imbalance netting is taken into account as it also has a large impact on the aFRR activations in reality. In contrast to FRR / mFRR dimensioning, the legal framework for aFRR dimensioning (Article 157 of SO Regulation) allows much more freedom in determining the split between aFRR and mFRR needs. The technical constraints concerning the variability and predictability are resolved by means of the dynamic method including the expected availability in the prediction. Also from an operational perspective, the unavailability of the imbalance netting would not impact the ability of Elia to cover imbalance after 15 minutes (as the total FRR needs is not impacted).

- Moreover, Febeliec wonders why this change is planned for October 1st 2024 and not depending on some clear criteria regarding a.o. market liquidity or coupling of sufficient Member States to the balancing platform.

Elia refers to the answers given above on the advantages of the aFRR dimensioning. It also reminds that the reduction of the 117 MW was a temporary measure (a static re-calculation based on an incremental improvement of the 'old' method) and is not supported by all stakeholders (cf. reaction of FEBEG below). Together with FEBEG, Elia advocates a swift implementation and October 1, 2024 is the soonest Elia can commit to in terms of IT implementation and the parallel run period proposed to stakeholders.

Elia clarifies it recently proposed stakeholders re-scheduling of the implementation date to 11 December 2024 to allow merging the go live with the modification of the Full Activation Time (FAT) to 5 minutes (as well as with the implementation of the aFRR balancing capacity gate closure time at 9 AM D-1), as these modifications relate to the aFRR capacity auctions. This modification was proposed to stakekholders during the workshop on aFRR evolutions and connection to Picasso on 19/09/2023 and gave the opportunity to stakeholders to give feedback from market parties before pursuing the modification in the implementation planning

- On the methodology, Febeliec remains very strongly of the opinion that exceptional data points should be filtered out in the analysis, in order to avoid that these negatively impact the volume determination during several years, directly negatively impacting costs for consumers. This should for example be the case for imbalances resulting from design flaws that have in the meantime been addressed or at least mitigated or data points related to assets that no longer remain in the system or where additional measures have been taken to address the impact of outages on the overall system.

Elia already clarified in the public consultation on aFRR dimensioning that it foresees to filter out exceptional events such as market decoupling as it is done in the FRR dimensioning. Elia recognizes the possibility to filter out periods of observations for the machine learning data, but this solution should be approached with utmost caution. It is important to ensure a sufficiently large dataset and one should be careful to exclude long periods or frequent events. It is also important to check first if the event, if happening sufficiently frequently, can be recognized by the machine learning algorithms. Elia also wants to clarify that forced outages are filtered out from the time series for the aFRR dimensioning as these are considered outside the objectives of aFRR dimensioning.

- On the FRR means point, Febeliec most strongly want to refer to its comments on the extension of the Belgian mFRR Flex product and its regret on the abolishing of this product. While Febeliec appreciates the efforts taken by Elia to provide facilitation services to mimic a similar profile, these have to Febeliec's knowledge not yet been put into operation.

Elia refers to the discussions and justifications provided in several meetings of the WG BALANCING on the suppression of the specific capacity product "mFRR Flex".

As indicated by Febeliec, Elia committed to implementing BSP facilitation services allowing a BSP to associate to its mFRR Energy Bids a Maximum Activation Time, a Maximum Energy Level and/or a Neutralization Time. These functionalities should become available with the entry into force of the new version of the T&C BSP mFRR in Q1 2024. In addition, Elia proposed to modify in the T&C BSP mFRR to introduce a "conditional transfer of obligation" in order to facilitate the participation in the balancing capacity market of units with neutralization time constraints. These rules have been consulted and will be submitted for approval to the CREG. Considering the significant implementation required for this conditional transfer, Elia cannot commit on having it implemented by the go-live but will endeavour to have it available as soon as possible.

3. Answers to the feedback of FEBEG

- FEBEG thanks ELIA for having the opportunity to react to ELIA's Public consultation on a modification of Elia's LFC block operation agreement and the methodology to determine the balancing capacity in the Elia LFC block1. The inputs and suggestions of FEBEG are not confidential.

  Overall, we appreciate ELIA's sensible approach of considering reserves when they are genuinely available. The predefined, fixed value for TSO sharing – defined one to several years ahead and applicable at all times – failed to include the regional nature of events impacting the balancing needs (e.g. renewable forecast errors). Procuring additional domestic capacities to compensate for any unavailability of these shares is a prudent decision.

  Furthermore, we believe that this decision should be viewed within a broader framework of aligning balancing capacity needs and means. FEBEG has consistently advocated for dynamic dimensioning, a methodology aimed at safeguarding grid security, procuring reserves as needed without imposing quick fixes on the market. Currently, FRR contracted reserves remain stable throughout the year, even though some periods are more challenging than others. We believe that procuring the right amount of reserves, which inherently cannot be a fixed yearly amount, is the most efficient way to manage the grid.

