CONSULTATION REPORT

Report on the public consultation regarding the proposal for modification of the tariff for maintaining and restoring the residual balance of individual Balance Responsible Parties (BRPs)

June 28th 2024

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1. Introduction

Elia organized a public consultation **from 7th June to 21st June 2024** regarding the proposal for modification of the tariff for maintaining and restoring the residual balance of individual Balance Responsible Parties (hereafter "the Tariff Proposal").

The reason to amend the Tariff Proposal is to re-introduce the mFRR sharing prices in the construction of the imbalance prices until the connection to the European balancing platforms (MARI/PICASSO), in the same way as it was before the mFRR technical GO-live, and this for two reasons :

1) To encourage the BRPs to efficiently use the flexible resources of their portfolio to help balance the system, in line with the decentral balancing model applied in Belgium;

2) To avoid exposing BRPs to financial incentives (resulting from spreads between imbalance prices of imbalance price areas with imbalances in the same direction) to aggravate their imbalance in Belgium through a "geographical arbitrage" between imbalance price areas.

Considering the outlook for the upcoming summer 2024, which highlighted a high risk of incompressibility situations, and hence a possible more intensive use of mFRR sharing agreements, this measure is deemed necessary and urgent in order to ensure an efficient market functioning a.o. during those possibly already tense incompressibility grid situations.

2. Feedback received

In response to the public consultation, Elia received non-confidential answers from the following parties:

1) FEBEG
2) FEBELIEC

All the answers received are available in the Annexes of this report. These non-confidential reactions, together with the consultation report, will be made available on Elia's website.

3. Instructions for reading this document

This consultation report is structured as follows:

- Section 1 contains the introductory context,
- Section 2 gives a brief overview of the responses received,
- Section 3 contains instructions for reading this document,
- Section 4 discusses the various comments received during the public consultation and Elia's position on them,
- Section 5 discusses the next steps,
- Section 6 contains the Annexes of the consultation report.

This consultation report is not a 'stand-alone' document, but should be read together with the proposal submitted for consultation (and its explanatory note), the reactions received from the market participants (annexed to this document) and the final proposal submitted for validation to the CREG.

Section 4 of the document is structure as follows:

- The comments received by the different stakeholders have been clustered by topic. Each subsection addresses one such cluster;
- Each subsection consists in the following table, with additional information on the content per column below.

Subject/Article/Title	Stakeholder	Comment	Justification
A	B	C	D

A. Subject matter covered by the various responses received.
B. Stakeholder providing the comment.
C. Description of the comment received.
D. Elia's answer to the comment, including arguments as to why a comment was or was not included in the final proposal.

4. Comments received during the public consultation

4.1 General positioning with respect to Elia's proposal

This section provides an overview of the general reactions and concerns of market players that Elia received to the document submitted for consultation.

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
General position towards Elia's proposal of modification of the Tariff Proposal	FEBEG	*The preferred option is to* ***include the inter-TSO activation in the marginal price remuneration to the BSP*** *because it will be in line with the target market design when ELIA will be connected to MARI.* ***If this is not possible*** *(hence: Elia could not amend the marginal price in the BSP remuneration), we believe there would be no basis to amend the current formulas of imbalance price in such a case. We* ***prefer in this case this issue to be solved with the connection to MARI/PICASSO instead of introducing a temporary and unequilibrated work-around.***	Elia thanks all respondents for their participation to the public consultation and for their feedback regarding Elia's proposal for the modifications of the Tariff Proposal. Elia understands that : - FEBELIEC fully supports Elia's proposal; - FEBEG would like to go further than the status quo (compared to the situation before the mFRR technical GO-live) proposed by Elia and takes the opportunity of the re-introduction of the mFRR sharing activations prices in the calculation of the imbalance price to ask for the introduction of these prices in the remuneration of the BSP. Elia notes that, if it is not possible to go beyond the status quo, FEBEG would prefer not re-introducing the mFRR sharing activation prices in the imbalance price calculation at all, and therefore accepts the risk to be exposed to an imbalance price that, in case of mFRR sharing activations, does not reflect the marginal price of the explicit activations made at Elia's demand to cover the residual imbalance of the Belgian imbalance price area (and hence accepts to be exposed to financial incentives that are not necessarily in line with the BRP balancing obligation).
	FEBELIEC	*Febeliec thus* ***fully supports*** *the proposal of Elia,* ***through the proposed quick fix solution*** *of a (temporary) additional alpha component, as this would be the fastest solution, and most strongly insists that this* ***solution should be implemented at the earliest possible opportunity****, to avoid any cost or grid security impacts in a summer with possible incompressibility issues which could require inter-TSO balancing agreement activations.*	

