

Subject: Public consultation on the revision of the FCR and aFRR Energy Management Strategies requirements for Delivery Points with Limited Energy Reservoirs: FEBEG reaction

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This note presents the reaction of FEBEG and its members to the public consultation organised by Elia on the revision of the FCR and aFRR Energy Management Strategies requirements for Delivery Points with Limited Energy Reservoirs (LER). FEBEG would like to thank Elia for the organization of this consultation. The comments and suggestions of FEBEG are not confidential.

1. General feedback

FEBEG would like to emphasize that this is a topic of utmost importance. The amount of installed LER capacity will keep growing in the coming years and we do believe that transparent and efficient rules need to be described and validated as soon as possible. BSPs active on LER will implement their optimization processes and the bidding strategies on ancillary market is a part of this portfolio optimization.

Overall, we support the approach of Elia which aims at striking the right balance between (i) relying on contracted reserves that are genuinely available (hence detailing what is allowed/ not allowed to do) and (ii) not putting overly complex rules which would undermine the market liquidity. This balance will ultimately contribute to social welfare in the sense that it should safeguard grid security (by ensuring reliable contracted reserves) and increase market liquidity (by not limiting the amount of non-contracted energy bids).

In this context, it is absolutely key that non-contracted reserves are exempted of this scheme. BSP should in this case manage the availability of energy bids by making multiple updates before the respective gate closure times (GCT).

2. Specific feedback

FEBEG understands that EMS requirements serve 2 different purposes:

- Validation/prequalification phase.
- Service delivery/monitoring phase.

On the one hand, FEBEG believes the EMS validation is a prerequisite to start offering contracting reserve in a safe manner: we understand that we need to proof to Elia upfront that we have carefully reflected about our EMS strategy for grid safety.

On the other hand, we want to have sufficient flexibility and have no unnecessary restrictions/limitations because we have decided on an EMS strategy on year upfront:

- without a strict EMS strategy, market parties are still incentivised to have enough energy to deliver aFRR/FCR because of the penalties and the imbalance price;
- if batteries don't have sufficient flexibility in setting the EMS, this is not only bad for the BSP/BRP but also for the energy system because they cannot contribute optimally to support the system;
- market parties need to be able to capture market trends fast: this is not possible if they need to always wait one month, and then Elia still can decline: this is a limitation we don't want.

Elia is active with some ongoing initiatives (incl. The simplification of prequalification) to decrease the barriers to enter ancillary markets. In this context, the best way forward seems to allow for a fast track EMS validation but be rather sharp on the monitoring of the executions of the strategies. We believe that Elia should regularly monitor the correct execution of the EMS, but the monitoring should be organized in such a way that the administrative burden is limited as much as possible. Market should indeed flag the trades they use for the battery but heavy monthly reporting obligations should be avoided..

3. Strategies

We are aligned with Elia that the following strategies are allowed: **Use of SoC supporting assets and Use of Intraday market**. However, we would like to bring some nuance on the strategy to use the intraday market. We see 2 important risks that should be monitored by Elia.

Firstly, procuring the energy (to restore SoC) on ID market is likely to show a correlation between high needs and extreme prices. If the SoC of a LER is low, there

is large chance that sourcing energy is expensive at that time. High sourcing prices to restore SoC should in no way be arbitrated (against aFRR delivery) nor discourage the BSP to comply with its energy management strategy.

Secondly, while we acknowledge the increase in ID market liquidity, it does not mean as such that BSPs can perfectly and timely operate the ID trade. We should not underestimate the operational complexity to perform the entire chain of closing an ID trade (from making an exchange or OTC deal until making a correct nomination).

Those 2 fears are even more relevant for the strategy which consists in closing a **transfer of obligation**. From our experience, the liquidity on ToO as well as the time needed to perform all the operational steps associated to a ToO bring too many uncertainties. This cannot be considered as a valid strategy as long as it can be demonstrated there was significant improvement in the liquidity and timely execution of ToO. Elia certainly have relevant data to make this analysis..

We are aligned with Elia on the **asymmetric pricing strategy**. Updating energy bid prices with the purpose to position yourself in the merit order to avoid too many activations cannot be a valid strategy. This would be detrimental to the quality of the service delivered to Elia with, ultimately, negative impacts on the final consumers.

However, we would like to remind that a BSP should have the right to price its energy bids in a way that represents its estimation of the value of energy at that given moment. If a LER is running short and it is due to large upwards needs and an energy market being overall short, the energy bids should be priced according to the estimated value of energy (hence, will probably be more expensive than in 'normal circumstances').

We are fully aligned with Elia that the following strategies are not valid: **use of tolerance band in the activation control and imbalance charging (for aFRR)**. Both of them would have detrimental effects for the grid. Furthermore, Imbalance charging would be conflictual with a correct aFRR activation control.

4. Timeline

The document under consultation correctly framed the allowed EMS requirements and the subsequent monitoring. However, FEBEG misses a general timeline and dates where changes would enter into force. We wish to remind that BESS are being developed (some of them in the framework of CRM) and these follow ambitious plannings. Any new requirements can only delay the participation of these units in the ancillary markets (for contracted reserves). Such delays would be very unfortunate for the social welfare and costly for market participants. FEBEG would have appreciated more visibility on the timeline.

5. Conclusions

We appreciate the documents shared by Elia and – as detailed in the specific feedback – we are aligned on most of the elements. Most important element is that non-contracted energy bids are exempted of such EMS requirements. By no means the EMS requirements should have adverse impacts on the amount of non-contracted bids offered and market liquidity in general.

Our main remarks were added in our specific feedback and we are convinced they should be considered in the purpose to strike an optimal balance between (i) relying on contracted reserves that are genuinely available (hence detailing what is allowed/ not allowed to do) and (ii) not putting overly complex rules which would undermine the market liquidity.

In this context, while we support the proposals of Elia, we believe the following points should be addressed:

- Find the right balance between EMS validation and monitoring. EMS validation – as long as fulfilling the EMS criteria’s – should fast-track validated (e.g. within 10 days after submission by BSP) with the purpose to limit barriers to enter the market. However, the monitoring of EMS compliance can be more frequent and accurate with the purpose to ensure the high quality of service delivery;
- Be careful with the following 2 strategies:
 - The use of Intraday market strategy should be closely monitored during periods of more extreme market prices;
 - The use of Transfer of Obligation strategy should be allowed only with strong guarantees and fact-based analysis that it is operationally possible;
- Provide clear visibility on the planning/ Timeline of the entry into force of the EMS requirements.
