



Regional market integration between the wholesale electricity markets of The Netherlands, Belgium and France

*A joint synthesis of responses to the consultation document
prepared by CRE, CREG and DTE*

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1 General comments

All market participants very much welcome this joint initiative of the regulators towards energy market integration of France, Belgium and The Netherlands. The market participants thank the regulators for the opportunity to express their views on possible further integration of the wholesale electricity markets in France, Belgium and The Netherlands.

The implementation of market-based mechanisms to manage cross-border congestion is generally seen as an important step towards market integration and to promote efficient allocation of interconnector capacity. In this respect, the proper design of capacity allocation systems is crucial.

Still, a majority of market participants share the view that introducing improved market-based mechanisms will not be enough if some important preconditions are not fulfilled, such as:

- The amount of capacity available to the market must sensibly increase,
- Transparent and verifiable rules for the calculation of available transfer capacity values and equal access to information for all market participants,
- Coordination (auction schedules, terms of auctioned products etc.) between national regulators and transmission system operators,
- Transparent and efficient use of auction revenues in line with the European Union Regulation 1228/2003. Windfall profits for regulated businesses should be avoided,
- Reduction of dominant positions of incumbents,
- Participation and co-operation of the German TSOs.

1.1 *Status of the document*

Views expressed in this joint synthesis are based on the responses from market parties to the consultation document on regional market integration of wholesale electricity markets. The consultation document was published by CRE, CREG and DTe in July 2005.

Responses of market parties are summarised in this document for convenience purposes only.¹ This joint synthesis in itself does not constitute any legal decisions on the part of the participants in the consultation nor on the part of CRE, CREG and/or DTe. Also, the summary of the individual market parties' responses does not necessarily reflect the position of either CRE, CREG and/or DTe. All public answers to the consultation document are available on the regulators' websites.²

¹ Because of confidentiality reasons, some comments are presented under alias.

² See also www.creg.be, www.cre.fr and www.dte.nl.

2 Long term and medium term explicit auction mechanisms

2.1 Questions for consultation

Please specify for the French-Belgian border and/or the Belgian-Dutch border:

1. *What is your preference for the selection of the time frames for the explicit auction mechanism (annual, quarterly, monthly, weekly and day-ahead)?*

The general tendency and stress is on the long term, from multi-annual and annual (FEBELIEC-GABE-UNIDEN³, APX, EDF, ENERGIENED TRADE & SUPPLY) (all) down to quarterly (ENDEX, APX, ELECTRABEL, ENERGIENED GENERATION, ENERGIENED TRADE & SUPPLY, CENTRICA, IBERDROLA, an integrated company and an energy supplier) and monthly (all). Roughly half of all respondents mention day-ahead explicit auctioning (FEBELIEC-GABE-UNIDEN, two integrated companies, EDF, an energy supplier, IBERDROLA, RWE TRADING). Nevertheless, a few take position against it (ENECO, ENERGIENED GENERATION).

2. *The allocation of the available capacities on different time frames can be based on the following principles:*
 - a. *A maximum of capacity is allocated on a longer term basis, and the remaining capacities are allocated on shorter time frames.*
 - b. *A predefined ratio (%) is chosen for the different time frames.*
 - c. *A minimum of capacity is foreseen for specific time frames.*

Which of the principles mentioned above (or a mix of them) do you recommend for the allocation of the available capacity on different time frames?

A quarter of all respondents are favourable to 'a' (FEBELIEC-GABE-UNIDEN, EDF, EFET and an integrated company) and 'c' (APX, ELECTRABEL, ENERGIENED TRADE & SUPPLY, IBERDROLA), and the remaining half prefers 'b' (ENDEX, two integrated companies, ELECTRABEL, ENECO, ENERGIENED GENERATION, CENTRICA, an energy supplier, STATKRAFT, RWE TRADING).

Propositions for 'b' are: emphasis on longer term (ENDEX), evenly divided (an energy supplier, RWE TRADING), 40% yearly/ 30% quarterly/ 30% day-ahead (an integrated company), much on day-ahead (an integrated company). Even with a predefined ratio, most of the respondents want the remaining capacities allocated on shorter time frames afterwards.

³ The following parties wished to stress that they fully support the response of FEBELIEC-GABE: Prayon S.A., Borealis Polymers S.A., Degussa Antwerpen S.A. and Solvay S.A.

Most of the parties who answered 'c' insist on having a minimum capacity reserved for implicit day-ahead/DAMC (APX, ELECTRABEL, ENERGIENED TRADE & SUPPLY). A number of parties who answered 'b' share this concern and propose a percentage (20-33%) reserved for DAMC (ENECO, ENERGIENED GENERATION, CENTRICA) rather than an absolute value of capacity.

3. *What type of price-setting mechanism (marginal price, pay-as-bid, ascending, etc.) do you recommend for long and medium term products (e.g. yearly, monthly) and why?*

Almost all respondents are favourable to a marginal pricing mechanism. A couple of respondents ask for pay-as-bid (STATKRAFT, FEBELIEC-GABE-UNIDEN), for the long term or for all time frames.

4. *Is it necessary to limit the interconnector capacity⁴ (volume cap for import and/or export capacity) that can be given to a market party⁵ and if necessary, which value should be imposed for the different time frames?*

Half of the respondents (IBERDROLA, RWE TRADING, ENERGIENED TRADE & SUPPLY, CENTRICA, EDF, ENECO, APX, an integrated company and one other company) are worried that this limitation will cause inefficiencies and hamper the secondary market and are against any form of limitation.

According to a minority of respondents, on the other hand, the limitation is only necessary for parties with market power (VOEG, an integrated company, VEMW), while one-fourth (ELECTRABEL, etc.) wants to go further and apply a capacity cap, aggregated over all time frames, to all parties (referring to the Dutch borders). Mentioned percentages and values are (a.o.): 400MW per player (STATKRAFT, an energy supplier), 5% of total capacity per group of affiliated companies (FEBELIEC-GABE-UNIDEN). Some are considering as a possibility the exclusion of dominant players supplying more than 10% in the destination market (FEBELIEC-GABE-UNIDEN).

5. *To what extent do you recommend the allocation of yearly and /or monthly capacities in a single round or in two or more different sessions per year and why?*

The majority of participants is favourable to multiple rounds for yearly capacity and a single round for monthly capacities (ELECTRABEL, EDF, ENECO, VOEG, IBERDROLA, an integrated company and another company), if the amount of capacity is big enough (APX, ENERGIENED TRADE & SUPPLY, an integrated company, STATKRAFT).

⁴ Please note that the Dutch wholesale electricity market currently has an import cap of 400 MW per market party.

⁵ Bearing in mind the possible affiliation of particular market parties to another market party.