			As already explained in previous studies[1], Elia believes that the financial incentives brought by the imbalance tariff play a pivotal role, compared to the influence of legal obligations, in mitigating significant real-time imbalances. Elia can therefore not agree with FEBEG to accept the risk to live with an imbalance price signal that does not incentivize BRPs to efficiently use the resources of their portfolio to help balance the system, or that provides BRPs with perverse incentives to shift their imbalance from neighbouring countries to Belgium when all the countries have imbalances in the same direction. More specifically for the incompressibility situations expected for the upcoming summer, Elia believes it is of the upmost importance to propose an imbalance price design that will encourage the market to solve the issue by itself as much as possible before having to intervene with non-market actions.

[1] F.i. Elia study on the DA Balance obligation of the BRP **https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2021/20210105_final-study-report.pdf**

4.2 On the reasons for this revision

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
On the reasons for proposing an urgent modification of the Tariff Proposal	FEBEG	*We understand that if Elia had managed to connect to the MARI platform, as set out in the Elia roadmap, we would not be in the current situation and this consultation would not be needed. Indeed, the connection to MARI would allow the activation of foreign energy bids to be included in the imbalance price (as well as reflected in the CBMP).* *In this perspective,* ***it is worrying to see Elia […] imposing a public consultation on a very short notice.*** *[…]* *Finally, this consultation is the consequence of two problems created by Elia.* ***One problem is an incorrect description of the imbalance price in the BRP contract****. Second problem is Elia not following its own roadmap. Febeg* ***reasonably questions why Elia would not live with the consequences of these points*** *instead of imposing a public consultation and proposing an unbalanced temporary quick fix.*	First of all, Elia reminds that the urgency of this measure, and hence the fact that a public consultation is needed on a very short notice is due to the combination of the delay for the connection to MARI <u>and</u> of the summer outlook highlighting high incompressibility risks for the coming weeks and months. Regarding what Febeg perceives as an "incorrect description of the imbalance price in the BRP contract", Elia repeats that the pragmatic proposal to use the imbalance price formula developed for the connection to MARI (and hence excluding the mFRR sharing agreements prices) as from the mFRR technical GO-live was made on purpose in order to : - avoid incurring costs to develop the new IT applications (to be deployed at the mFRR technical GO-live) to account for the mFRR sharing agreements prices whereas : ○ The time period between the mFRR technical GO-live and the connection to MARI was supposed to be limited and out of the summer period, ○ The activation of mFRR sharing agreements was supposed to remain rare. - avoid having to adapt the imbalance price formula too frequently (i.e. twice in a very short period of time), considering the impact on the operational teams of both the BRPs and Elia. No comment was received from the market parties on this pragmatic approach during the public consultation of the T&C BRP.

