

AEECSI CONSULTATION 356/2014
ADESIONE DEL MERCATO ITALIANO AL PROGETTO DI MARKET *COUPLING*
EUROPEO, INQUADRAMENTO NORMATIVO E PROPOSTE IMPLEMENTATIVE

EFET comments

General comments

EFET¹ welcomes the steps that are being taken by the parties involved in order to join the Italian electricity market with the European price coupling of regions project. This is in line with the electricity target model and is an important step towards the integration of European electricity markets.

Comments on particular steps required for market coupling

MGP gate closure time

It is critical that the MGP gate closure time shifts at the same time as market coupling is implemented. If the coupling go-live is delayed and the gate closure time still shifts well ahead, the gate closure shift would prevent market participants from making conditional orders, leading to inefficient cross-border flows. We understand that, due to some operational risk, GME intends to anticipate the gate closure shift some weeks before the go-live. We wish that this timeframe could be as short as possible.

Regarding PCE, EFET believes that the deadline for registering transactions on the PCE could and should shift to D-1.

Settlement timing

We welcome the alignment of settlement timing in GME's day-ahead and intraday electricity market with the rest of Europe in order to enable market coupling.

We agree with the consultation in that the transitional period should be limited to a defined time. Our view is that this time limit should be set earlier than the end of 2015. With market coupling planned to go ahead in February 2015, we deem that an earlier deadline would be feasible.

¹ EFET, The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

We would suggest the AEEGSI to encourage a consultation process on a D+2 final solution by the end of 2014, to allow market participants to know what to expect and adapt internal processes.

Harmonisation of price limits

We welcome the harmonisation of price limits, as this will make electricity flows and prices under the European price coupling of regions work efficiently according to market fundamentals.

Next steps

As mentioned by the consultation document, the CASC.EU rules on capacity allocation have undergone a period of consultation on changes that will be implemented in conjunction with market coupling, once the proposed rules have been approved.

On this note, EFET would like to highlight that the draft revised rules on firmness and compensation still contain significant scope for improvement on the Italian borders where CASC.EU allocates capacity. Compensation for reductions of held capacities on the Italian borders can still be reduced for non-force majeure reasons all the way up until the nomination deadline, with compensation at auction price. Notably firmness of held capacities in the direction from France to Italy follow the same rules as other Italian borders, as per the redrafted rules, rather than being treated like the CWE borders as before. This leads to a lower degree of firmness in this direction.

Full financial firmness of forward transmission rights in the event of curtailment is a crucial element, except in proven cases of *force majeure*. Compensation for reductions should be based on market spread for all borders. We further note that we see no reason why a higher degree of firmness should decrease capacity volumes offered to the market.

As these changes will be implemented in conjunction with market coupling go-live, we encourage a deep evaluation of the issue.