6. *Do you consider it to be important, in order to prevent strategic capacity withholding, to limit ex ante the possibilities for a market party to nominate energy in both directions? If so, which propositions would you recommend?*

Almost all respondents indicate that this limitation is not needed (STATKRAFT, IBERDROLA, RWE TRADING, VEMW and one other company) as long as the Use-It-Or-Lose-It principle and the “netting” of both directions nominations are applied (ENERGIENED TRADE & SUPPLY, CENTRICA, VOEG, EFET, two integrated companies, EDF, ENECO, ENERGIENED GENERATION, APX). This should, according to the majority of respondents, free all available capacity for day-ahead explicit auctions and DAMC and address in a sufficient degree strategic withholding of capacity (for the latter: CENTRICA, EDF, an integrated company). One market party is nevertheless opposed to nominations in both directions (FEBELIEC-GABE-UNIDEN).

7. *Alternatively, do you consider that an ex post market monitoring could be sufficient to prevent this type of anti-competitive behaviour?*

Most answers are positive (STATKRAFT, IBERDROLA, RWE TRADING, ELECTRABEL, EDF, ENECO and another company), sometimes accompanied by a condition: market power existence should be clearly determined by well-understood standards (VOEG and an integrated company). Some answers indicate this ex post monitoring as insufficient and prefer a system that doesn't give room to this kind of anticompetitive behaviour (two integrated companies, FEBELIEC-GABE-UNIDEN).

8. *Do you consider it to be important to create a secondary market for transfer of cross-border transmission capacity rights? If so, what form of transfer of capacity rights should be allowed:*
- a. *A free transfer of capacity rights through a bilateral secondary market with final reconciliation by the TSO?*
 - b. *An organized transfer of capacity rights through a centralized re-allocation under the TSOs responsibility in the subsequent explicit auctions time frames?*

Almost all answers are in favour of a secondary market (VOEG, ENDEX, etc.). Some say it should be left to the market to provide the secondary market (an integrated company and another company).

The ‘a’-option (STATKRAFT, RWE TRADING, CENTRICA, ELECTRABEL, ENECO, ENERGIENED GENERATION, two integrated companies and another company) is chosen three times as much as the ‘b’-option (EFET, APX, ENERGIENED TRADE & SUPPLY). The latter should, according to some respondents (ENERGIENED TRADE & SUPPLY, APX), provide that when acquired capacity is given back to the TSO, revenues resulting from the day-ahead auctioning of this capacity, go to the initial owner of the capacity. A mixture is the preference of a few: ‘b’ on top of ‘a’ (Iberdrola, EDF).

9. *What type of commitment should the TSOs provide with respect to the allocated capacities/nominated programs?*
- a. *Firm and definitive in both cases, except in case of “force majeure”?*⁶
 - b. *Reductions of capacity and /or nominated programs are possible under a very strict regulation with respect to the duration of the reduction, the compensation mechanism for any reduction, etc.?*⁷
 - c. *No firmness at all?*⁸
 - d. *A mixture of cases a, b and/or c? Please explain your commitment preferences.*

A great majority of respondents see answer ‘a’ as a basic requirement that reduces risks for capacity owners (STATKRAFT, IBERDROLA, RWE TRADING, VOEG, ELECTRABEL, EDF, ENECO, ENERGIENED GENERATION, an energy supplier, three integrated companies and another company). The few ‘b’ answers mention e.g. a reimbursement at market price (CENTRICA, EFET) or prefer a mixture with ‘a’ (FEBELIEC-GABE-UNIDEN), so as to have secured firm capacity in a normal situation, but interruptible capacity in case of an incident.

10. *In the case of questions 9b and 9c, where a reduction of the available interconnection capacity/nominated programs is possible, what would be your preferred reduction rule (mainly when the reduction is known after the short term allocation):*
- a. *To reduce firstly the long term assignments?*
 - b. *To reduce firstly the short term assignments?*
 - c. *To reduce proportionally both long and short term assignments?*

Since only a few ‘b’ and ‘c’ answers were given to question 9, most respondents give a theoretical answer. The majority of respondents chose the short term ‘b’ solution (VOEG, three integrated companies, an energy supplier, ELECTRABEL, ENERGIENED GENERATION, FEBELIEC-GABE-UNIDEN).

11. *Do you recommend an obligatory use (a constant strip for the whole duration of the product) of long and medium term products?*

The general feeling (STATKRAFT, IBERDROLA, RWE TRADING, CENTRICA, VOEG, ELECTRABEL, EDF, ENECO, ENERGIENED GENERATION, an energy supplier, three integrated companies and another company) about obligatory use is: uneconomical, not efficient, not optimal,

⁶ It is supposed that with this level of firmness, the financial risk to market parties will be reduced to its minimum level in the event of a physical reduction of the interconnection capacity.

⁷ It is supposed that with this level of firmness, the financial risk will be shared between the TSO and market parties in the event of a physical reduction of the interconnection capacity.

⁸ It is supposed that with this level of firmness, market parties accept all the financial risks in the event of a physical reduction of the interconnection capacity.

leads to market distortions etc. The optional character of the products is of great importance to most of the respondents (VOEG, ELECTRABEL, ENERGIENED GENERATION, an energy supplier and an integrated company), although some argue that obligatory use would restrain gaming and provide full use of capacity (FEBELIEC-GABE-UNIDEN).

12. *To what extent do you consider it of importance to oblige the market parties to firmly nominate their long and medium term capacity rights sufficiently in advance before day-ahead allocation⁹, and why?*

To most, this is useful (ENERGIENED GENERATION, an energy supplier and an integrated company). Some consider that this is important: the deadline for nominations should be one day before the daily allocation or as late as possible (STATKRAFT, IBERDROLA, RWE TRADING, EFET, ELECTRABEL, ENECO, an integrated company and one other company). Some consider that a too early nomination will introduce inefficiencies (CENTRICA). Also, the Use-It-Or-Lose-It principle (or alternatives) is of importance to provide additional (i.e. all unused) capacity to the daily allocation (VOEG, EFET, ELECTRABEL, EDF, ENERGIENED GENERATION, three integrated companies and another company).

13. *Under the condition that day-ahead explicit auction is implemented, to what extent do you consider the firm nomination of these day-ahead capacity rights to the TSO sufficiently before the intraday sessions as an effective way to counter strategic capacity withholding, and why?¹⁰*

This question wasn't clear for many. The general tendency is day-ahead nomination should be done, followed by netting. The then available capacity can be used for intraday. This sequence should be respected, so as to result in the desired efficiency (IBERDROLA, ELECTRABEL, two integrated companies, EDF, ENERGIENED GENERATION).

14. *What level of harmonisation (auction rules, gate closure time, etc.) do you recommend for the organisation of explicit capacity auction for long, medium and short term time frames on the two borders? Please specify what aspects require harmonisation.*

The different aspects can be resumed as follows: one common auction office on regional level (ELECTRABEL, EDF and one other company), synchronizing of gate closures (IBERDROLA, RWE TRADING, CENTRICA, ELECTRABEL, EDF, an integrated company), auction rules/procedures (IBERDROLA, RWE TRADING, CENTRICA, EFET, an integrated company), duration (CENTRICA, EDF), language (EFET), allocation rules (IBERDROLA, EFET, ENECO), IT-systems (RWE TRADING, EFET, EDF), legal requirements (EFET, EDF), credit (IBERDROLA), etc. The example of the auctions

⁹ To allow the application of the so-called "use it or use it" principle.