			In the meantime, the context has unfortunately changed and Elia does not find reasonable to live with an imbalance price signal that does not incentivize BRPs to efficiently use the resources of their portfolio to help balance the system, or that provides BRPs with perverse incentives to shift their imbalance from neighbouring countries to Belgium during the expected incompressibility situations for the summer. Elia regrets that it therefore had to impose a public consultation on a very short notice and hopes that the efforts made to inform the market parties before and during the consultation facilitated the work at market parties side.
		Febeliec ***completely supports the proposal of Elia****, as* ***it has never been the intention nor purpose to not take into account the prices of mFRR sharing agreements in the calculation of the imbalance price****. Febeliec* ***regrets that the postponement of the connection to MARI has lead to the current situation where such prices are not reflected in the imbalance price*** *as it leads to a situation where BRPs ae not correctly and sufficiently incentivized to take action and maintain balance in their perimeter, while all additional costs for the inter-TSO activations are socialized through the grid tariffs, causing a double negative impact for consumers, which is totally unacceptable for Febeliec. Even worse, the current situation could lead to perverse effects for BRPs which could even aggravate the Belgian imbalance (through geographical arbitrage) which could even undermine the stability of the Belgian and European system, which is even more unacceptable.* *Febeliec thus fully supports the proposal of Elia, through the proposed quick fix solution […] and most*	Elia thanks Febeliec for its support and also regrets the current situation which is due, as explained above, to a context evolution since the drafting of the T&C BRP. Elia shares Febeliec opinion that this situation, where the prices of the mFRR sharing agreements are not reflected in the imbalance price, should be solved as soon as possible and shares Febeliec concerns about the costs and grid security impact if we have to spend the whole upcoming summer in the current situation. Elia will therefore do all it can to stick to the ambitious timeline and solve the situation by the beginning of July, before the first weekends identified with the highest incompressibility risks.

		strongly ***insists that this solution should be implemented at the earliest possible opportunity****, to avoid any cost or grid security impacts in a summer with possible incompressibility issues which could require inter-TSO balancing agreement activations.*	

4.3 On the connection to the EU balancing platforms

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
On the roadmap for the connection to MARI and PICASSO	FEBEG	***Connection to MARI & PICASSO should follow asap*** *and FEBEG* ***urges Elia to follow its own roadmap****. We can only regret the high pressure put on market participants for keeping the ambitious deadline of iCAROS, but at the same time ELIA not respecting its commitments.*	The roadmap for the connection to the EU Balancing platforms falls out of the scope of this public consultation. Elia refers to the discussions held in the Working Group Balancing for information regarding: - The reasons of the delay for the connection to MARI; - The timeline for the connection to MARI and Picasso.
On the impact of this proposal on the connection to MARI	FEBEG	*In this perspective,* ***it is worrying to see Elia putting its efforts on adjusting the previous imbalance price […] instead of connecting promptly to the MARI platform****.*	Elia shares the ambition to connect to the European balancing platforms as soon as reasonably possible. Elia can therefore reassure FEBEG that the teams working on the revision of the tariff proposal are mainly not working on the MARI and Picasso projects. In particular, when proposing an implementation plan for the re-introducing of the mFRR sharing agreement prices in the calculation of the imbalance price, we ensured that this implementation plan does not have impact on the timing for the connection to the platforms.

4.4 On the BSP remuneration

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
On the unjustified balancing margin and the adaptation of the BSP remuneration scheme	FEBEG	*FEBEG believes that the situation in which on the one hand, an inter-TSO component is included in the imbalance price (in order not to expose Elia to a negative balancing margin) and to have on the other hand, this component excluded from the BSP remuneration (creating a positive balancing margin for Elia) is* ***not an equilibrated situation.*** *[…]* *FEBEG urges ELIA to align the BSP and BRP remuneration in a way that it does not create an unjustified balancing margin. The preferred option is to* ***include the inter-TSO activation in the marginal price remuneration to the BSP*** *because it will be in line with the target market design when ELIA will be connected to MARI.*	Elia would like to repeat that the purpose of the presented measure is not to protect Elia against a negative balancing margin[2]. The purpose of the measure is to quickly restore an efficient market design and avoid perverse incentives for BRPs, by urgently restoring the design that was applicable until the mFRR technical GO-live. In this design, the mFRR sharing prices were included in the calculation of the imbalance price but not taken into account in the remuneration of the BSPs. Proposing a new remuneration scheme for the BSPs in this emergency context is not deemed desirable nor feasible for several reasons: 1. It is not compatible with the timing of the mitigation measure: - It goes beyond the "status quo" since it would consist in introducing a new feature in the BSP remuneration compared to the situation applicable before the mFRR technical GO-live. The design phase would hence be less straightforward than for the emergency measure proposed by Elia. It would therefore require a deeper analysis at Elia side and more alignment/discussions with the regulator and market parties before being able to start the public consultation on the T&C BSP. - It requires the adaptation of the T&C BSP mFRR which is subject to an incompressible regulatory track of several months.

