

Balansys Market Consultation 9

Incentivizing the Network Users for balancing

Luxembourg, July 12th, 2023

Balansys is proposing adjustments to its regulated documents in order to incentivize all Network Users to comply with their balancing obligations, the changes focus on:

- i. Introduction of Main Causer and Minor Causer concepts;
- ii. Changes to the settlement methodology where
 - a. Introduction of an incentivizing factor for Within-Day settlements
 - b. Differentiation of small adjustments between Main and Minor Causers

The consultation 9 is a follow-up after the consultation 8, where the feedback on market consultation 8 has been taken into account. The consultation starts on July 12th and ends on August 16th 2023 close of business.

Context for consultation 9 and feedback from Consultation 8

From April 3th until April 28th 2023, Balansys launched the consultation 8 which aimed the same objectives.

The main messages¹ received from the consultation 8 are listed hereunder :

1. the Main Causer Upper/Lower Limit could be related to domestic exit shares
2. include the value of the Main Causer Upper/Lower Limit in the regulated documents
3. increase the value of the Main Causer Upper/Lower Limit to 20% of the Market Threshold.

Regarding the first point, Balansys still considers that having a fixed Main Causer Upper/Lower Limit, instead of a Main Causer Upper/Lower Limit related to domestic exit shares, is the best choice as :

- it is consistent with the market-based balancing system chosen for the market area, and its inherent benefits² (level playing field, increased liquidity ZTP, easily access to newcomers...)
- it is also applicable to Network Users having no domestic exit
- the Network User has full ownership of his own balancing position and by consequence his status Main/Minor Causer.

¹ The (value of the) Incentivizing Factor was not in the scope of the market consultation 8, so the feedback related to it is not taken into account. The (value of the) Incentivizing Factor will be consulted in the upcoming consultation regarding the Balansys Tariffs for 2024.

² For more information, the reader is redirected to articles 63 and 64 from last CREG decision : <https://www.creg.be/sites/default/files/assets/Publications/Decisions/B2528FR.pdf>

- based on further investigations made by Balansys on Within-Day events from last years, there is no correlation between flexibility utilization and the Domestic Exits market shares.

Regarding the second and third points, Balansys proposes to adjust accordingly the regulated documents.

It was also noticed by Balansys that the Incentivizing Factor should be incorporated in the balancing settlement prices formula instead of the balancing settlements formula, in order to have the balancing settlement prices to be different for Main Causer, Minor Causer and Helpers. The regulated documents were adapted accordingly.

Finally, some textual adjustments have been realised in order to improve the readability of the documents.

Explanations on the proposed changes

i. Introduction of Main and Minor Causers concept

Network Users with a Network User Balancing Position in the same direction than the Market Balancing Position, in case of a Within Day Shortfall or Excess, will now be considered as Main Causer or Minor Causer, depending on their Network User Balancing Position. These concepts will be used for the Within-Day and End-of-Day settlements.

The distinction between Main and Minor Causer will be determined by the Main Causer Limits (lower and upper), and these limits will be set at 20% of the Market Thresholds.

ii. Changes to settlement methodology

a. Introduction of an incentivizing factor for Within-Day settlements:

The Within-Day settlements will take into account an incentivizing factor. The incentivizing factor will be applied to the gas price used to settle the Within-Day events. Its value will vary depending on the fact of the Network User is Main or Minor Causer of the Within-Day event.

b. Differentiation of small adjustments between Main and Minor Causers:

To not penalize Causers that are doing a proper balancing, the small adjustments are split into Small Adjustment for Main Causers and Small Adjustment for Minor Causers for both Within-Day and End-of-Day settlements.

Considered values from the proposed changes.

Small adjustments Within-Day, small adjustments End-of-Day and Incentivizing Factors will be published on Tariff Sheet after validation by the regulators.

For the time being, Balansys considers as indicative values the following ones:

- Incentivizing Factor for Main Causers: 10%
- Incentivizing Factor for Minor Causers: 0%
- Small Adjustment Within-Day for Main Causers: 0%

- Small Adjustment Within-Day for Minor Causers: 0%
- Small Adjustment End-of-Day for Main Causers: 3%
- Small Adjustment End-of-Day for Minor Causers: 0%
- Small Adjustment End-of-Day for Helpers: 0%

The market participants will have the possibility to react on these values in the consultation of the Tariffs that will be held at a later stage.