

CRE consultation on the reference price for imbalances in the capacity mechanism



EFET response – 15 February 2019

EFET thanks CRE for the opportunity to provide comments on the proposed changes to the reference price for imbalances in the French capacity mechanism.

1. Are you in favour of CRE's proposal to define the PREC as the price resulting from the last organised auction before the start of the delivery year? If not, why, and what alternative do you propose?

We support the CRE proposal to set the reference price for imbalances in the French capacity mechanism to the price resulting from the last organised auction before the start of the delivery year. This auction has proved to be the most liquid for the underlying year 2019. It will be helpful for market participants exchanging capacity certificates after the delivery year to understand to which imbalance price they are exposed.

2. Does the disappearance of the PRM reference pose operational or legal difficulties? On the contrary, would the maintenance of this reference, in parallel with the PREC reference, generate similar difficulties? Are you in favour of the continuation of CRE's publication, as a transitory measure, of the PRM value? Over which time horizon should the value of PRM be published?

We support the disappearance of the PRM value and maintaining a single reference price in the capacity market, i.e. the imbalance price (PREC). This will help strengthen the price signal from the capacity market.

However, existing contracts between market participants may include a reference to the PRM. To avoid contractual difficulties, we indeed recommend that CRE continue to publish the PRM values as an interim solution. Auctions have already been organised for the delivery year 2020, so the PRM value for 2020 should definitely be published. Besides, OTC contracts for delivery years further down the line may have been concluded already, with possible references to the PRM. We recommend that CRE publish the PRM value until the end of the last delivery year currently tradable, i.e. 2023.