[2] Elia already explained and demonstrated in the past that it is not opposed to negative balancing margins, provided that it is justified to provide BRPs with appropriate financial incentives. Elia refers a.o. to the discussions related to the "dead band" concept to illustrate its position about negative balancing margins. For the avoidance of doubts, the balancing margin is directly passed on the consumers through the tariffs. Elia believes that it can justify a negative balancing margin when it helps provide right incentives to the BRP and make the overall balance of the system more efficient and hence less costly, but not if it results from insane arbitrage from BRPs reacting to (perverse) financial incentives they receive.

			This implies that the measure can, in practice, not enter into force before the end of the summer, and hence probably not (much) before the connection to the first European balancing platform. This makes the measure irrelevant since : - the highest risks of incompressibility situations would already be behind us when the measure would enter into force; - the measure will be obsolete as from the moment we connect to the first European balancing platform (since the TSO is only allowed by the EU regulation to take the mFRR sharing prices into account in the calculation of the imbalance price until the connection to the European balancing platforms). Depending on the exact date for the connection to the first European balancing platform, the measure might hence already be obsolete when it is ready for entering into force. 2. It is neither in line with the previously applicable market design, nor with the target market design, and it therefore requires a sound analysis and careful discussions before going for it: - An example of a design question that would need to be further investigated is the level playing field between the Belgian BSPs and the BSPs of neighboring countries. The mFRR sharing agreements are not activated based on a merit order, but as a last resort balancing action[3], based on operational criteria. By considering the mFRR sharing prices in the BSP remuneration, Belgian BSPs can hence grasp additional benefits when activations are made abroad at Elia's request through the activation of these mFRR sharing agreements, even if they are not competing with these neighboring offers, since the bids offered by the Belgian BSPs will

[3] according to the activation rules described in Article 13 of the "Balancing Rules".

			always be activated first, even when their prices are more extreme than the mFRR sharing prices. This is a fundamental difference with the target market design (for after the connection to MARI) to which Febeg refers in its answers. Indeed, in this target market design, the selection and activation of bids will be done by MARI on a merit order list basis for all the bids (i.e. the ones available in Belgium and abroad). The Belgian bids will be remunerated at the marginal price of all the activated bids, but they will also compete with all the bids available abroad in the selection process. - The target market design to which FEBEG refers (i.e. the design as from the connection to MARI) does not take the mFRR sharing prices into account, neither in the calculation of the imbalance price, nor in the calculation of the BSP remuneration. It is therefore not correct to say that “including the inter-TSO activation in the marginal price remuneration to the BSP is in line with the target market design when Elia will connected to MARI”. Once Elia is connected to MARI and as long as all the TSOs with which Elia has an mFRR sharing agreements (hence including National Grid in UK) are not connected to MARI, the will remain differences between the remuneration of the BSP – that has to be based on the cross-border marginal price calculated by MARI – and the marginal price of the cross-border activations performed at Elia’s request. 3. It creates additional implementation costs and it possibly impacts the timing for the connection to the European balancing platforms: - It requires adaptations of the settlement tools to cover a temporary situation (from the entry into force which could not occur before the end of the summer, until the connection to the first European balancing platform), hence: o Creating IT development (sunk) costs