  FEBEG would like to emphasize that, despite numerous discussions and warnings about FRR dimensioning, several short-notice measures, such as the 2022 winter plan and the incompressibility issue presented in June 2023, have been imposed on the market. FEBEG regrets these as its members raised these concerns beforehand. The market had to implement new processes in a hurry which the existing IT infrastructure struggled to accommodate. Operators were required to undergo rapid training, which we find undesirable, especially when these needs were identified well in advance. Lastly, FEBEG expresses concerns about the increasing trend of regulating and imposing obligations on market participants. This contradicts the belief that a fully liberalized market would benefit the end consumer.

Elia takes note of FEBEG's support for the proposed mechanism to increase the mFRR balancing to be procured with 250 MW and its dynamic dimensioning roadmap in general. Elia also takes note of the remark of FEBEG on the the importance of regulatory stability and long-term visibility on evolutions. It refers to its efforts on creating long-term visibility by creating reserve projections (cf. MOG 2 studies).

It wants to stress that the Winter plan balancing proposal should not come as a surprise for market parties as it builds further on the proposals made for Winter 2022/23. Also here, Elia reminds that it started discussing the proposed mechanisms wih market parties as soon as possible (specific proposals were already presented in the WG BALANCING of September 15, 2022) when the Government initiated a Winter plan following the unexpected market conditions following the energy crisis. Elia does not think the events leading to the crisis (i.e. the Ukrain war) could have been foreseen.

While the 250 MW increase has been implemented in the LFC Means, and the Bidding Obligation could not be implemented due to discussions on the legal framework, the discussions on the proposed mechanisms have been continued in the Working Group BALANCING since and Elia thinks that this should have given as much as possible time to the market parties to prepare for the proposed modifications.

On incompressibility, Elia clarifies that this topic is out of scope of this consultation and refers to the answers on the discussion in the WG BALANCING in view of Elia's presentation on the yearly reporting on Elia's FRR dimensioning. Elia also mentioned it will continue the discussions on incompressibility with market parties in the WG BALANCING.

- FEBEG acknowledges the critical grid situation requiring the procurement of 250 additional MW domestically and ELIA's concerns about insufficient mFRR liquidity. While FEBEG members are willing to assist ELIA in this challenging situation, we strongly disagree with the additional market obligation imposed on specific companies. These obligations are:
    - Disproportionate, as it forces companies to offer excessive capacities compared to ELIA's requirement of 250 MW.
    - Financially risky, as it forces companies to offer injection units on mFRR market while those units are usually offered on EPEX, potentially impacting EPEX prices, and as a consequence end consumers prices in Belgium.
    - Operationally risky, as it imposes an unreasonable timing as mFRR auction results (10:05 – 10:30) are communicated shortly before the EPEX offering window, leading to operational challenges to properly prepare the EPEX offers (before 12:00) with sufficient time. Let's remember that CGS will typically occur during tight market conditions.
    - Discriminatory, as targeting specific companies.
    - Non-market-conforming, contributing to overregulation rather than allowing the market to operate liberally.

Elia does not agree that the mechanism would be dispropprtionate. Possibilities to refine the volume were discussed with market parties during the discussions on the bidding obligation for Winter 2022/23 and as a result of these discussions, Elia limited the bidding obligation on the full eligible balancing capacity mFRR of BSP up to the required balancing capacity in order to cover the liquidity issue it is trying to cover. Elia reminds that the bidding obligation wants to ensure the availability of sufficient mFRR balancing capacity, irrespective of a trigger to increase mFRR balancing capacity with 250 MW. It does not see how it can practically ensure to achieve this goal by limiting the volumes subject to the bidding obligation beneath the required balancing capacity.

Elia takes note of the financial and operational risk mentioned by FEBEG but reminds again to the absolute need to adequatly reserve meeds in line with SO Regulation. The importance of sufficient reserves is also mentioned to be of concern of FEBEG, as noted above. While not arguing the technical challenges for market parties, Elia tries to communicate as soon and transparently as possible as specified in the proposal on the modification of the LFC block operational agreement. *As from D-3, and until the publication of the positive balancing capacity to be procured following Article 6(5).*

Elia does not agree that the mechanism will be discreminatory as the same obligation is put on all BSPs with coordinated units. Elia agrees though that overregulation should be avoided to the extent possible but reminds the obligations of Elia to maintain system security. As long as liquidity risks remain present, Elia considers that this measure is justified.

