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To:

E-TRANS

cc:  
SwissElectric  
SFOE

Date: 27 October 2005

Dear Mr. Tillwicks,

### **Introduction of the Swiss Schedule Balance Group System (FPBG)**

EFET appreciates the efforts taken by Etrans to introduce the schedule-balance group system FPBG. Though EFET is aware that the actual concept is not determined by a Swiss legal framework EFET strongly believes that Etrans will undertake all efforts to harmonize Swiss energy market with related EU markets. Therefore EFET is pleased to learn that FPBG is based on European standards, supposed to facilitate inter-Swiss and cross border trades and establishes Etrans/Swissgrid as a single point of contact.

The FPBG system is a first and important step in the right direction of market opening in Switzerland. Therefore we understand the given concept as a part of future market methodology which has to be implemented rapidly and has to be developed with all potential market participants over the next months. However, EFET strongly supports a consultation process with all potential market participants to establish confidence in the Swiss electricity market and grid reliability.

For the time being EFET has serious concerns that the given concept and proposed rules will establish fair and non-discriminatory market conditions nor confidence about European energy market harmonization. Below, EFET outlines the main issues and points of improvement.

- *Absence of consultation with users:*

EFET regrets that the presentation from September 13th was only the description of the proposed system and how it will work. We believe that the meeting would have been a

good opportunity to exchange ideas. As far as EFET is concerned, Etrans did not give external market players the opportunity to comment on the proposed rules. EFET therefore supports a Swiss consultation process for the market opening process with all relevant market players or responsible associations for municipalities, end consumers etc.

- *Border management and capacity allocation have yet to be addressed:*

Because Switzerland is interconnected to many countries with significant amount of capacity available, it is imperative that market rules include elements such as capacity allocation and should not only describe mechanisms for internal transaction. Internal transactions and border management should be treated simultaneously.

We believe that it is Etrans' wish to introduce an EU-compatible system for schedule management between the Swiss control area and neighbouring, foreign control areas. However, no new participant will be willing to enter a market and take positions in it without knowing the market rules of the interconnections. There is a need for a clear third party access rules with a fair and transparent capacity allocation process.

The start date of the new system is fixed for the 1<sup>st</sup> December 05, however, it is unclear how participants will be able to request capacity on the border.

- *Proposed nominations fees go against establish cross border European policy:*

Nominations fees (0.01 Eur/MWh) are not cost reflecting and will reduce market liquidity. Moreover the charge on either buy and sell sides go against the CBT and ITC principles in which Switzerland participates in order to recover transit costs. Indeed the proposed nomination fee is synonymous to a T component. EFET strongly opposes such a fee and believes this amount charges market parties for grid access twice and hinders trading. In contrast, Germany, Belgium, Austria, the Netherlands, France<sup>1</sup> provide for free energy exchanges on the hub.

- *Cash-out prices are prohibitive:*

It is understandable that cash-out prices should prevent participants to be imbalanced on the grid. However, the prices should, as long as there is not a market based balancing mechanism in place, reflect the actual cost of rebalancing the system and shouldn't be a way of generating profit. The current rule of the FPBG is:

- Short: participant pays EEX +[50 €/MWh;100 €/MWh]
- Long: participant pays [50 €/MWh;100 €/MWh]

It is EFET's understanding that fair balancing conditions should be non-discriminatory, transparent, and independent from Ueberlandswerke zones. In addition, actors should be allowed to balance their positions ex-post if they have opposing imbalance positions, which do not harm the overall balancing of the system, such as in Germany. Ultimately, the purchase of balancing or reserve power should be market based within Switzerland and should then reflect the real costs of rebalancing the transmission and distribution system.

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<sup>1</sup> France only charges a monthly administrative fee NEB but does not take into account the volume or transactions that are exchanged on the hub.

- Intraday market

In order to improve economic efficiency, actors should be able to change their programs on the Swiss hub and also cross-border as close to real time as possible. Swiss rules should give market participants the flexibility to balance their positions until the closure of the intraday markets like in France for instance.

- Market information is insufficient:

No information regarding market data provision was given during the presentation.

ETSO took in May 2003 an initiative to publish available data (including interconnection capacities, allocation mechanisms, allocation results, scheduled exchanges, on-line measures, planned outages, load data, generation data) on its website. Unfortunately, EFET observes that the Swiss data available are still limited to a general overview.

EFET TF Switzerland believes that a more detailed data publication on the various mentioned subjects is of the utmost importance to give all European market participants a transparent and common insight in the Swiss market situation. EFET believes that Etrans is the most appropriate party to publish these data.

- Grid Access contracts have only been proposed in German language:

If the FPBG is to be put in place on 1 December 2005, companies need time to study the contractual conditions and operational constraints that will be imposed. If Etrans wishes to allow Third Parties to access the grid in an orderly fashion, such documents must be made available as soon as possible in English language at least. However, market players must be entitled to comment on such documents to ensure that all relevant issues have been addressed in a fair and transparent matter.

EFET TF Switzerland is open and encourages discussions on the issues raised in this letter. We welcome the opportunity to meet with Etrans as soon as possible and hope that these issues can be addressed appropriately before the final rules and contracts are published.

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Chairman TF Switzerland