			○ Impacting[4] the teams working on the connection to the European balancing platforms and possibly creating additional delay for the connection to these platforms
On the discrepancy between BRP and BSP financial exposure	FEBEG	*We want to remind that* ***the BSP remuneration (MIP/MDP) does not include the inter-TSO activations*** *in the marginal price.[…].* *Elia often refers to the crucial need to have BRPs able to balance their portfolio. We want to remind that those BRPs are often BSP at the same time.* ***This discrepancy between BRP and BSP financial exposure – which is not the targeted design as of MARI connection – is not acceptable for FEBEG.***	First of all, Elia would like to clarify that the BSP remuneration is not equal to the MIP/MDP as stated by FEBEG. The remuneration of the BSP depends on the FRR product to which the BSP participates and is currently equal to: - The marginal price of the local mFRR activations for BSP activated in mFRR; - The price of the offered aFRR bid for BSP activated in aFRR. The BSP remuneration can hence be very different from the MIP/MDP which are currently calculated based on the maximum (resp. minimum) between the marginal price of the local mFRR activations and of the weighted average price of the aFRR activations, and which accounts for other elements such as the cap/floor/dead band. Even in the targeted design to which FEBEG refers (i.e. the design as of MARI connection), differences between MIP/MDP and BSP remuneration will remain. Indeed, Elia would like to insist that there will not be one but several BSP remunerations depending on the FRR market in which the BSP flexibility is offered. A BSP offering flexibility in the aFRR market and a BSP offering flexibility in the mFRR market might be exposed to very different remunerations since the aFRR and mFRR "cross-border marginal prices" and granularities will be different. If, for a given quarter-hour, the MIP (resp. MDP) is set by the aFRR component of the imbalance price, there might exist an important gap between the MIP (resp. MDP) and the BSP remuneration after the connection to MARI. Discrepancies between BRP and BSP financial exposures will hence, by nature, always persist (even after the connection to MARI) and is, according to Elia, fully justified by

[4] For the sake of clarity, the detailed impact analysis on the settlement applications and tools and on the corresponding resources will not be done since the possible impact on the teams working on the connection to MARI & PICASSO is not the only showstopper for implementing Febeg's proposal.

			the fact that the BSP and the BRP are very different roles. Elia refers to previous notes and consultation reports[5] for a more detailed explanation on this position.

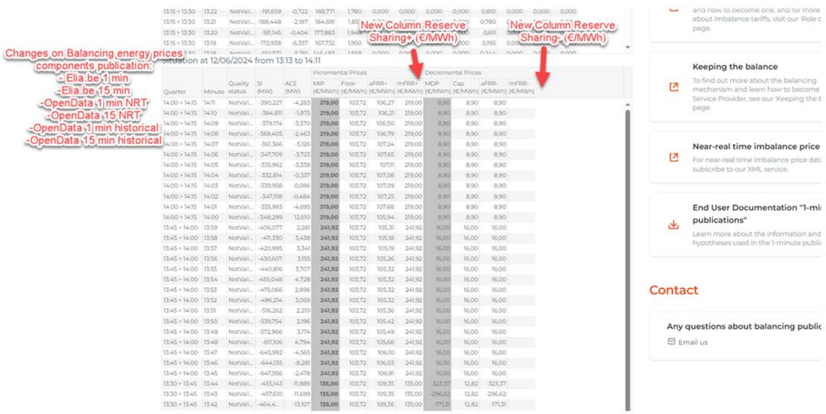
4.5 On the need for an accurate imbalance price publication in real-time

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA'S VIEW
On the role of the RT imbalance price publications	*FEBEG*	*An inaccurate imbalance price published in real-time has an additional side effect not mentioned in the note: in the situation where the imbalance price would be published with a value of (e.g.) -300 Eur/MWh, it will prevent units with lower activation/ strike price to be activated. In other words, units with an activation cost lower than the published imbalance price in real-time risk to not be activated.*	Elia is convinced and aware of the huge importance and critical role played by accurate real-time imbalance price publications for an efficient decentral balancing model and has therefore engaged in an evolution of the current imbalance price publications towards publications of real-time price forecasts to further improve the accuracy and stability of its close to real-time publications. Elia also agrees with Febeg that publishing an imbalance price which is less extreme than the actual ex-post settlement price can prevent units with more extreme activation price to implicitly react to the price signal in order to help balance the system. Elia therefore commits to make its best efforts to provide as much information as possible to the BRPs in real-time in order to prevent these inefficiencies (see next section for a concrete proposal), while keeping in mind Febeg's first request to not engage in additional developments that would jeopardize the timing for the connection to MARI and PICASSO. However, Elia would like to remind that BRPs are subject to a legal obligation to take all the reasonable measures to be balanced or help balance the system in real-time.

