

CREG consultation on the functioning rules of the strategic reserve



EFET response – 7 October 2016

We appreciate the opportunity to provide the view of EFET regarding the functioning rules of the strategic reserve. We would like to take the opportunity to re-iterate two elements mentioned in previous submissions to the regulator.

First, EFET welcomes the amendment included in the new version of the functioning rules suppressing the use of the economic trigger in case of day-ahead market decoupling. As previously mentioned, we fully agree that the strategic reserve should only be activated in case of a real scarcity situation. The previous functioning rules were misleading in the sense that the strategic reserve could be activated and sold without real justification. We consider it a good improvement to leave the opportunity to market participants to solve their imbalance on the intraday market first.

However EFET **pleads for the complete removal of the economic trigger** for the activation of the strategic reserve. This would **prevent any TSO intervention in the day-ahead market based on an economic trigger**. We are convinced that only a correct technical trigger should be kept in order to minimise any interference between the strategic reserve and the functioning of the electricity market.

Secondly, EFET would like to remind an important point related to the introduction of FTRs at the Belgian borders. In its decision ((B)151009-CDC-1446), CREG asked ELIA to take necessary measure to mitigate the risk for market participants (holders of FTRs) in case of activation of the strategic reserve. The effect of the switch from PTRs to FTRs should be neutral for the BRPs and therefore CREG asked ELIA to make sure that the market participants won't be negatively affected by this move towards FTRs.

*«paragraphe 77 : La CREG comprend qu'en introduisant des FTR aux frontières belges, on ne recule pas en termes de fermeté et que les possibilités de hedging pour les PTR et les FTR sont les mêmes. Ce hedging pour les titulaires de FTR doit par conséquent continuer de **s'appliquer** aux situations dans lesquelles des réserves stratégiques sont activées sur le marché belge et dans lesquelles des tarifs de déséquilibre de 4500 €/MWh sont appliqués. »*

*... « En ce qui concerne l'annexe 1 des EU HAR, à savoir l'introduction de droits de transport financiers (Financial Transmission Rights), **la CREG s'attend à ce qu'Elia veille à ce que ces droits conservent un même degré de fermeté** que les droits de transport physiques (Physical Transmission Rights)... ».*

EFET strongly supports the idea that market participants should not be penalised by the switch towards FTRs and thus FTRs should not come with a risk of paying high imbalance prices that would not have been there in case of PTRs.

We regret that the current proposal of functioning rules do not provide more clarity and transparency on which measures will be taken to mitigate that risk in case of activation of the strategic reserve. **We urge CREG to translate the commitment of decision ((B)151009-CDC-1446) into the functioning rules of the strategic reserve.** It is for us essential that market participants are well informed of the risk they are exposed to when taking positions on the Belgian market, otherwise they might favour other markets to the detriment of the Belgian market and its liquidity.