

## CRE consultation on non-core services provided by RTE



### EFET response – 20 April 2017

The European Federation of Energy Traders (EFET) thanks CRE for the opportunity to provide its views on the proposal of RTE changes in the methodologies and pricing for non-core services provided by the TSO. The response below concentrates on the three questions in the consultation that are relevant for energy trading companies.

#### Q4: Pricing of NEB exchanges

EFET takes note of RTE's proposal to change the way NEB pricing is organised.

First, we would like to clarify our understanding of how the system will work exactly without mandatory use of NEB notifications in the future: We understand that the declaration of OTC deals will still be mandatory via NEB, but not the pre-notification of a nomination with another BRP (RE) anymore. This would allow avoiding the delay of about 15 days that exists today. If our understanding is correct, we welcome this evolution.

Second, EFET wonders why RTE is still charging fees for the nomination of physical transactions in France, while neighbouring TSOs have abandoned such practices. At this stage, we do not understand the rationale for the existence of such payment by market participants.

Third, on the pricing proposal itself, we understand that the new pricing would apply per NEB per counterparty. For the sake of clarity, let us take the example of a market participant A who has two counterparties B and C and made one calendar deal with each B and C. During the delivery period, A will use the NEB service every day for the transaction with B and for the transaction with C. According to our calculations, here is how the costs for market participant A would evolve with the new pricing methodology:

- Current cost:
  - A would pay 2 x EUR 77,00/month x 12 months = EUR 1.848
  - B and C (each) would pay EUR 77,00/month x 12 months = EUR 924
- New cost:
  - A would pay 2 x EUR 7, 50 x 365 days = EUR 5.475
  - B and C (each) would pay EUR 7, 50 x 365 days = EUR 2.737,50

This represents an increase of costs for A. If our reading is right, our example shows that costs increase also for market participants making a small number of (forward) deals. EFET acknowledges that with the current pricing, a market participant making a small number of (spot) deals would have to pay for the **possibility** to exchange NEB with new counterparties in order to be able to schedule a deal with one of them (EUR 77,00/month to activate a counterparty in each direction, regardless of the fact that in a specific month, the market participant has a position with the counterparty or not), while with the new pricing, the market participant would pay only if a **transaction** has been made.

While EFET would support a cost allocation guaranteeing TSO neutrality (should there be a good reason to charge this cost to market participants), we wonder if a cost per transaction is justified in this case: are the costs supported by RTE proportional to the number of transactions? Last but not least, EFET sees the principle of charging a fee proportional to the number of counterparties with which there is a non-zero net position as an incentive to reduce the number of trades OTC, discriminating once again on the choice of the counterparties with which to trade and thus reducing competition and liquidity in the market.

#### **Q5: Pricing of imbalance information**

EFET welcomes the proposal of RTE and concurs with the CRE analysis. Given that the cost of the imbalance information service have been amortised, we agree that the service should come free of charge. This would also place RTE on par with many European TSOs, who do not charge extra to provide imbalance information to market participants.

#### **Q7: Link of non-core service charges to consumer price indices**

EFET has concerns with the RTE proposal to link the charges of non-core services to consumer price indices. As a principle, TSOs should only charge fees to market participants in order to recover the costs of the services they provide. By linking non-core service charges to consumer price indices, the fees of these services may be influenced in a manner that is not relevant for the services that are being provided. The RTE proposal could open the door to further exceptions to the financial neutrality rule of the TSO.

We understand CRE's intention to avoid sudden and drastic changes to the charges for non-core services. However, we believe that if the fees for these services are reviewed every year with the exact cost incurred, the objective of avoiding sudden and drastic changes to the charges will be fulfilled without running the risk of over- or under-compensating the TSO for the services provided.