¹⁰ Alternatively, on the Dutch wholesale electricity market, day-ahead capacity rights holders are obliged to trade cross-border capacity through the APX for import capacity into the Netherlands.

organised by TSO-auction are mentioned several times as a good example of what the harmonisation standard should look like (VOEG, an integrated company, ENERGIENED GENERATION).

15. *The determination of cross-border capacities foreseen for yearly and monthly allocation is not always coordinated across borders. Which importance do you give to the implementation of a more coordinated capacity calculation method?*

This is a critical issue to all. The coordination should be independent (two integrated companies, ENERGIENED GENERATION), as much as needed to maximise available transfer capacity (Iberdrola), based on a mathematical modelling of the network (EDF, FEBELIEC-GABE-UNIDEN). This implies a central role for the TSO using a transparent method (RWE TRADING, ELECTRABEL, an integrated company, FEBELIEC-GABE-UNIDEN). The integration of the German network is also considered as essential (FEBELIEC-GABE-UNIDEN). The bottom-line seems to be: a lack of coordination creates risk (on the level of the firm available transfer capacity) and risk raises the costs (VOEG).

16. *Regarding the above questions (1 to 15), to what extent do your answers apply to the other borders (the French-UK, French-German and Dutch-German interconnections) as well?*

Most of respondents think their answers are applicable to all borders or almost all.

3 Assessment of the day-ahead market coupling

3.1 Questions for consultation

17. Which market-based congestion management method do you prefer to manage the day-ahead cross-border congestion on the French-Belgian and Belgian-Dutch borders;
- A trilateral DAMC mechanism between the three power exchanges, APX, BELPEX and POWERNEXT?
 - A day-ahead explicit auctions between the three TSOs, TENNET, ELIA and RTE, or
 - A mixture of the above? Please specify.

A majority of market participants are in favour of a trilateral DAMC (ELECTRABEL, FEBELIEC-GABE-UNIDEN, UNIVERSITY OF LEUVEN-UNIVERSITY OF PARIS XI, ENECO, two integrated companies, CENTRICA, ENERGYNED TRADE & WHOLESALE, ENERGYNED GENERATION, EFET and APX), being in general theoretically the most efficient mechanism. Some market participants (STATKRAFT, ENERGYNED TRADE & WHOLESALE, an integrated company and ENERGYNED GENERATION) express the concern that all preconditions for a healthy introduction of DAMC are not fulfilled yet (for example, because of the dominant position of incumbents, the lack of independence of TSOs, the lack of TSOs' co-operation for the calculation of available capacity, the lack of market transparency) and that the specific benefits of DAMC still have to be established. For VOEG and an integrated company, the DAMC should be operated directly by TSO and not by the Power Exchanges.

Therefore, for the day-ahead capacity, there is no clear consensus between market participants whether a coordinated day-ahead explicit auction should be implemented, at least as a first step (STATKRAFT, IBERDROLA, an energy supplier and ENDEX) or whether direct implementation of the DAMC is possible. EDF considers both congestion management methods (DAMC and explicit auctions) to be equally suitable on a day-ahead basis. Finally, RWE TRADING considers that the allocation of cross-border capacity for day-ahead should be handled via a hybrid system, i.e. a combination of implicit and explicit auction.

18. Could you give your opinion on the pros and cons of the congestion methods mentioned in question 17, particularly in terms of flexibility, simplicity, market power mitigation, risk management, implementation costs, netting of capacities, liquidity, etc.?

Here below is summarised the different arguments raised by market participants for justifying or not the implementation of the DAMC. In general, the pros of the DAMC mechanism are the cons of the day-ahead explicit auction mechanism, and vice-versa.

In terms of efficiency:

- + efficient allocation of scarce capacity;
- + allows automatic netting (ELECTRABEL);
- increases the risk of cross-border investments for TSOs which they pass on to grid users in the form of higher grid fees (STATKRAFT);
- TSOs may be more conservative than before when deciding how much capacity is put to the DAMC as any capacity curtailment risk after the day-ahead market clears rests with the TSOs;
- ± only TSOs can achieve efficient market coupling. All others rely on participants creating coupling through pre-scheduling.

In terms of liquidity:

- + would increase the market liquidity on the three markets (an integrated company).
- + should decrease the volatility of the day-ahead reference price (UNIVERSITY OF LEUVEN-UNIVERSITY OF PARIS XI);
- requires liquid and well functioning markets on both sides of the interconnection to work properly (which is not currently the case) (IBERDROLA).

In terms of simplicity and flexibility:

- + easier to operate for market participants: allocation and nomination are done in one single operation;
- EDF, an energy supplier and one other company note the complexity of the calculation algorithm (the common management of blocks and single hours seems already complex within one single PX);
- finally flexibility will decrease for market participants, while relying more on an algorithm solution (an energy supplier);
- possible higher transaction costs than with OTC trade (PX fee versus broker fee). It can also lead to an artificial spread between markets (equal to the sum of PX fees) (STATKRAFT, EDF, EFET and one other company).

In terms of market power mitigation:

- + reduces market manipulation (ELECTRABEL, an integrated company);
- + increases market transparency (an integrated company);
- limitations such as "volume cap" would not be possible anymore (ELECTRABEL);

In terms of implementation costs:

- no experience of implementation of this system (IBERDROLA), only exists in theory (one other company);
- difficulty extendable to other time frames (EDF);
- market coupling should not create new monopoly rights. Regulation would be needed. (EFET and one other company).

In terms of risk management:

- + reduces the financial risk to buy no more valuable capacity rights (CENTRICA);
- a market coupling without financial rights cannot ensure a proper hedge for the market (EDF, STATKRAFT and one other company).

19. *In the case of an implementation of the DAMC, give your opinion about the cross-border capacity that should be allocated to the DAMC process:*

- a. *The potentially volatile remaining capacity (after the allocation of long and medium term explicit auctions and the release of capacity by the market parties, pursuant the article 6.4 of the regulation)?*
- b. *A predetermined fixed minimum capacity? If so, which one?*
- c. *The potentially volatile remaining capacity plus a predetermined fixed minimum capacity?*
- d. *All the capacity?*

STATKRAFT, FEBELIEC-GABE-UNIDEN, EDF, VOEG, IBERDROLA, three integrated companies and one other company prefer that only the remaining capacity (plus the non-used long term capacity, additional capacity freed after netting of LT and better forecasts closer to delivery time and potential capacity that can ultimately be set free by the TSOs) be allocated to the DAMC (solution a).

IBERDROLA precised that, in case a DAMC is implemented, it should be completed with a day-ahead auction.

RWE TRADING prefers that an additional predetermined capacity (solution c) be allocated, but to the hybrid system (combination of implicit and explicit auction).