[5] F.i. section 4.8 of the report of the public consultation on the "Balancing Rules" from May 2022, available here :

			When Elia communicates that all the local mFRR means are exhausted and that the mFRR sharing agreements are consequently being activated (according to the activation rules described in Article 13 of the "Balancing Rules"), Elia would expect that the BRPs facing imbalances in the wrong direction (i.e. that do not help balance the system) would activate any available unit in their portfolio, whatever their activation/strike price, in order to come back to equilibrium. In this regard, Elia would expect the accuracy of the real-time publications of the imbalance price to be less critical in case of mFRR sharing activations during the targeted incompressibility situations, where most of the BRPs have an imbalance in the wrong direction (i.e. are long) and should hence activate any residual unit in their portfolio whatever the activation price.
On the need for accurate RT imbalance price publications	FEBEG	*FEBEG wants to emphasize the need to have accurate imbalance price publications in real-time (and not ex-post).[…] We urge Elia to publish in real-time an accurate imbalance price, which gives the right incentives to market parties (without ex-post correction (up to one month later)). Publications of UMM on Elia IIP does not cover the issue raised in this paragraph.*	As explained in previous section, Elia shares Febeg's opinion that accurate imbalance price publications are crucial in real-time. Keeping in mind the fact that the measure needs to enter into force as soon as possible, Elia proposes the following adjustments compared to the commitment described in the explanatory note. - Elia will do its best to have the close to real-time imbalance price (both 1' and 15') publications correct as from the beginning of August[6] (except in case of activation of the mFRR sharing agreement with Amprion where the price is only known ex-post, and hence where we would continue working with UMM as described in the explanatory note); - To cover the period between the entry into force (targeted in the beginning of July) and the beginning of August: o Elia will publish UMM informing that mFRR sharing agreements are being activated and that the imbalance price published in the 1' and 15' close to real-time publications might be less extreme than the

[6] Exact date to be confirmed

			settlement price. This UMM will refer to the “balancing energy volume and price components” publications for more information about the marginal price of the ongoing mFRR sharing activations; ○ Elia will adapt its “balancing energy volume and price components” publications (**Balancing Energy volume and price components 15 (elia.be)** and **Balancing Energy volume and price components 1 (elia.be))** as follows:  These publications – both on elia.be and in the respective APIs - will include two additional columns that display the marginal price of the mFRR sharing activations that are made at Elia’s request in the upward (resp. downward) direction. The 1’ publications will only take into account the prices of the activations of mFRR sharing agreements with TenneT, RTE and National Grid. The 15’ publications will account for the prices of the activations of mFRR sharing agreements with TenneT, RTE and National Grid close to real-time, and will be updated with the price of the activations of mFRR sharing agreement with Amprion once it is known. Additionally, as explained in the explanatory note, the UMM communicated in case of activations with Amprion will

			refer to a German index (called the Imbalance Price Estimator- **IP estimator (netztranspa-renz.de)**) that might give an order of magnitude of the real-time value at which energy is exchanged in Germany. Even if Elia is aware of the importance of accurate real-time publications, and under-stands that UMMs cannot be automatically integrated in operational procedures, it would still like to clarify that UMMs are a recognized way of communication that mar-ket parties are supposed to follow anyhow. Elia therefore believes that it is reasonable to manage the limited cases for which the reserve sharing agreement price is not known in real-time via the publication of UMMs.

