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GME'S PROPOSALS FOR CONSULTATION n. 04/2014 ABOUT THE INTEGRATION OF THE ELECTRICITY MARKET INTO THE EU MARKETS

EFET comments

General comments

The European Federation of Energy Traders (EFET) welcomes the GME proposal to align the settlement timing in GME's day-ahead and intraday electricity market with the rest of Europe in order to enable market coupling. EFET has previously expressed¹ the view that changing the settlement timing from the current M+2 to the European standard D+2 is necessary to enable market coupling. We share GME's consideration upon which "in a fully efficient market-coupling process, the prices of all European electricity markets, including the Italian one, should be homogenous and comparable, i.e. they should have the same payment time limits". Therefore we strongly encourage the change.

Currently, market coupling go-live at Northern Italian borders is scheduled by February 2015. EFET understands that GME would need a transitional solution to manage the shift from M+2 to D+2: we strongly suggest that the final decision on the solution that will be implemented is communicated to market participants in due time as to allow sufficient time for market participants to implement eventual necessary changes.

We wish that the final solution for a D+2 settlement could be timely and adequately consulted by the end of 2014, to allow market participants a smooth adaptation of their IT system and procedures by the beginning of 2016.

Questions for consultation

- S.1 In your opinion, which are the main advantages and disadvantages of each of the two transitional solutions that have been proposed to redress the difference between payment time limits?

¹ EFET response to GME consultation 02/2012 on the Proposed Changes to Settlement Timing in the Electricity Market

http://www.efet.org/Cms_Data/Contents/EFET/Folders/Documents/EnergyMarkets/ElectPosPapers/NatRegLevel/~contents/VC8299KHK2H9KDSV/GME-Settlement-Cycle-Consultation-EFET-docx.pdf



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- S.2 Which of the two solutions is preferable, taking into account the transition towards a final solution achieving full harmonisation with European markets?

EFET would like to express its preference for the second transitory solution proposed by GME, which envisages to keep the procedure currently in place on the border Italian-Slovenian border. We believe that this transitional solution would be the easiest to implement and will give continuity to a mechanism already in place. Thus, it would be preferable to maintain the current settlement solution and extend it to the other coupled borders until January 2016, date when GME would like to implement a final solution.

The solution one (M+2 payment plus net interest balance) would require a change of the current settlement practices with a very short adaptation period and only for a limited period of time until the final shift to D+2 settlement (January 2016). We therefore believe this solution to be neither feasible nor preferable.

Other aspects to be harmonised in view of integration of the European market

EFET has already expressed in response to previous consultation that GME opened on 27 February 2014 (GME's Consultation Document 01/2014)² that it is critical that the MGP gate closure time shifts at the same time as market coupling is implemented. If the coupling go-live is delayed and the gate closure time still shifts well ahead, the gate closure shift would prevent market participants from making conditional orders, leading to inefficient cross-border flows. We understand that, due to some operational risk, GME intends to anticipate the gate closure shift some weeks before the go-live. We wish that this timeframe could be as short as possible.

Regarding PCE, EFET believes that the deadline for registering transactions on the PCE could and should shift to D-1.

² EFET response to the GME consultation n. 01/2014 on GCT shift and activities related to PCE
http://www.efet.org/Cms_Data/Contents/EFET/Folders/Documents/EnergyMarkets/ElectPosPapers/NatRegLevel/~contents/5G52Y3SY4MHL3F5/EFET-RESPONSE-TO-GME-CONSULTATION-GCT.pdf