



## ACER consultation on scope and identification of potential framework guideline rules for trading related to technical and operational provisions of network access services and system balancing

The EDF Group response

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The EDF Group welcomes the work done by ACER and the experts group on the issue of rules for trading related to the provisions of network access services and system balancing. Regarding the development of a potential Framework Guideline (FG) on Rules for Trading, the EDF Group is of the opinion that a new FG is not needed. However, we would still like to highlight a number of points on the topics identified by ACER for this scoping exercise.

### 1. On the problem identification and the need for a specific framework guideline

The five topics identified by ACER are all relevant when it comes to network access for cross-border trading. For the EDF Group, the main areas that would benefit from further harmonisation across Member States are the ones related to the features and characteristics of the capacity products and the ones related to licensing and hub access.

However, **the EDF Group strongly believes that there is no need for another network code, in particular until all the current network codes are fully implemented.** In fact, the EDF Group believes that **most of the issues noted below could be better tackled by means of a coordinated implementation of existing Network Codes** and an acceleration of ongoing work by regulators, TSOs, exchanges and other bodies. Non-binding measures, like guidelines of good practices, may be more appropriate and would avoid the need to introduce a new complex dedicated network code.

An assessment of the need for additional EU regulations should be carried out after the CMP guidelines and the Network Codes on Capacity Allocation Management (CAM), Balancing, Interoperability and Tariffs are implemented with a view to amend them if necessary.



## 2. On the specific issues identified by the expert group

### *Capacity products and terms and conditions of capacity contracts*

The issue of capacity products features is one of the most important aspects when it comes to rules for trading as it is an area where greater harmonisation would significantly improve cross-border trading. The definition of common rules/criteria of firmness and allocability as well as the consistency between contractual terms and conditions are particularly relevant in the framework of capacity bundling.

Firmness, conditionality and interruptibility are not defined in the same way across Europe and could generate some issues when it happens at both sides of Interconnection Points (IPs) (e.g. between Austria and Germany, between France and Germany or between France and Belgium). The definition of a common set of products with different firmness and/or different allocability would indeed be useful. Clear conditions on the availability and the use of the capacity are crucial when booking capacity: this is why interruptible products are usually preferred to conditional firm ones. Harmonisation in the terms and conditions of contracts would also facilitate cross-border trading.

Although a certain degree of harmonisation is indeed desirable, the EDF Group strongly believes that there is no need for developing another FG as the issues raised could be addressed via existing mechanisms. Some of these issues could also be addressed by greater co-operation between TSOs as detailed in the NCs. NRAs should therefore continue to encourage such co-operation and ensure that TSOs, auction platforms, exchanges and market participants work effectively towards that direction. With respect to the definitions, this may be addressed via an amendment to the CAM NC.

Finally, the EDF Group is of the opinion that there is no need to create additional capacity products for specific categories of users. Given the wide variety of grid specificities and market structures across Europe, this would only add confusion which would only add confusion where the aim is harmonisation. Moreover, what customers are most concerned with is access to capacity and the ability to make a flexible/modulated use of such capacity. With this respect, the introduction of a wide range of capacity products (yearly, quarterly, monthly, day-ahead and within day) according to the CAM NC already provides a good choice to satisfy the needs of various users.

### *On secondary capacity markets*

The EDF Group is satisfied with the options available today for market participants to trade capacity on the secondary market (i.e. through joint platforms like PRISMA or bilaterally between shippers) and does not see the need to set out binding rules.

However secondary trading of IP capacity is a relatively new area for market participants that will take some time to develop, in particular given its heterogeneity and complexity. A European working group could be set up, including shippers and capacity platform operators, tasked with developing actions and proposing non-binding measures in order to promote and stimulate secondary trading. For example, offers placed on platforms could be better advertised and processes could be simplified (currently, the information that needs to be filled in to post an offer on the PRISMA secondary trading platform is too burdensome). These measures and actions should be adapted to the capacity



trading market: in this view, there will be limited value in the creation of exchanges or fully anonymous platforms since capacity products are not homogenous enough for pure screen trading, although that may change once the issues highlighted in the section above are addressed.

Any measure to improve the secondary capacity market should not place unnecessary additional regulatory burden and reduce the optionality and flexibility currently available to market participants when trading capacity.

#### *On virtual trading points design / access and hub issues*

Regarding access to hubs and Virtual Trading Points (VTPs), the EDF Group notes that the situation in Europe is very uneven and improvements could be made to facilitate cross-border trading and foster the development of liquid markets.

For example, the collection of fees and charges should be minimised and restructured in a way that does not discourage market entry and trading. A very common issue in this respect is the levy of turnover-based fees (in place for instance in Italy, Hungary and Poland), which act as a disincentive to trades and hinder the development of liquidity at the hub.

Furthermore, reporting requirements to regulators or other bodies tend to be particularly burdensome for market participants trading more frequently at the VTP. In light of the upcoming entry into force of transaction reporting under REMIT, the EDF Group is of the view that any further reporting requirements are not justified and should be repealed.

Other issues that tend to discourage market participants are mandatory clearing obligations, excessive guarantee requirements and excessive balancing costs.

The EDF Group believes that, given their very specific national nature and the diversity of corrective measures needed, regulators are best placed to address such issues and ACER could support this process via non-binding rules or good practice guidelines. ACER may have a strong role to play in promoting best practices and transferring knowledge from liquid markets (such as the NBP in the United Kingdom and the TTF in the Netherlands) to less mature hubs.

#### *On transparency rules*

Transparency is important when it comes to trading, in particular when dealing with complex products such as capacity. The EDF Group acknowledges that the level of transparency shown by TSOs and platforms is not consistent across Member States and is not satisfactory in the current situation. A specific area of concern is the lack of information about the probability of interruption of capacity products as TSOs do not normally release information about past interruptions.

However, the topic of transparency is already dealt with in many existing texts (REMIT, network codes, etc.) and their full implementation should deliver an adequate level of transparency. The EDF Group therefore urges ACER and NRAs to ensure that the existing texts are implemented fully and consistently across Member States, before any development of another set of transparency rules.



In addition, the EDF Group believes that a more coherent approach between gas and power, when dealing with transparency, could be sought. Achieving a level playing field for transparency between power and gas markets is indeed crucial and will facilitate greater confidence in gas markets and development of liquidity.

#### *On licensing requirements*

The EDF Group does not consider the existence of different licensing requirements in the various Member States as a problem per se. However, based on experience, licence applications in a number of markets have shown that unjustified barriers to entry and bureaucratic red tape still exist.

Most common barriers that can delay or even block a licensing process are:

- requirements to establish a legal entity or a branch in the country or limitation of trading activities permitted to participants without a branch in the country;
- exclusive use of national language(s) for the documents with legal validity to be signed by shippers;
- lack of information on the application process and slow responsiveness from authorities.

However, the EDF Group notes that improvements have recently taken place in some markets at the initiative of national governments and regulators and believes ACER could best support this process via market monitoring, promotion of best practices and non-binding guidance.

As already stated in the response to the 2011 Consultation on the EU Wholesale Trading Passport, we would support a single EU licence, provided that it would:

- harmonise and minimise market entry requirements with the removal and prohibition of any additional national requirements;
- provide sufficient information to the passport regime administrator that the applicant has appropriate professional capabilities to participate in the EU wholesale traded power and gas market.

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