4.6 On the introduction of an additional component α’

SUBJECT	STAKEHOLDER	FEEDBACK RECEIVED	ELIA’S VIEW
On the use of an addi-tional component	*FEBEG*	***We would like to remind that FEBEG has always strongly opposed – for principle reasons - against adders (alpha, omega, etc).*** *Hence, FEBEG certainly opposes the improper use of an adder to solve a hia-tus in the imbalance price formula:* ***FEBEG prefers this issue to be solved in a clean and balanced way in respectively the T&C BRP and T&C BSP mFRR.***	Elia notes FEBEG’s position on the additional components and reassures the market parties that the proposed market design is strictly the same as the one that was ap-plicable before the mFRR technical GO-live, and that the process is compliant with relevant regulations. The reason why it could not be integrated in the Marginal Incre-mental (resp. Decremental) Price described in the T&C BRP is that the T&C BRP is subject to an incompressible regulatory track which is not compatible with the emer-gency of this mitigation measure.
	FEBELIEC	*Febeliec thus* ***fully supports the proposal of Elia, through the proposed quick fix solution of a (tem-porary) additional alpha component****, as this* ***would be the fastest solution.***	Elia thanks Febeliec for its support and confirms that the only way to restore, at short term, the design that was applicable until the mFRR technical GO-live, is through the use of an additional component, which does not require any adaptation of the T&C BRP.

5. Next steps

On the basis of the reactions received from market players and its views, as set out in this consultation report, Elia suggested some adaptations to the publications that will be made available by Elia close to real-time. However, since these publications are not described in the Tariff Proposal, the aforementioned adaptations won't impact the proposal for modifications to the Tariff Proposal, that Elia will submit, as it was consulted, to the CREG.

After submission to the CREG, the consultation report is published on the webpage of the public consultation.

6. Attachments

The non - confidential reactions Elia received to the document submitted for consultation:

1) FEBEG
2) FEBELIEC

Contact

Elia Consultations
Consultations@elia.be

Elia System Operator SA/NV
Boulevard de l'Empereur 20 | Keizerslaan 20 | 1000 Brussels | Belgium

POSITION

Subject: FEBEG's position regarding the public consultation on the proposal of amendment of the imbalance tariff

Date: 21 June 2024

Contact: Jean-François Waignier

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Introduction

FEBEG wishes to thank Elia for the opportunity to react to the *Public consultation on a proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs*[1]. The comments and suggestions of FEBEG are not confidential.

Connection to MARI

First of all, we understand that if Elia had managed to connect to the MARI platform, as set out in the Elia roadmap, we would not be in the current situation and this consultation would not be needed. Indeed, the connection to MARI would allow the activation of foreign energy bids to be included in the imbalance price (as well as reflected in the CBMP).

In this perspective, it is worrying to see Elia putting its efforts on adjusting the previous imbalance price and imposing a public consultation on a very short notice instead of connecting promptly to the MARI platform.

Secondly, we want to remind that the BSP remuneration (MIP/MDP) does not include the inter-TSO activations in the marginal price. FEBEG believes that the situation in which on the one hand, an inter-TSO component is included in the imbalance price (in order not to expose Elia to a negative balancing margin) and to have on the other hand, this component excluded from the BSP remuneration (creating a positive balancing margin for Elia) is not an equilibrated situation. Elia often refers to the crucial need to have BRPs able to balance their portfolio. We want to remind that those BRPs are often BSP at the same time. **This discrepancy between BRP and BSP financial exposure** – which is not the targeted design as of MARI connection – **is not acceptable for FEBEG.**

Finally, this consultation is the consequence of two problems created by Elia. One problem is an incorrect description of the imbalance price in the BRP contract. Second problem is Elia not following its own roadmap. **Febeg reasonably questions why Elia would not live with the consequences of these points instead of imposing a public consultation and proposing an unbalanced temporary quick fix.**

[1] https://www.elia.be/en/public-consultation/20240228_public-consultation-on-the-proposal-for-amendment-to-the-tc-bsp-afrr

