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# Febeliec answer to the Elia consultation on the LFC Block Operational Agreement and the methodology to determine the required balancing capacity

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.

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.

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.

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. 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.

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.

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). 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. 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.

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.

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.