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EFET RESPONSE TO THE GME CONSULTATION no. 01/2014 ON GCT SHIFT AND ACTIVITIES RELATED TO THE PCE

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17 March 2014

WHO WE ARE

EFET is an organisation designed to improve the conditions of energy trading in Europe and to promote the development of a sustainable and liquid European wholesale market.

We foresee sustainable energy markets throughout Europe, in which traders efficiently intermediate in the value chain on the basis of clear wholesale price signals, thereby optimising supply and demand and enhancing security of supply, to the overall long-term benefit of the economy and of society. Within our organisation, Task Forces dedicated to specific countries operate. The present document is prepared by the group following the Italian Gas and Electricity Markets.

GENERAL CONSIDERATIONS

EFET welcomes the opportunity to comment on the revised deadlines for GME's markets. At the same time EFET urges GME to shift the MGP gate closure only at the same time as the "Italian borders market coupling" is implemented, and Terna and CASC to consult in parallel on how the current auction windows and nominations gate closures for the cross-border transmission capacity rights must be changed accordingly. We suggest that Terna and CASC consult on:

- **Changing the auction windows and nominations gate closures of the current cross-border transmission capacity rights intraday auctions ("XBID" auctions).** EFET is particularly concerned that in this consultation the massive negative impacts on the current liquidity and efficiency of the Italian intraday markets have not been taken into account. In fact, if XBID timings are not changed accordingly, all MI sessions except for the new MI5 will become incompatible with the current XBID auctions/nominations gate closures and cross-border trades will be relegated only to the hours from 16:00 to 24:00 CET.
- **Reviewing the current XBID sessions in order to allow cross-border trades to participate to all the MI sessions,** as currently apply to the Spanish market.
- **Moving the nominations of the long-term cross-border transmission capacity rights** from the current 7:00 CET D-1 to 8:00-9:00 CET D-1 in line with the Central Western European bidding zones (CWE).

We have provided our detailed feedbacks for the MGP, PCE and MI sessions below.

MGP

It is critical that the MGP gate closure time shifts at the same time as market coupling is implemented. If the coupling project is delayed and the gate closure time still shifts in December, the gate closure would be the same as in NWE, preventing market participants from making conditional orders and leading to inefficient cross-border flows. This has already happened on the French-Spanish border¹, where estimates made by CRE² indicate a significant loss of social welfare (EUR 9 million over 9 months). This situation needs to be avoided on the Italian borders.

Furthermore, if the “Italian borders market coupling” is subject to delays but the MGP GCT still moves to 12:00 CET, the current 12:55 CET nominations gate closure for the daily cross-border capacity transmission rights will become incompatible with the proposed 13:10 MGP results publication time (also if results are published at 12:42 as in NWE).

As regards the results publication, we would like to point out that:

- EFET is aware that, given the various Italian bidding zones, GME requires time to run results calculations, but we believe that thorough work should be undertaken to bring forward the time from 13.10 CET to 12.42 CET, time in NWE for results publication.
- Results for all hours should be published at the same time.
- BSP and GME results should be available at the same time, which is not currently the case. .

PCE

The deadline for registering transactions on the PCE should shift to D-1. We seek clarification on why this remains at 22.00 CET D-2.

MI

We strongly welcome the introduction of the additional MI session and the later closure of the MI2. As we have previously expressed³, the liquidity of the Italian intraday market will benefit from additional MI sessions held closer to real time as market participants will be allowed to adjust to changes in fundamentals that occur close to real time. The new MI2 closure at 17:00 D-1 allows the CASC XBID1 intraday auction to be brought forward, and this is something that EFET has specifically advocated.

Terna’s Congestion Management Rules further need to be adjusted to allow intraday cross-border capacities to participate in all of the MI sessions, including the existing MI3 and the new MI3. The current XBID1 needs to shift forward: participation in the current MI3, which takes place in the morning of D, is at present blocked by the fact that the nomination deadline for XBID1 capacities is set the day before, at 15:30 CET in D-1. This deadline needs to shift forward, so participation would be possible in the new MI1, in the current and in the new MI2 and MI3.

¹ For more details see also the EFET letter addressed to ACER, ENTSO-E and EUROPEX, 19 November 2012.

² Commission de régulation de l’énergie

³ See EFET response to CASC’s *Consultation on a Cross-border intraday interim solution on the Italian borders*, March 2012.

As a consequence of the postponement of the MI2 gate closure, we suggest to postpone also the MSD1 gate closure to 18:30 CET D-1 as to allow market participants to know the MI2 results before participating in the MSD session.

Finally, although these changes are steps in the right direction, we would like to recall that the Capacity Allocation and Congestion Management Framework Guidelines define implicit allocation (first-come-first-served), re-nominations until h-1, and continuous capacity allocation as the target model for Intraday.