

Letter addressed to:

Responsible officials dealing with the Central West and Central North regional electricity markets on the staff of the energy regulators of the Netherlands, Belgium, France, Germany, Denmark, and Norway; the presidents of the power exchanges APX, Belpex, Pownext, EEX and Nord Pool; and relevant managers in regional TSOs

Cc: DG TREN, ETSO and ERGEG secretariat

Dear Sirs,

***Proposed shift of gate closures due to the extension of the TLC<sup>1</sup> market coupling to include a link to Nord Pool***

EFET appreciates greatly the ongoing initiatives for market coupling between the Central-Western-European (CWE) market and the Nord Pool area through the NorNed cable and between the German market and Nord Pool, both planned by the end of this year.

As a consequence of the interim solution for market coupling through NorNed, the power exchanges involved in the current TLC coupling envisage to shift their gate closure time from 11h00 to 12h00. On top of that, due to the complex set-up of the planned coupling between the TLC area and NordNed cable (calculation in two steps: volume coupling on NorNed cable, then TLC price coupling), the matching will take significantly more time, resulting in market results being available not before 12h40 (target time) and contractually even later.

**Consequences of the shift of gate closures**

EFET believes that shifting gate closures needs careful reflection on all market consequences and considers a harmonisation to a single gate closure, at an hour that stays to be determined, is premature.

1) In the case of a shift to 12h00, the deadlines for VPP nominations would need to be delayed. If the deadlines for the French and Belgian VPPs are not shifted correspondingly, this will lead to an economic loss for all VPP capacity holders. EFET members are aware that a shift in the VPP deadline will only be acceptable for involved generators if they are allowed to shift in the same

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<sup>1</sup> TLC = trilateral market coupling between France, Belgium and the Netherlands.

way their generation planning. We understand that a shift in the gate closure for generation planning to a time later than 16h00 might then no longer be compatible with the UCTE 18h00 international deadline for day-ahead transmission planning. In any event, a shift of the exchanges gate closure to 12h00 without a corresponding delay in the VPP nominations deadline is not acceptable for our involved EFET member companies.

2) EFET members also highlight that in the absence of a market coupling mechanism between the TLC region and Germany, matching gate closures between the two zones would be to the detriment of price signals in both zones. Firstly, sending bids at the same time day ahead to two uncoupled zones would create operational difficulties, and secondly the opportunities for an economically efficient usage of available capacities between Germany and the TLC region would be seriously reduced.

3) Furthermore, we should not forget the fact that generators would only be able to decide their final gas needs later than they currently do, producing undesired consequences on the gas markets, where a first day ahead nomination deadline is fixed for instance in the Netherlands and Belgium at 14h00.

4) Shifting the UCTE TSO gate closure (the mentioned 18h00 deadline) and the equivalent gas market deadline, combined with a shift in the timing of market participants' obligation to nominate to TSOs could be a solution. However, such a shift would have an undesired restrictive effect on the intraday cross-border market that can only start after the TSO gate closure has occurred.

5) We also refer to our past position papers<sup>2</sup>, in which the need for market participants to be able to secure transmission rights of longer maturities has been noted, in order to allow them to hedge cross border transmission risks between markets. The fact that the NorNed cable is planned to be exclusively the subject of day-ahead transmission capacity allocation via market coupling does not by any means facilitate the hedging requirement.

### **Market Coupling extension TLC with Germany has the highest priority.**

EFET believes that alternatives to the NorNed interim market coupling solution should be considered. From a market integration perspective, **the market coupling extension of the TLC region with Germany could be expected to have the highest impact in promoting a well functioning, liquid wholesale power market across Europe.** Any interim solutions relating to other borders or inter-connectors should only be allowed to

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<sup>2</sup> In particular we refer to the EFET paper "Transmission Capacity Allocation", published on 22 October 2004 and the paper "More transmission capacity for European cross-border transmission : Firmness and Maximisation", published on 22 May 2006, both available on our website via the link : <http://www.efet.org/default.asp?Menu=76>

exercise a limited influence on the current market processes, as long as this goal is not reached.

EFET is aware that the eventual extension of the TLC market coupling to Germany will raise similar issues, related to the shift of gate closures. We believe, however, that the market needs time to find a consensus, since concessions will be required in varying respects (e.g. harmonisation of calculation algorithms, determining common gate closure time, shifting of UCTE deadline, etc.) in order to find the overall optimal solution. It is imprudent to pre-empt the building of such a consensus simply for the sake of the commissioning date of one inter-connector.

### **Conclusion and interim proposal**

EFET urges the involved stakeholders, and in particular the power exchanges and the regulators, to keep the 11h00 deadline for the TLC region for the time being. A new deadline can only be determined once other important market processes (the potential TLC market coupling with Germany, existing VPP deadlines, UCTE deadlines, TSO nomination deadlines, gas gate closures, starting time for intra-day cross-border trade) and their inter-relationship have been further evaluated, re-determined where appropriate and comprehensively harmonised.

As an interim solution, bearing in mind the desirability of not delaying the commissioning and commercial availability of the new Netherlands-Norway link, EFET suggests the organisation in an initial phase of explicit auctions on the NorNed cable, meanwhile keeping the 11h00 deadline for the TLC.

Yours sincerely,

| Jan van Aken



EFET  
Secretary General