For ELECTRABEL, CENTRICA and ENECO, an additional predetermined capacity should be allocated to the DAMC (solution c):

- 1/3 to 1/4th of the total capacity (ELECTRABEL),
- 1/3 of the total capacity (CENTRICA),
- 20% of the total capacity (ENECO).

ENDEX thinks that the amount of available day-ahead cross-border capacity should be limited proportionally to the amount of cross-border capacity available for the longer term. Finally, EFET considers that, following the first introduction of Belpex, a fixed proportion of daily capacity should be reserved for the functioning of the implicit auction mechanism. Once established, however, EFET advocates a move to 100% commercial allocation of anticipated available capacity years or months in advance.

20. *Do you think that the launching of the Belgian Power Exchange could be realised without simultaneous implementation of the DAMC?*

Even if they recognize that liquidity would be very limited, STATKRAFT, IBERDOLA, ENECO ENERGY, an energy supplier, ENERGYNED GENERATION, an integrated company, VOEG and RWE TRADING think that the Belgian PX could be launched first without the implementation of DAMC.

ELECTRABEL, CENTRICA and one other company are convinced that the implementation of DAMC will facilitate the development of BELPEX as a traded market with some liquidity.

An integrated company, FEBELIEC-GABE-UNIDEN and EDF think there aren't a sufficient number of players with a flexible portfolio in Belgium to ensure the success of BELPEX without cross-border offers. DAMC is necessary for the BELPEX project.

21. *What harmonization issues between the existing Power Exchanges do you see as important for implementing the DAMC (block bids' definition and treatment, price settlement, time frames, etc.)? For each of these issues, could you precise what is your preference?¹¹*

For all market participants, harmonisation of trading platforms (standardized products, bid submission system, clearing of the markets) is a logical and important step for implementing DAMC.

For ELECTRABEL, an integrated company and ENECO, there should ideally be one unique power exchange or at least one exchange bidding system for the three markets. ELECTRABEL precised that this would facilitate the biddings for participants, especially for newcomers, and would also reduce the duration of the daily clearing algorithm. Additionally, an integrated company thinks this would reduce operational cost and minimize risk.

For ENERGYNED GENERATION, the best example is Nord Pool. For VOEG and an integrated company, the restructuring of the balancing mechanism into a true balancing market with price signals based on actual market economics is an essential prerequisite.

For FEBELIEC-GABE-UNIDEN, the cost at the Stock Exchange is often incompatible with an occasional use for a few MW. If daily cross-border capacities are allocated to market-coupling, FEBELIEC-GABE-UNIDEN asks for an access for 'small users' with a very low yearly subscription price which would allow a limited number of hours for transactions of a few dozens of MW (for example: 1000 hours, 100 MW).

¹¹ Also taking into consideration that harmonisation with Nord Pool is necessary with the implementation of DAMC over the NorNed cable.

RWE TRADING and one other company recommend to set the clearing of the DAMC prior to EEX and proposes to fix it at 11:00am (GMT +1) (same clearing time as on Powernext). RWE TRADING also asks that the time schedule for the nominations to the grid operators (TENNET, ELIA and RTE) be extended and prefers 1 o'clock at least for all countries. Finally, RWE TRADING asks for the harmonization of products (blocks) and definition. As products, RWE TRADING prefers the ones which have been successfully implemented at EEX.

For another company, it is of utmost importance that the DAMC allows trading of off-peak products (from 1h to 8h and from 21h to 24h – hour ending) currently only partly available on POWERNEXT (1 to 8 and 21 to 24 products are not bundled) and not on APX.

Concerning block bids, ELECRABEL, ENERGYNED GENERATION and an integrated company prefer flexible block bids (like on the APX) over the standardized block bids (on POWERNEXT). Also for an integrated company, introducing more elaborate block bids, such as conditional bids/offers, would be a useful tool for producers who wish to let the exchanges partly act as their production dispatchers.

For EDF and an integrated company in addition to the harmonisation of time schedules and products' definition, the contractual environment, the IT systems (a single website to manage three day-ahead exchanges would be preferred) and the participation costs to the PX should also be harmonized between PXs.

4 Cross-border intraday trade

4.1 Questions for consultation

22. *Do you wish the establishment of a cross-border intraday trade and, if so, why:*
- a. *To revise its day-ahead position in case of physical disturbance (outage of a generation unit for example)?*
 - b. *To make some new, or not already done, price arbitrage?*
 - c. *For all purposes?*
 - d. *For other purposes?*

All market participants strongly support the creation of a cross-border intraday trade in the Benelux countries, even if, for CENTRICA, it is a second-order priority. For STATKRAFT, the most efficient allocation of interconnector capacity can only take place if intraday and balancing trading are possible under the allocation mechanism.

Except for FEBELIEC-GABE-UNIDEN who prefers solution 'a', all market participants think intraday cross-border trade should be possible for all purposes (solution 'c'), as with intraday trading within a TSO zone. ELECTRABEL thinks physical disturbance is not the only reason for intraday trade, since phenomena as temperature rises, sudden cloudiness, rainfalls which allow for more hydro energy, strikes (consumption or generation), problems with e.g. gas supply, etc. can require intraday trade. STATKRAFT adds that intraday trading should be an integral part of a liberalized power market because it delivers the same benefits as wholesale trading in general. IBERDROLA thinks this intraday cross-border trade is a prerequisite for participation in balancing market.

23. *Do you think cross-border intraday trade should be limited to one of the above particular purposes? And, if so, why?*

For all market participants, intraday cross-border trade should not be limited to one particular purpose. EDF thinks it is essential that a player can adjust its physical position and optimize any spare capacity available on an intraday basis. ELECTRABEL, an energy supplier and CENTRICA add that it is almost impossible to dissociate the purposes and furthermore, because of the high imbalance prices, participants will always have the incentive to submit a balanced day-ahead program, and will only adapt their position in intraday if really necessary (e.g. to reduce imbalance costs).

24. *In case you agree with the establishment of cross-border intraday trade, what market and/or regulatory obstacles need to be removed before such a trade can be implemented? Please specify.*

For VOEG and an integrated company, the restructuring of balancing markets is of greatest concern, as well as spot markets operated by the TSO (an integrated company), UIOLI conditions in transmission contracts (an integrated company), coordination between TSOs (VOEG) and the ability to ask TSOs to act for owners of transmission in capturing intraday price arbitrages (VOEG).

For EFET, although the French intra-day capacity allocations are not market-based at this stage, their existence at least demonstrates that it is feasible to develop intra-day, cross-border, functional trading activity on an objective and reasonably transparent basis. EFET therefore urges ELIA and TENNET to co-operate closely with RTE in order to install compatible solutions on their borders, with the aim to create a common use of flexibility sources.

For ENECO, regulations should change to make intraday trade possible. The TSOs should then accept and facilitate intra day scheduling programs.

For STATKRAFT, this is mainly a matter of co-operation between the TSOs.

In general, (ELECTRABEL, EDF, IBERDROLA and one other company) harmonisation of timetable for intraday gate closures is very important. IBERDROLA adds that TSOs should accept temporarily imbalanced cross border positions (until last available intraday gate). For RWE TRADING, a liquid intraday and cross border intraday market would necessitate to allow market participants to set up new nominations within intraday time window.

