

To:

BritNed Development Limited
Oude Oeverstraat 120
NL-6811 JZ Arnhem
The Netherlands

Brussels, 11 July 2013

Subject: EFET¹ response to the Consultation on proposed changes to the BritNed Access Rules

Dear Madam or Sir,

EFET would like to thank you for this opportunity to provide the views of its members on this topic. While we understand that BritNed is not considering major changes this year, we would like highlight our general concerns about the current access rules regime.

We note that, although BritNed is exempt from licence conditions 9-11 in the UK and from Article 16(6) of the Regulation, it is still, among other things, required to maintain access rules that are:

...transparent, objective, non-discriminatory and compliant with the Regulation and any relevant legally binding decision of the European Commission and/or Agency (collectively "the relevant access rules objectives"). [Licence Condition 11A(4)].

In addition, Ofgem also requires Access Rules which:

- (a) will require that any unused capacity in the exempt infrastructure is made available to other users or potential users;*
- (b) will not restrict reselling of rights to have electricity transmitted through the exempt infrastructure. [Licence condition 12(10)].*

¹ 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 at: www.efet.org.

We believe that BritNed therefore needs to be ready to substantially modify its access rules to comply with the forthcoming CACM network code so as to deliver the EU target model. It also needs to remove Access Rules that, once implicit allocation is implemented, amount to a de-facto restriction on the availability of unused capacity (e.g. reserve prices, failure to offer continuous intraday allocation).

In this respect we find the existing Access Rules and the proposed changes unsatisfactory. In particular, with the achievement of price coupling, what is now at stake is the full integration of DC cables in EU networks. The following immediate changes to the proposed rules should therefore be considered.

- BritNed's access rules must avoid distortion of price coupling results (prices, power flows). The price coupling algorithm is very sensitive to any allocation constraints. Therefore we strongly oppose the "implicit auctions reserve price" and "ramping reserve price" considered in the current draft.
- In case of activation of loss factors in the market coupling algorithm we would very strongly advise the use of harmonised loss factors between BritNed and IFA in order to avoid distortions of power flows and indirect effects on all regional borders: Netherlands-Belgium, Belgium-France, Netherlands-Germany, Germany-France, etc. Without harmonisation, an export from NL to UK would flow through IFA before flowing through BritNed until IFA gets saturated since the IFA loss factor is currently lower than the Britned loss factor.
- Firmness is needed for implicit allocation in that neither market participants nor power exchanges should be liable for any losses resulting from unavailability of interconnection capacity after firm day-ahead capacity is established.
- Forward transmission rights should be freely tradable by capacity holders without the need to involve the asset owner. We consider the rules set out in section D4 of the code to be excessively restrictive and not in line with the Framework Guidelines for forward allocation. The modification to allow BritNed to control the re-sale of rights and to impose conditions on the price at which they are sold should be dropped.
- EFET does not support the pro-rata basis methodology for curtailment described in paragraph D8.7: curtailment should be performed according to the order of product duration (shortest products curtailed first).

In further evolutions of the Access rules (i.e. in 2014), BritNed should revise further elements as follows.

- We would recommend a commitment to the agreed NWE intraday platform as soon as possible and to establish a pragmatic roadmap allowing for continuous intraday allocation ("couple as soon as ready").

- In general, we do not support the activation of loss factors in the price coupling algorithm. We believe and consider that this should be better managed in the long run by an inclusion in the ITC mechanism (inter TSO compensation, which is also dedicated to managing losses).
- We do not support the activation of ramping constraints. This is for TSOs and HVDC cable operators to manage in a coordinated way and based on real physical flows only, not on expected commercial flows well ahead of real time.
- Financial firmness should be ensured on PTRs as soon as allocated, with compensation at market spread as required by the FCA Framework Guideline. Compensation in case of curtailment should not be capped on the basis of a pre-determined market spread, as is currently the case, but only to a reasonable proportion of the cumulative congestion income (such as a week or a month), taking into account all products and directions.

Do not hesitate to contact us for further explanations. This response is not confidential and may be published.

Yours sincerely,



Jan van Aken
Secretary General