

EFET calls for full integration of the Swiss power market in the European Internal electricity market

The European Federation of Energy Traders (EFET)¹ calls on the EU Commission and the Swiss Government to realise the potential mutual benefits of full integration of Switzerland in the European Internal Electricity Market (IEM). EFET urges both sides to reach a political agreement without further delay. In parallel, EFET recommends that responsible national regulatory authorities and Transmission System Operators (TSOs) take practical steps to align the Swiss market design with the European Target Model. In this way, particularly by working with power exchanges to introduce day-ahead market coupling, they too can contribute to faster and smoother integration.

Current EFET advocacy work aims to overcome the deadlock in the political negotiations about the energy sector between the EU Commission and Switzerland. The deadlock transpired following the Swiss referendum result of February 2014, concerning the free movement of labour from other European countries.

In a recently published paper (<http://bit.ly/1LZHQUG>) EFET provides for a qualitative assessment of the benefits - in terms of market efficiency and welfare surplus - that full market integration would bring to the Swiss and European power markets. The gap analysis, in contrast, highlights the consequences in the worst-case scenario of no political agreement.

Our assessment covers five main European cross-border market development areas where Switzerland is involved, namely:

- **Day-Ahead Market Coupling implementation at all Swiss borders:** the optimisation of day-ahead operations and the price convergence would bring benefits to the whole region;
- **Allocation of forward transmission rights at the Swiss borders** based on the European harmonised allocation rules and the implementation of the EU Forward Capacity Network Code: such harmonisation would improve market efficiency, coordination in network management and the firmness regime for market participants in Switzerland and neighbouring countries;
- **Intraday coupling:** the inclusion of Switzerland in the XBID-project would improve the efficiency and liquidity of the regional intraday market;
- **Cross-border balancing and ancillary services:** the cross-zonal exchange of balancing reserves and balancing energy would allow Switzerland to contribute - through its flexible power production - to reliable, affordable and environmentally sustainable European power supply;

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org.

- **Cross border capacity mechanisms:** the access of flexible, low CO2 Swiss capacities to national capacity remuneration mechanisms would contribute to ensuring security of supply in neighbouring countries and meeting regional capacity adequacy needs at the lowest cost.

In all these market areas, the potential isolation of Switzerland from the European IEM would lead to loss of market liquidity. It could create market entry barriers for some market participants, while others may decide to exit the market. This would result in lack of competition among suppliers and consequently, higher electricity prices for domestic and industrial customers.

For further information, please contact:

Irina Nikolova, *EFET Communication Coordinator*

E-mail: I.Nikolova@efet.org, Tel: +32 (0) 2 737 11 02