For ELECTRABEL, as intraday trading occurs close to delivery time, an efficient straight-through processing system should be implemented (implicit allocation principle). Ideally, all intraday transactions for market participants would thus occur on a single common system, while TSOs would get their nomination data directly from this system instead of receiving it from the participants. This would reduce possible mismatches in nomination, delays in capacity updates and would improve netting of flows. One other company pleads for a consistent cross border intraday regulation in the three countries, which could be inspired by the current French or German rules.

For ELECTRABEL and EDF, schedules nominations and IT systems should be compatible to all countries.

For EDF, common rules should be applicable to all three countries:

- In France, notice periods of cross-border trades could be harmonized to one hour (NEB).
- Border access on an intraday basis: this option is not available at the Belgian or Dutch borders currently.

For an integrated company, the following regulatory obstacles need to be removed to implement cross-border intraday trade. For another integrated company, starting the cross-border intraday trade with an implicit auction withholding a minimum capacity of 50-100 MW could be a good first step.

For another integrated company and ENERGYNED GENERATION, certain fees enforced by TSOs should be abolished or harmonized. The 400 MW limit enforced by DTe in the Netherlands should be abolished. Leftover capacity should be made available to the market without any limits.

25. *Do you consider it suitable to reserve an amount of the cross-border capacity to the intraday allocation mechanism, or should capacity only be made available for intraday trade that has not been previously allocated and/or used at the day ahead allocation?*

For STATKRAFT, an amount of capacity should be reserved for intraday cross-border allocation. An integrated company, CENTRICA, ENERGYNED TRADE and ENECO also share this point of view even if they agree that, in general, this reserved capacity should be marginal.

On the other side, two integrated companies, ENERGYNED GENERATION, ENDEX, IBERDROLA, ELECTRABEL, EDF, a company, an energy supplier, FEBELIEC-GABE-UNIDEN, VOEG and RWE TRADING think that an intraday capacity reserve is not necessary and that only the spare capacity, netted from previous rounds, plus any detected extra capacity should be allocated for this time frame.

26. *Do you consider it useful to limit ex ante the possibilities of nomination in the intraday market in order to prevent potential ineffective market outcomes such as:*

- a. *a market party who would nominate energy in both senses in order to withhold capacity, or*
- b. *a market party who would shift its imbalances into the neighbouring market in order to benefit from differences in the balancing market designs, or*
- c. *other anti-competitive or free-riding behaviours?*

If so, which propositions would you recommend?

All market participants think it is not useful to limit *ex ante* the possibilities of nomination in the intraday market. Only one integrated company thinks that avoiding the possibilities of misbehaviour altogether is preferred over the *ex post* market monitoring.

For IBERDROLA, a properly designed auction mechanism should make capacity withholding unattractive due to the price that has to be paid for capacity. The same applies to imbalance shifting if prices for imbalances are set by a market mechanisms in all markets.

For RWE TRADING, a company and ELECTRABEL, there should be no limitations, as ineffective outcomes would be rare considering the low amounts traded on intraday.

EDF adds that operations conditions may have dramatically changed between day-ahead and intraday horizons such that it can make sense to have the possibility to adjust efficiently its real-time positions. A company thinks it is impossible to forecast what the imbalance prices will be and that most market participants will prefer avoiding trying to make arbitrage between different balancing markets through imbalances.

An integrated company adds that the risk of shifting imbalances between market should not be seen as an ineffective market outcome, but as an example of an efficient market. Moreover, an integrated company adds that this phenomenon is limited to the available capacity and by the cost of transmission capacity.

For ELECTRABEL and EDF, balancing market designs slightly differ from country to country, but intraday trading will indirectly lead to harmonization of these balancing regimes and thus to better pricing signals.

For RWE TRADING, all TSO balancing methodologies are dedicated to compensate grid imbalances. If there is a chance to arbitrage the grid balancing methodology in one country it is possible for every market participant in this market to do this arbitrage. Using a neighbour market would make no sense (market price in neighbour country plus capacity charges are close to market price) at all.

27. *Alternatively, do you consider that an ex post market monitoring could be sufficient to prevent this type of anti-competitive or free-riding behaviour?*

All market participants, except an integrated company, think that an *ex post* market monitoring should be sufficient. EDF adds that complex rules at the beginning to deal with very rare situations could hamper the development of the intraday activity.

An integrated company thinks that in order to further optimise regulation market data should be made available to all market participants, not just to the regulator. In addition, one-sided nominations for intraday cross-border trading within the same hour should be introduced on all three borders.

28. *Do you consider it relevant that the capacity rights allocated in the intraday framework (so near the real time) correspond to obligations (rather than options) to use/nominate the equivalent energy and, if so, why?*

STATKRAFT, an integrated company, ELECTRABEL, ENECO, FEBELIEC-GABE-UNIDEN, ENERGYNED GENERATION, and VOEG think obligations should be preferred, notably in order to avoid potential hoarding of capacity. ELECTRABEL and an integrated company think that intraday time schedules are so tight that optional use is not possible anymore, which means that the risks for market participants from these obligations are limited. ELECTRABEL adds that capacity should be seen as an obligation, combined into one transaction with the power trade (implicit allocation principle). For an integrated company, an obligations system should also be preferred for reasons of system stability and efficient use of the intraday capacity. For IBERDROLA, the obligations system should only be implemented if intraday capacity is allocated via a non market-based mechanism.

On the other hand, EDF, RWE TRADING and another company think that such obligations would be counterproductive and deter market parties to enter the intraday market. CENTRICA thinks that the options system with application of the “use it or lose it” principle could be maintained if additional gate closures are proposed. Finally, an integrated company thinks that it is not relevant provided the essential improvements are met.

29. *How do you think this cross-border intraday trade should be implemented:*

- a. *By allowing market parties to realise cross-border intraday trade in the limit of the capacity rights obtained in the day-ahead explicit auction mechanism (in the case where an explicit auction is implemented in day-ahead)?*
- b. *By allowing market parties to obtain specific intraday capacity rights through a specific cross-border capacity allocation method (in order to allocate the non-used or the not-already-sold capacity)?*
- c. *By a combination of the two above proposed methods?*

For STATKRAFT, FEBELIEC-GABE-UNIDEN, ENERGYNED GENERATION, ENECO, EDF, an integrated company, ELECTRABEL, EFET, RWE TRADING and another company, cross-border intraday trade should be implemented through a specific capacity allocation method (solution ‘b’). ELECTRABEL adds that solution ‘a’ could lead to retention of capacity, as non-used capacity options would not be reallocated to market participants placing a higher value on these. Moreover, ELECTRABEL and EDF think additional intraday capacity can be freed with more precise forecasts closer to real time, which would therefore necessitate a specific allocation.

