

Alexandre Torreele, Kris Poncelet, Sybille Mettens

alexandre.torreele@elia.be, kris.poncelet@elia.be, sybille.mettens@elia.be

29 April 2024

Consultation on Balancing Rules in the context of PICASSO

Dear Sybille, Alexandre, Kris,

Italy withdrew from the PICASSO platform less than a year after joining due to pricing incidents. Subsequently, other system operators delayed their participation, awaiting measures to address the issue. ACER aims to resolve these concerns by June and encourages system operators to join the European balancing platforms by the legal deadline of July 2024.

At Elia, you've been instrumental in devising strategies to mitigate price spikes, for instance by setting temporary price limits for contracted aFRR energy bids or promoting elastic demand.

At Centrica, we understand the value of elastic demand in accessing additional balancing energy without resorting to high-priced bids. However, we urge caution to avoid introducing an element of discretion regarding frequency quality on the one hand, while imposing stringent balancing requirements on market participants on the other. Elastic demand should be subject to appropriate limitations. We urge you to:

- Publish elastic demand curve information in advance to proactively provide transparency on the merit order and activation probabilities.
- Don't deduct available non-contracted balancing energy bids ('free bids') from aFRR needs while not activating them, or replacing them with cheaper PICASSO bids.
- Establish a clear framework to regularly assess the need and use of elastic demand, with close involvement of market participants.

Finally, we note that the price threshold for elastic demand aligns with the temporary price cap on contracted aFRR energy bids at 1.000 EUR/MWh. We need clear regulations on this temporary price cap to ensure stable long-term contracts and prevent potential invalidation or renegotiation of contractual arrangements due to shifting risk profiles. Please provide a detailed timeline for reviewing, relaxing or removing the cap.

Your consideration of industry views is crucial to improve balancing reserves and control consumer costs. Please contact us for any further clarification.

Yours sincerely,



Patrick Adigbli

Regulatory Affairs Manager, European Power Markets