Need for an accurate imbalance price publication in real-time

In its consultation paper, Elia raised two concerns of the imbalance price not reflecting the marginal prices: (i) incentive on BRP coverage and (ii) geographical spread/arbitrage between countries of the uncongested area. FEBEG wants to emphasize the need to have accurate imbalance price publications in real-time (and not ex-post). An inaccurate imbalance price published in real-time has an additional side effect not mentioned in the note: in the situation where the imbalance price would be published with a value of (e.g.) -300 Eur/MWh, it will prevent units with lower activation/ strike price to be activated. In other words, units with an activation cost lower than the published imbalance price in real-time risk to not be activated. We urge Elia to publish in real-time an accurate imbalance price, which gives the right incentives to market parties (without ex-post correction (up to one month later)). Publications of UMM on Elia IIP does not cover the issue raised in this paragraph.

Adders

FEBEG understands that Elia wants to solve the negative balancing margin by introducing an additional adder (alpha') in the tariff proposal. **We would like to remind that FEBEG has always strongly opposed - for principle reasons - against adders** (alpha, omega, etc). Hence, FEBEG certainly opposes the improper use of an adder to solve a hiatus in the imbalance price formula: FEBEG prefers this issue to be solved in a clean and balanced way in respectively the T&C BRP and T&C BSP mFRR.

FEBEG's requests and conclusions

1/ **Connection to MARI & PICASSO should follow asap** and FEBEG urges Elia to follow its own roadmap. We can only regret the high pressure put on market participants for keeping the ambitious deadline of iCAROS, but at the same time ELIA not respecting its commitments.

2/ Given that we understand that it is no longer possible to stick to the ELIA roadmap, and connect to MARI before summer, **FEBEG urges ELIA to align the BSP and BRP remuneration in a way that it does not create an unjustified balancing margin**. The preferred option is to include the inter-TSO activation in the marginal price remuneration to the BSP because it will be in line with the target market design when ELIA will be connected to MARI.

- ➔ If this is not possible (hence: Elia could not amend the marginal price in the BSP remuneration), we believe there would be no basis to amend the current formulas of imbalance price in such a case. We prefer in this case this issue to be solved with the connection to MARI/PICASSO instead of introducing a temporary and unequilibrated work-around. If it is decided to go for the option where inter-TSO is included in both imbalance price (for BRPs) and marginal price (for BSPs), we ask Elia to amend the imbalance price within the T&C BRP (Article 30.4 which states that *"mFRR Technical Go-Live: means the moment of entry into force of the "Balancing*

service providers Contract for the manual Frequency Restoration Reserve (mFRR) Service" developed in the context of the accession of Elia to the mFRR-Platform.").
Inter-TSO should be added as one of the component in the MIP – MDP formula.

3/ **FEBEG urges Elia to make accurate IP publications <u>in real-time</u>** (and not ex-post).

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Febeliec answer to the Elia public consultation on a proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs

Febeliec would like to thank Elia for its public consultation on a proposal for modification of the tariff for maintaining and restoring the residual balance of individual BRPs

Febeliec completely supports the proposal of Elia, as it has never been the intention nor purpose to not take into account the prices of mFRR sharing agreements in the calculation of the imbalance price. Febeliec regrets that the postponement of the connection to MARI has lead to the current situation where such prices are not reflected in the imbalance price as it leads to a situation where BRPs ae not correctly and sufficiently incentivized to take action and maintain balance in their perimeter, while all additional costs for the inter-TSO activations are socialized through the grid tariffs, causing a double negative impact for consumers, which is totally unacceptable for Febeliec. Even worse, the current situation could lead to perverse effects for BRPs which could even aggravate the Belgian imbalance (through geographical arbitrage) which could even undermine the stability of the Belgian and European system, which is even more unacceptable.

Febeliec thus fully supports the proposal of Elia, through the proposed quick fix solution of a (temporary) additional alpha component, as this would be the fastest solution, and most strongly insists that this solution should be implemented at the earliest possible opportunity, to avoid any cost or grid security impacts in a summer with possible incompressibility issues which could require inter-TSO balancing agreement activations.