IBERDROLA, two integrated companies and VOEG prefer solution ‘c’, i.e. a combination of solution ‘a’ and ‘b’ in order to allow market participants to modify all types of capacity contracts until last intraday gate closure and to have a maximum of flexibility.

Finally, for an energy supplier, solution ‘a’ would be most transparent and would avoid the complexities of centralised allocation methods. For this purpose the secondary trading of daily

capacity rights should also be allowed, so that a party without daily capacity also has access to this option.

30. *In the case where a specific intraday cross-border capacity allocation is implemented, which allocation method do you consider the most appropriate for organizing this intraday trade (taking into consideration the possibility of concentrating trade in single shot or continuous trade):*
- a. *A market coupling procedure extended to the intraday time frame?¹²*
 - b. *An explicit auction procedure?*
 - c. *A free pro-rata, where demanding market parties would receive an intraday capacity proportionally to their demand?*
 - d. *A “merchant” pro-rata with an access price based on:*
 - i. *the day-ahead price differential (in the case where a DAMC is implemented in day-ahead), or*
 - ii. *the day-ahead capacity price (in the case where an explicit auction is implemented in day-ahead)?*
 - e. *A free first-come/first-served procedure?*
 - f. *Another method?*

For VOEG and an integrated company, if holders of capacity rights can mandate TSOs to optimise the usage, there will be only limited need for a specific intraday cross border allocation. STATKRAFT and IBERDROLA support an explicit auction procedure. ENDEX considers that further investigation is needed with regard to the most efficient way of allocating intra-day capacity, but also supports an explicit auction procedure as a starting point. An integrated company wishes to express that it is in favour of a market based mechanism, and more precisely of solution ‘a’.

For ENECO, both solutions, ‘a’ and ‘b’, are possible, but adds that using method ‘b’ would necessitate to auction capacity several hours ahead the hour of trade.

RWE TRADING, ELECTRABEL, EDF, ENERGYNED TRADE, ENERGYNED GENERATION, EFET and IBERDROLA think that implicit allocation of spare intra-day cross border capacity through a continuous trading platform, similarly to the Elbas platform, would be the most efficient method. ELECTRABEL and EDF also add that on an intraday basis, it is too complex and too costly to run subsequent implicit or explicit (i.e. from solution ‘b’ to ‘d’) mechanisms (every hour, every 2 hours?), with an illiquid clearing.

RWE TRADING adds that a free allocation, as “first come first serve” or “pro-rata”, would not be market-based and could easily be misused by market players to block main shares of (intraday) capacity (as its experience with the German-Polish and German Czech border shows it).

ELECTRABEL adds that even if method e) is not considered as market-based in its current

¹² This would require a centralised intraday trade, which is currently non-existent.

configuration, it could be useful in a continuous model with obligatory use, with capacity implicitly integrated in the energy bid/offer like on the Elbas market.

EDF adds that making these administrative mechanisms merchant with the day-ahead price as intraday price reference would not be appropriate. FEBELIEC-GABE-UNIDEN is the only one to say that a merchant first-come/first-served procedure with an access price based on the day-ahead spot price differential is preferred.

Finally, one other company strongly supports the free pro rata method, which has been used for several years by RTE, and thinks this allocation method is fair, transparent and non-discriminatory.

5 Cross-border balancing trade

5.1 Questions for consultation

31. *Do you wish the establishment of cross-border balancing trade and, if so, why?*

In general, all market participants strongly support cross-border balancing trades. Nevertheless, for CENTRICA, it is a second-order priority and for VOEG and an integrated company, it should not be necessary or desirable because the participant would do better to hand control of transmission to the TSOs and the latter would perform this function for him.

Possible benefits are: more competition and lower prices in the balancing market and increased system stability of the UCTE grid. For STATKRAFT, the most efficient allocation of interconnector capacity can only take place if intraday and balancing trading is possible under the allocation mechanism.

EDF thinks that cross-border trades should be made available to TSO within two conditions:

- it should not be detrimental to commercial cross-border trades, which must always keep priority access at the border,
- it should be made available to participants simultaneously (reciprocity principle).

With respect to this last point, one other company adds that currently only the French balancing mechanism allows cross border balancing trades among the three countries – and more precisely only with United Kingdom, Switzerland, Spain and Germany.

32. *How do you think this cross-border balancing trade should be implemented and why:*

- a. *By allowing market parties to realize cross-border balancing trade in the limit of the capacity rights obtained in the day-ahead or intraday explicit auction mechanism (in the case where an explicit auction is implemented at these time frames)?*
- b. *By letting the TSO to manage the cross-border balancing trade in the limit of the available capacity (integration of balancing markets)?*
- c. *By another method?*

STATKRAFT and IBERDROLA think it is important to allow direct participation of market participants in the neighbouring balancing markets.

IBERDROLA thinks that previously acquired commercial capacity should not be used for balancing trades and gives the balancing arrangements on the France-Spain interconnector as a possible reference for other markets. For an energy supplier, balancing trades must be initiated by the TSOs and be carried out either with the holders of daily capacity or with neighbouring TSOs. In either case, the rights of daily capacity holders must be honoured. RWE TRADING thinks a continuous trading platform, similarly to the Elbas platform, could be used to organize this cross-border balancing trade.

On the other side, considering the operational conditions (accessing capacity right, nomination) within a very short time frame, ELECTRABEL, ENECO, FEBELIEC-GABE-UNIDEN, ENERGYNED GENERATION, EDF, two integrated companies and one other company think it makes more sense that TSOs manage the cross-border capacity for balancing purposes. ELECTRABEL indeed, thinks there should be a clear separation between intraday trading markets on the participants' initiatives and the balancing markets, which are a distinct TSO initiative. The cross-border intraday trading market should have priority for the capacity on the balancing market, as participants (ARP's, RE's or PV's) are still the best-placed to manage their imbalances themselves close to delivery time. TSOs could put offers from abroad in the merit order as RTE currently does for Switzerland, Spain and UK, and call them when they are attractive and when sufficient cross-border capacity remains available after the intraday trading market. Balancing mechanism should provide economic, market-based signals to all participants on the cost of balancing the system and be revenue neutral for the TSO.

ENECO adds that in France it is already possible for foreign players to bid in to the balancing market. They would appreciate and highly recommend DTe to study the possibilities of integrating balancing markets. This study should be executed in close co-operation with the other regulators and with the TSOs.

33. *What do you think about the differences in market designs between the three existing balancing mechanisms and a possible need for harmonisation? Please specify.*

For VOEG and an integrated company, any deviation from a single clearing point is suboptimal. An integrated company adds that if the three essential improvements are met (the restructuring of balancing markets; spot markets operated by the TSO; and UIOLI conditions in transmission contracts), the impact of differences in market design becomes relatively unimportant.

For an energy supplier, balancing markets must be more harmonised and be made less punitive. The current system consisting in separating long and short imbalance prices is anti-competitive as it disadvantages smaller players with less portfolio benefit.

For ENECO, the market designs of the balancing markets should be simplified and more harmonized. This means more harmonization between different TSO-areas on price setting mechanism, time frames, rules and costs. ENECO adds that DTe and TenneT (and other regulators/TSO) should study the exact conditions for integrating the balancing markets in more depth.

