

## Allocation Rules for Forward Capacity Allocation on Swiss borders



### EFET comments – 21 July 2017

The European Federation of Energy Traders (EFET<sup>1</sup>) welcomes the opportunity to provide comments on the JAO consultation on the rules for forward capacity allocation on Swiss borders.

We have provided our feedback with specific reference to the below recitals, with the view of ensuring full compliance of the rules with the EU HAR and FCA Guideline:

**Art. 2.2:** in the definition of "Reduction Period", we recommend the deletion of the reference to "foreseen balancing problems", so that the text reads: "Reduction Period means a period of time, i.e. specific calendar days and/or hours, within the Product Period in which Cross Zonal Capacities with a reduced amount of MW are offered taking into account a foreseen specific network situation (e.g. planned maintenance, long- term outages);" It is very unclear what could be considered by the TSOs as a foreseen balancing problem. The reduction periods should strictly relate to line maintenance and outage.

**Art. 21.3:** In this article, we suggest not to limit the use of bank guarantees entered fewer than two days before the bidding period closure of an auction to subsequent auctions only. Provided that the Allocation Platform can process them in due course, Bank Guarantees delivered after the 2-working day deadline should be accepted and the Platform operator should update the credit limit of the market participant in line with such guarantee.

**Art. 30.1:** In line with our comment on Art. 2.2, we believe that 'foreseen balancing problems' should not be a valid reason for reduction of capacity. Also, reasons for Reduction Periods should be outlined in the Auction Specification announcement.

**Art. 45.4:** we recommend the deletion of this paragraph. As a matter of principle, there should be no reservation of cross-zonal capacity for balancing purposes by any party, whether by TSOs or market participants. Any outright reservation of cross-border capacity should not be allowed, as this seriously impacts the ability of market participants to self-balance their portfolios.

**Art.57.2:** we welcome the fact that the reason for curtailment will be included in the notification sent to holders of long term transmission rights, as this will ensure timeliness of disclosure of the triggering events.

**Art. 58:** This article, as for the Swiss-French and Swiss-Italian borders, is not in line with the provision at art. 58 of the HAR, according to which the DAFD at should be set 60 minutes before the respective day ahead gate closure time. DAFD should be set at 10:00 am D-1 for all borders.

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org)

**Art. 59 (1):** This article is not line with Art. 59 (a) of the HAR according to which “ In cases of curtailment to ensure operation remains within Operational Security Limits before the Day Ahead Firmness Deadline the compensation for each affected hour and Registered Participant shall be calculated as the Long.

Term Transmission Rights in MW per hour corresponding to the difference between the allocated Long Term Transmission Rights held by the Registered Participant before and after the curtailment multiplied by a price calculated as follows:

a) **the Market Spread at the concerned Bidding Zone border for the concerned hourly period only in case the price difference is positive in the direction of the curtailed Long Term Transmission Rights, and 0 €/MWh, otherwise (...)** or

(b) the Marginal Price of the initial Auction if the day-ahead price is not calculated at least in one of the two relevant Bidding Zones.

Therefore, we do not see a rationale neither for the 110% compensation scheme proposed for the France-Switzerland and Germany-Switzerland nor for the marginal price of the initial auction compensation for the Switzerland – Austria and Switzerland - Italy NORD borders. The remuneration should be instead equal to the market spread between the two zones for all borders.

**Art. 59.2:** as above, remuneration for curtailment for reasons linked to Operational Security Limits before the Firmness Deadline should be compensated with the market spread.

**Art 61 :** the provision is partially not in line with art. 61 of the HAR, according to which holders of curtailed Long Term Transmission Rights shall be entitled to receive compensation in accordance with Article 72 of Commission Regulation (EU) 2015/1222 (CACM GL). In particular, art. 72 (c) of the FCA GL provides that“ in an emergency situation, if capacity is allocated via explicit allocation, market participants shall be entitled to compensation equal to the price difference of relevant markets between the bidding zones concerned in the relevant time-frame”. Hence, in case of curtailment for emergency situation after the DAFD, compensation should be equal to the market spread.