- Given the short time until November 2023, FEBEG requests that ELIA amends its obligation proposal. This obligation should be temporary and terminated once BSPs are familiar with a fully dynamic FRR reserve procurement that ELIA will likely implement. The obligation should remain proportionate, with BSPs not forced to offer more than the required 250 MW in addition to their usual capacities. This is crucial for maintaining control over EPEX bidding operations and mitigating operational risks. In the end, who will suffer from operational mistakes? Does ELIA intend to compensate for them? What will happen if the mFRR auction process does not follow the automated happy flow (as it happens a few times per year).

Elia reminds that this mechanism is under discussion in the WG BALANCING since Summer 2022. Elia considers market players had sufficient time to prepare for the implications of the proposed rules. Elia takes note of the position of FEBEG on proportianlity and temporality.

On the proportionality and FEBEG's proposal to limit the bidding obligation to volumes of 250 MW : Elia refers to the previous answer given and stresses it needs to ensure the availability of the full balancing capacity requirements and it does not see how it can ensure to practically achieve this goal by limiting the volumes subject to the bidding obligation beneath the required balancing capacity. It also reminds it already reduced the volumes subject to the obligation from the full available capacity on coordinable units to the required balancing capacity following discussion with stakeholders.

On the temporarlity :

- Elia clarifies that the 250 MW increase might become part of the dynamic dimensioning methods currently foreseen to be implemented in 2027. Note that the mechanism is also in line with the approved methodologies for regional sizing that will be implemented by the RCCs (planned for implementation in 2026).

- Elia clarifies that the bidding obligation is related to the risk of tight market conditions in Belgium and resulting liquidity problems in the mFRR balancing capacity market and is not expected to diminish whith dynamic dimensioning methods. Elia justifies a permanent nature of the mechanism at least until the liquidity risk is covered on longer term with initiatives such as for instance CCMD design and Low Voltage market model as referred to in one of the previous answers in this document. Elia stresses that in years without tight market conditions the mechanism will not be triggered. Elia nevertheless believes that as long as tight market conditions issues prevail, the balancing liquidity issues identified will prevail as well.

Elia clarifies it does not foresee compensations in case of mistakes of market parties in bidding of balancing capacity or energy.

- On aFRR Dimensioning Based on FRCE Quality, FEBEG reiterates its position on this topic, referring to its previous response to the consultation in early 2023. We also want to emphasize that the current fixed procurement of 117 MW lacks proper justification and a clear methodology. Even worse, this measure fails to achieve the goal of reducing overall costs for the final consumer. At the time of writing this answer, marginal mFRR capacity price is much more costly than the marginal aFRR. This measure has been implemented emotionally without considering that gas prices could evolve back to more moderate levels. It also failed to consider the rapid increase of new volumes participating to the aFRR market. And last but not least, it currently cost more to the final consumer.

Elia refers to its answer on the previous consultation of the LFCBOA (including the proposal for the new aFRR dimensioning method). Elia explained that until the implementation of the new method, the aFRR needs are indeed foreseen to remain fixed at 117 MW (symmetrically in up- and downward direction). This calculation was updated in July 2021 after a request from CREG to modify the methodology in place in view of elevated procurement costs. While Elia opposed to an approach which trades off reserve needs and operational security against costs, Elia decided to already implement imbalance netting in the 'old' the static methodology in line with the foreseen 'new' dynamic methodology (cf. also the clarifications given on the questions of FEBELIEC on imbalance netting). This improvement could be implemented by Elia in the short term (without need of IT developments), i.e., as a temporary solution while awaiting the implementation of the new methodology.

The new method requires substantial IT developments and the current implementation date (October 1, 2024) set is the soonest Elia can implement the method, taking into account a parallel run period. Elia clarifies it proposed a short re-scheduling of the implementation date to 11 December 2024 to allow merging the go live with the modification of the Full Activation Time (FAT) to 5 minutes (as well as with the implementation of the aFRR balancing capacity gate closure time at 9 AM D-1), as both modifications relate to the aFRR capacity auctions. This modification was proposed to stakeholders during the workshop on aFRR evolutions and connection to Picasso on 19/09/2023 and gave the opportunity to stakeholders to give feedback from market parties before pursuing the modification in the implementation planning.

- On the Full Activation Time of 5' (FAT 5'), FEBEG understands the harmonization of Full Activation Time at the European level and supports the transition to FAT 5' in Belgium without further remarks.

Elia takes note of this support and reminds that the the shortening of the full activation time of aFRR (and mFRR) is according to the European legislation.

- In conclusion, FEBEG supports the implementation of a CGS as an intermediate step toward dynamic FRR procurement, ensuring that reserves are procured based on actual needs and grid conditions. However, FEBEG opposes the continuous imposition of permanent obligations and can accept a temporary obligation for the upcoming winter only if it remains temporary and proportionate (not exceeding 250 MW on top of usual volumes offered). This approach is crucial

Elia refers to the above-mentioned responses to answer these concluding remarks.