

EFET urges PXs to reach an agreement to maintain a single day-ahead reference price in GB in case of a no-deal Brexit

The European Federation of Energy Traders¹ acknowledges the fact that Brexit without an agreement on a transition period would result in the GB bidding zone being excluded from the Single Day-Ahead and Single Intraday Coupling. Indeed, the CACM Regulation requires a comprehensive energy agreement for third countries to be part of European market coupling in both timeframes.

In day-ahead, the existing implicit allocation of cross-border capacity would be replaced by explicit allocation. Contingency rules for explicit allocation on all interconnectors between GB and continental markets have already been approved by Ofgem and Continental regulators to ensure the continuity of capacity allocation even in case of Brexit without a transitional period.

However, with GB not coupled to European markets anymore, the day-ahead power market in Great Britain would be split between the EPEX SPOT and Nord Pool hubs. Hence, there would be two day-ahead reference prices in GB for the same delivery period. Although there is no legal requirement obliging power exchanges (PXs) to maintain a single GB price, we call on EPEX SPOT and Nord Pool to find practical arrangements to re-establish a single price for the GB bidding zone. Maintaining a single reference price is crucial for ensuring the efficient functioning of the wholesale market in power inside Great Britain, in particular with regard to price discovery and efficient hedging.

The absence of a single reference price would also have negative consequences on the firmness of transmission rights. Indeed, National Grid and its Continental counterparts argue that they cannot guarantee the full financial firmness of curtailed transmission rights if there is no single reference price in GB. As a consequence, if there is no single reference price in GB, PTR holders will be compensated only at the initial price paid when their rights are curtailed. The TSOs have already proposed contingency rules with that effect in case of a Brexit without a transitional period.

EFET recommends that PXs engage in discussions as a matter of urgency in order to reach an agreement, which would allow for maintaining a single day-ahead reference price in GB, should Brexit happen without a transitional period. Such an agreement is crucial for ensuring confidence and continuity in the GB day-ahead market.

For further information:

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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 28 European countries. For more information, visit our website at www.efet.org.