The Needs of Swiss Power Traders

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Agenda

1. Mission / Goals of EFET
2. Developments towards an integrated European Power Market
3. Role of Switzerland within the European Power Market
4. Energy policies influenced by national interests
5. The needs of Swiss Power Traders
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EFET promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles.
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Developments towards an integrated market: The original vision

→ EU’s vision is to create a common internal energy market (IEM) from previously fragmented national markets via the creation of regional markets first
Developments towards an integrated market:
Forward markets for cross border capacity

- Allocation coordinated in single auction offices
- Longer duration (i.e. > day ahead) rights based on ATC between established zones: not flow based allocation
- Encourage x-border balancing on a market-based approach
- No preference between PTRs (UIOSI) and FTRs. But harmonization of products

"Maximization" of long-term products (c.100% of capacity allocated 3-4 years out) + efficient secondary market
  - improved predictability/long term price signals
  - important hedging instrument – lower costs
  - facilitate cross-border trading and competition

Positive developments e.g.:
- Establishment CASC
- Harmonization Rules CWE-CS-CH
Developments towards an integrated market:
Overview of the current works

- **3rd package**
  - On average the entire process should last about 1.5 years

- **Framework Guidelines**
  - \~1 year

- **Network Codes**
  - Max. 12 months

- **Comitology (approbation)**
  - ACER’s opinion on NC max. in 3 months

**Adopted Framework Guidelines**
- FG Operational Security
- FG CACM
- FG Grid Connections

**Network Codes under development**
- NC Grid Connections

**Framework Guidelines in preparation**
- FG Balancing
- FG Third Party Access

**Network Codes still to come**
- 1 per FG
Developments towards an integrated market:
Increasing market cooperation

- So far CWE Market coupling successful → price convergence

**BUT...**

- Reliability will increasingly become a major issue (cf. 28/03 decoupling)
- Extension of price coupling, forward allocation and intraday continuous trading means increased cross-regional coordination
- CH is not yet well represented in the day ahead market.
- EFET emphasises the importance of integrating the markets in forward, day-ahead and intra-day timeframes
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Switzerland in Europe

**Actual situation:**
- Well interconnected
- Battery for Europe
- Link between Italy and CWE

**Future situation:**
- Grid extension Northwards needed
- Strengthening of battery position
- Market integration needed to facilitate trade and ensure SoS (MC with CWE planned for 07/12)
- X-border ID capacity allocation CH/FR, same as FR/DE
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Energy policies influenced by national interests: A major disturbance to the original vision

Countries focussing with a strong national perspective on:

- Security of Supply
- Green Targets

Leading to different market designs:

- Capacity Remuneration Mechanisms
- RES Promotion Schemes

Resulting in:

- Jeopardizing the achievements of the IEM
- Unpredictability of the energy markets
- Energy Trading getting more complex

Source: emcc
Energy policies influenced by national interests: The effects of Capacity Remuneration Mechanisms

Capacity Remuneration Mechanisms

- Various CRM can be introduced
- CRM can significantly affect Energy Markets
- CRM have unpredictable impacts on wholesale and XB markets

→ EFET is opposed to CRM and instead favors energy only markets
→ Energy only markets provide correct price signals for investments

Energy Markets

Source: DECC
Energy policies influenced by national interests: Green Agenda: Renewable production will change the market

- Heavy investments in RES expected in the coming years
- RES increase/production will have significant impacts on the merit order
- Therefore, the European market design needs to be reformed with focus on:
  - Flexibility & storage;
  - Increase of cross border capacities
- EFET underlines the need to keep congestion management, redispatch and RES integration on a market-based approach

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<th>Country</th>
<th>2005</th>
<th>2010</th>
<th>2020</th>
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<td>Germany</td>
<td>10%</td>
<td>17%</td>
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<tr>
<td>Italy</td>
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<td>19%</td>
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<tr>
<td>UK</td>
<td>5%</td>
<td>9%</td>
<td>30%</td>
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<tr>
<td>France</td>
<td>14%</td>
<td>16%</td>
<td>27%</td>
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<tr>
<td>Spain</td>
<td>8%</td>
<td>14%</td>
<td>23%</td>
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<tr>
<td>Sweden</td>
<td>54%</td>
<td>57%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Target 1: Total RES portion

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EFET underlines the need to keep congestion management, redispatch and RES integration on a market-based approach.
Energy policies influenced by national interests: The direct consequences for Switzerland

Potential Risks:
- Overcapacity
- Inefficiency
- Burden supported by customers

Is there still a market for Swiss flexible capacity in the future?

Source: IHS/CERA
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Finally, what do Swiss Traders Need?

- Energy only markets
- Remove caps and floors
- Harmonization of market rules
- Shorter nomination deadlines in order to fully access international intraday markets.
- Firmness of capacity (curtailment risk)
- Increased transparency e.g.: capacity calculation
  - generation availability ex-post data
- Intra-day market based on continuous trading (First-Come-First-Served)
- Need to protect market liquidity and hence to prevent market splitting and avoid liquidity reduction
- Market-based approach on:
  - Congestion Management
  - International redispatch
  - RES integration
  - Balancing
- Investments in interconnections
Thanks for your attention

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