IBERDROLA is in favour of a maximum of harmonisation. In this respect, disclosure of data by the Dutch balancing market and cross border participation in the French balancing market may serve as a good model. Finally, one other company recommends harmonisation of the time periods and of the balancing prices setting methods (which should be market-based).

For RWE TRADING, the Dutch mechanism which consists in forcing generators to give a “free option” to the grid operators (unused capacities are forced to be in reserve mechanism) is not a market-based solution. RWE TRADING supports any kind of balancing methodology which pays out the fair price of these options. On the supply side, RWE TRADING supports any methodologies where all market participant with residual supply/generation would benefit from overall portfolio effects. Moreover, there should be no price spreads for buying or selling from the balancing system. This spread generates windfall profits for the grid operators. In this light, the Belgian, Dutch and French balancing mechanism are not market-based solution for users of the balancing system. On the contrary, the German balancing mechanisms at E.ON, EnBW, VET and RWE – without any spread and with full payback of portfolio effects – lead into a market-based reliable methodology.

For ELECTRABEL, the existing balancing mechanisms need to be harmonized between countries in order to come to a liquid and transparent regional balancing market. Balancing mechanisms based on national scopes will always be less efficient because of their smaller scale. ELECTRABEL, like EnergyNed Generation, prefers a balancing mechanism based on marginal prices. ELECTRABEL believes that the Dutch balancing system is a fairly good reflection of this principle. Additionally, ELECTRABEL thinks that the Dutch balancing system is more revenue neutral for the TSO than the French one and that the foreseen several price caps on regulation bids of the ELIA balancing mechanism proposal for 2006, would distort competition. Also for ELECTRABEL, one issue should thereby be highlighted. Balancing systems are often used for two purposes: control area balancing management and program balancing management. There is a clear distinction to be made between both purposes and the way they are treated in the imbalance prices. The RTE imbalance price already partially reflects this difference. When the system and the participant are short, the participant pays the weighted average cost of upward regulation until $P = C$ (Production = Consumption) i.e. until the RTE zone is balanced).

For EDF, imbalance prices on the three countries show differences in price levels explained by different balancing mechanism designs. For instance:

- ELIA has two imbalance prices references depending on the depth of the imbalance. Prices are mainly based on APX, POWERNEXT prices or fixed prices,
- TENNET uses sometimes the same price for long and short imbalance prices, which is usually the marginal price,
- RTE uses either POWERNEXT prices or the weighted average price of raised bids/offers.

For EDF, the French balancing mechanism is a simple and transparent process. It also takes into account the possibility of dealing with cross-border adjustments. This model could be used to feed thinking about the design of a European balancing mechanism.

For an integrated company, the Belgian balancing system seems to rely on the Dutch APX prices. The Dutch balancing system is preferred over the Belgian because it best reflects the market. However it also holds its flaws – especially issues like two sided settlement and relative high proceeds from interconnection auctions for the TSO. Additionally, for the market to function optimally efficient, full harmonisation (auction rules, gate closure time, etc) is desired, because harmonization simplifies the system and reduces operational risks.

Finally, FEBELIEC-GABE-UNIDEN says that there is no need to harmonise balancing systems. Indeed, balancing is a key service for the opening of the market; it should be adapted to the specificities of each country. In this respect, FEBELIEC-GABE-UNIDEN thinks that an inter-TSO co-operation should be enough to broaden the trade possibilities.

34. To what extent do you agree that market design differences may result in arbitrage between them? If so, do you propose countermeasures? Please specify.

For FEBELIEC-GABE-UNIDEN, there is no need for countermeasures if balancing is done by the TSOs. For STATKRAFT, program responsible parties should always have an obligation to nominate a balanced portfolio. However, to the extent that cross-border balancing power might be cheaper at any given time than local sources, STATKRAFT thinks it makes sense for holders of interconnector capacity to be able to bid into balancing mechanisms.

For ELECTRABEL, three integrated companies, ENECO, ENERGYNED GENERATION, VOEG and EDF, arbitrage can indeed occur but should not be seen as a threat but rather as an incentive to go for harmonization.

For RWE TRADING, if there are some minor price differentials market players may do some arbitrage for balancing power. These minor arbitrage will increase system stability because these arbitrage are directed to stabilise the system. e.g. selling power to balancing system when system is undersupplied and (in a market based balancing mechanism) prices are above market is supporting system stability.

IBERDROLA thinks that each bid into balancing markets should be backed by a firm position (trading positions, generation assets or qualified consumption sites) in any of the interconnected markets in order to avoid gambling between different balancing markets.

35. *Do you consider it necessary to avoid any reservation of cross-border interconnection capacity for the balancing needs of TSOs before the end of every intraday trading session, during which market parties are the only ones to intervene?*¹³

All market participants think there should be no long and mid term reservation for reserve and balancing power. Commercial contracts between market participants should have priority over balancing transactions. Available transfer capacity for commercial use should not be adjusted due to balancing requirements. Only spare capacity should be used for cross-border balancing trades.

36. *Do you consider it suitable to reserve an amount of the cross-border capacity to the balancing mechanism?*

All market participants consider as not suitable to reserve an amount of the cross-border capacity to the balancing mechanism. For EDF, reserving capacity for balancing purposes can lead to under-used capacity if TSO eventually do not use cross border adjustments.

Market participants consider that spare capacity should be offered for the market first, and then the remaining profile can be used by TSO if needed. For an integrated company and one other company, if TSOs want to keep the flexibility of reserving any capacity for balancing purposes, then, TSOs should pay the full market price in order to avoid any market distortion.

ELECTRABEL adds that such a reservation would be interpreted as withholding capacity for the benefit of the TSO: by withholding capacity from the day ahead market, market splitting will occur more frequently, which creates benefits for the TSOs whereas in case of splitting the interconnection flows are valued at the price spread between the two markets. ELECTRABEL thinks that only for specific situations (e.g. in case that the TSO contracted reserve energy abroad as ancillary service) exception can be made. ELECTRABEL adds that anyway security margins are already taken on cross-border capacity, which means that the capacity that has been allocated to the market is still below the really available capacity.

¹³ Bearing in mind that cross-border commercial trade should have priority over cross-border balancing trade.

6 Market transparency

6.1 Questions for consultation

37. *What types of information in each of the three countries are currently not available and should be made available to the market? Please indicate:*
- a. A precise denomination of the data you want to be released to the market.*
 - b. If relevant, the delay after real time (or before, for forecasted information) at which the data should be delivered.*
 - c. If relevant, the desired time frames of the data.*
 - d. If relevant, the period covered by the data.*
 - e. Your preference concerning the disclosure of this information (to the public or only to the market parties concerned?).*
 - f. The level of priority of this information.*

Most respondents plead for a high level of market transparency. Various reasons are mentioned to support this view, including:

- Ensuring equality among participants
- Reducing the historically developed information asymmetries
- Creating a high standard of credibility for the development of market prices
- Increasing competition between market participants
- Improving understanding of the market
- Building trust into market prices
- Supporting the development of efficient and liquid wholesale markets

In addition, many respondents (STATKRAFT, EDF, ENECO, ENERGIENED TRADE & WHOLESALE, CENTRICA, an integrated company and one other company) consider the harmonization of transparency rules across (integrated) European markets of great importance. Regarding a higher level of market transparency, a few respondents point out that commercial sensitivity and confidentiality should be taken into account.

