

## Flow Based Market Coupling and the use of remedial actions

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**5 May 2016**

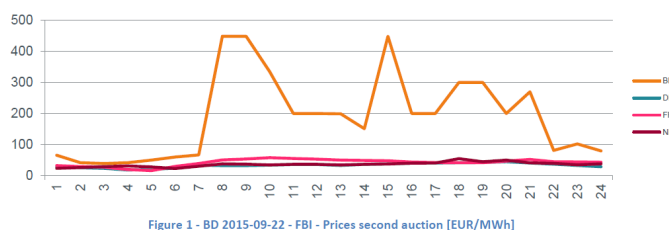
### **Summary of the situation**

On 22 September 2015, some hours of the Belgian day-ahead power price cleared at around 450 €/MWh. The maximum import capacity was limited at around 3000 MW.

The next day, the maximum import capacity has been increased to around 4000 MW (nearly 1000 MW additional capacity) and the price cleared at around 50 €/MWh (no “spike” anymore).

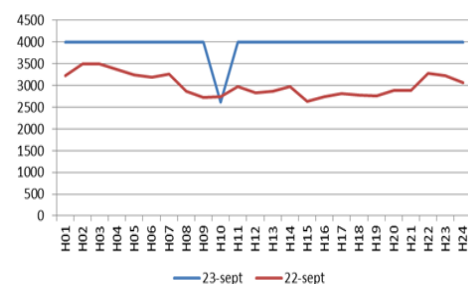
Market participants were surprised of such a difference between in the clearing price of the two days. They investigated the fundamentals that could explain such a change (weather, generation availability, line availability, etc.) but had failed to identify any difference in the market fundamentals between the two days. Therefore, they raised the question to the Flow Based Consultative Group (cf. presentation made by EFET and MPP at the CCG meeting on 29 November 2015).

The CWE TSOs presented their feedback on the situation during the CCG meeting of 30 March 2016. They explained that high prices on 22 September 2015 were related to adequacy issues on the Belgian grid. TSOs also explained that on 23 September 2015, maintenance work was put on hold and topology measures were taken, considering that imports reached close to the maximum feasible import capacity on the 22<sup>nd</sup>. Market Participants were surprised that these actions were taken on the 23<sup>rd</sup> and not on the 22<sup>nd</sup> and therefore asked what could explain this differentiated approach in the capacity calculation process. TSOs explained (and wrote in the documentation of the CCG meeting of 30 March 2015) that exceptional remedial actions, such as those performed on 23 September 2015, can be taken in case of extreme market prices.



Source: “CWE Analysis BD 22\_09\_2015” presented by CWE TSOs at the CCG meeting of 30 March 2016

### **BE Max Import Constraint**



Source: presentation by EFET/MPP at the CCG meeting of 29 November 2016

## ***EFET Concerns***

The mission of TSOs is to operate the grid at safe conditions, while staying neutral to price signal. EFET is concerned to hear that TSO take the liberty to launch remedial or other exceptional actions based on price information. No price information should be considered in the capacity calculation process.

The intervention of TSO on 23 September 2015, based on the prices of the 22<sup>nd</sup> that were deemed too high is going against the healthy functioning of the internal energy market of which a **prerequisite is the acceptance of scarcity prices**. Acceptance of scarcity prices is at the centre of the political declaration<sup>1</sup> signed, amongst other, by the governments of Belgium, France, the Netherlands and Germany on 8 June 2015. Suppliers and consumers have to be exposed to the risk that scarcity prices can materialise. It is crucial that prices are allowed to fluctuate freely in the market without intervention of the system operators in order to provide proper signals in the market for dispatch and investment decisions by market participants, amongst others to ensure the development of demand-side flexibility.

## ***Proposed actions***

EFET requests a firm commitment from the CWE TSOs that remedial actions as well as other topological measures will be taken solely based on technical considerations in the future.

EFET calls on regulators of the CWE region to monitor the application of the above-mentioned commitment of the CWE TSOs and take appropriate action should a situation similar to that of 22/23 September 2015 reoccur.

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<sup>1</sup> In their Joint Declaration for Regional Cooperation on Security of Supply in the Framework of the Internal Energy Market, twelve European governments stressed that they “will not restrict cross-border trade of electricity including in times of high prices reflecting market scarcity and we will follow EU-regulations on cross-border trade also with respect to ensuring secure system operation”, and that they “will allow flexible prices; we will particularly not introduce legal price caps and we will avoid that national measures have the effect of indirect price caps”.