ENERGIENED GENERATION has the opinion that transparency requirements are market dependent. In competitive markets less information should be made available. In near monopolistic markets nearly all information should be made available to all market parties. VOEG opposes to a high administrative burden for market participants regarding information disclosure and takes the view that only in cases in which market power can be deemed, disclosure should be imposed.

The respondents all have their different transparency needs. However, the most mentioned specific information needs are:

- Load forecast (STATKRAFT, IBERDROLA, ELECTRABEL, EDF, ENERGIENED GENERATION and one other company)
- Real time consumption data (IBERDROLA, ELECTRABEL, EDF, ENERGIENED GENERATION and one other company)
- Generation availability/maintenance schedules (STATKRAFT, IBERDROLA, ELECTRABEL, an integrated company and one other company)

Besides these specific information items, many respondents emphasize the need of more transparency regarding TSOs. Here, amongst others, the following specific information needs are mentioned:

- Availability of the TSO network
- Information related to cross-border agreements with other TSOs
- (Actual) Cross border flows
- Cross border generation data (transparency between TSOs)

With respect to market coupling EFET advocates that the matching algorithms used for the market coupling be easy understandable and transparent as well.

38. *In your view, based on your practical experience in the Dutch, Belgian, French and/or other markets, which examples of market transparency should be taken as a basis for harmonisation efforts?*

Although some respondents take the view that there isn't (yet) a blueprint present, the Nord Pool market is most mentioned as a good basis (STATKRAFT, ENECO, an energy supplier, an integrated company and FEBELIEC-GABE-UNIDEN). Furthermore, the Dutch market is put forward as a good example by several respondents (ENDEX, VOEG, AN INTEGRATED COMPANY and ENERGIENED TRADE & WHOLESALE). The transparency levels of RTE and ELIA are pointed out as good basis considering grid related data.

39. *The market information that is currently available is not always easily accessible, different formats are used and the information is published by different entities like TSOs, PX's, regulators and others.*
- a. *Do you think that access to market information must be improved? If yes, what should be the role of TSOs, PX's, regulators and other entities?*
 - b. *Should formats be harmonised between the three countries? If yes, what is currently the best example for formatting the different types of information?*
 - c. *Should definitions and interpretations be harmonised? If not, why? Or, if yes:*
 - i. *On what topics?*
 - ii. *What is currently the best example which should be used as a basis to harmonise the different definitions and interpretations?*

Practically all respondents plead for the harmonisation of formats. STATKRAFT takes the view that it is more important to make information public than to harmonise formats. Downloadable Excel files are clearly the preferred format. Also ESS (ETSO's schedule format) is mentioned as a possible data exchange format (ELECTRABEL, IBERDROLA). An integrated company and EDF share the opinion that TSOs and regulators should ensure similar definitions and "speak the same language".

7 Market power and co-operation between regulators

7.1 Questions for consultation

40. *To what extent do you agree with the above analysis concerning regional market integration and (potential) abuse of market power (paragraph 7.1)?*

An integrated company, IBERDROLA, VOEG and FEBELIEC-GABE-UNIDEN explicitly agree with the analysis. Furthermore, RWE TRADING expects a risk of market manipulation in Belgium and France. Two integrated companies, VEMW and EFET support taking market power mitigating measures. An integrated company suggests separating TSO from generators and separating exchanges from generators. Another integrated company notes that measures should not be overly burdensome in terms of reporting and other compliance requirements.

ELECTRABEL suggests that regulators focus on ex-post market monitoring and enforcement of competition law, as well as fostering competition through ex-ante transparency requirements. One other company finds that regulators should focus on regulating monopolies such as TSOs and exchanges.

EDF and ENECO do not agree with the analysis. Other market parties (ENDEX, ENERGIENED TRADE, ENERGIENED GENERATION, an energy supplier, APX, UNIVERSITY OF LEUVEN-UNIVERSITY OF PARIS XI) did not provide any specific answer to this question.

41. *To what extent do you agree with the above analysis concerning the co-operation between regulators in the three countries (paragraph 7.2)?*

Most market parties agree with the analysis. IBERDROLA requests prior notice to market players. EDF requests guarantees of confidentiality of commercial data. An integrated company finds that TSOs should coordinate much closer, and that regulators must enforce that power exchanges charge reasonable tariffs and promote competition. One other company states that regulatory focus must be on incentives for TSOs to foster competition (through better calculation of cross-border capacity, and optimising transmission). Rather than earning revenues for congestion management. Another integrated company finds that lack of coordination among regulators can result in conflicting requirements and excessive compliance costs.

Several market parties (ENERGIENED TRADE, VEMW, an energy supplier, UNIVERSITY OF LEUVEN-UNIVERSITY OF PARIS XI) did not provide any specific answer to this question.

42. *To what extent do you expect the integration of the Dutch, Belgian and French electricity markets to influence the market power of market parties that are already dominant in their incumbent markets?*

IBERDROLA, RWE TRADING, VOEG, EFET, three integrated companies and one other company expect that regional market integration will not effectively dilute market power of dominant producers, limiting the potential for cross-border competition. An integrated company adds that dominance is often a result of local market power within an electrically distinct area, and that locational pricing will make this more transparent to market players. ENECO finds that regional market integration not necessarily mitigates market power of dominant producers, but will make the end-user market more competitive. ELECTRABEL, EDF expect regional market integration to dilute market power of dominant producers.

Several market parties (ENDEX, ENERGIENED TRADE, ENERGIENED GENERATION, VEMW, CENTRICA, an energy supplier and UNIVERSITY OF LEUVEN-UNIVERSITY OF PARIS XI) did not provide any specific answer to this question.

43. *To what extent do you agree that market power mitigation on dominant market parties should be implemented before regional market integration and/or market coupling can be successfully implemented and, if so,*

- a. *Why do you agree?*
- b. *What type of measure do you propose against what market party or market parties and why?*

IBERDROLA states that lack of national wholesale competition cannot be compensated with capacity auctions. IBERDROLA, VOEG and an integrated company agree that market structure (and lack of transparency) is hindering competition.

RWE TRADING, ELECTRABEL, EDF, CENTRICA, ENECO and one other company expect that ex-post market monitoring is sufficient and that no ex-ante market power mitigation is necessary. VOEG, EFET and an integrated company agree that market integration should take place independently of prevention of market power abuse as it is an ongoing concern. FEBELIEC-GABE-UNIDEN expects regional market integration possible as far as interconnections are put at the disposal of the consumers and not at the disposal of electricity traders.