

The Needs of Swiss Power Traders

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European Federation of Energy Traders

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- 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**

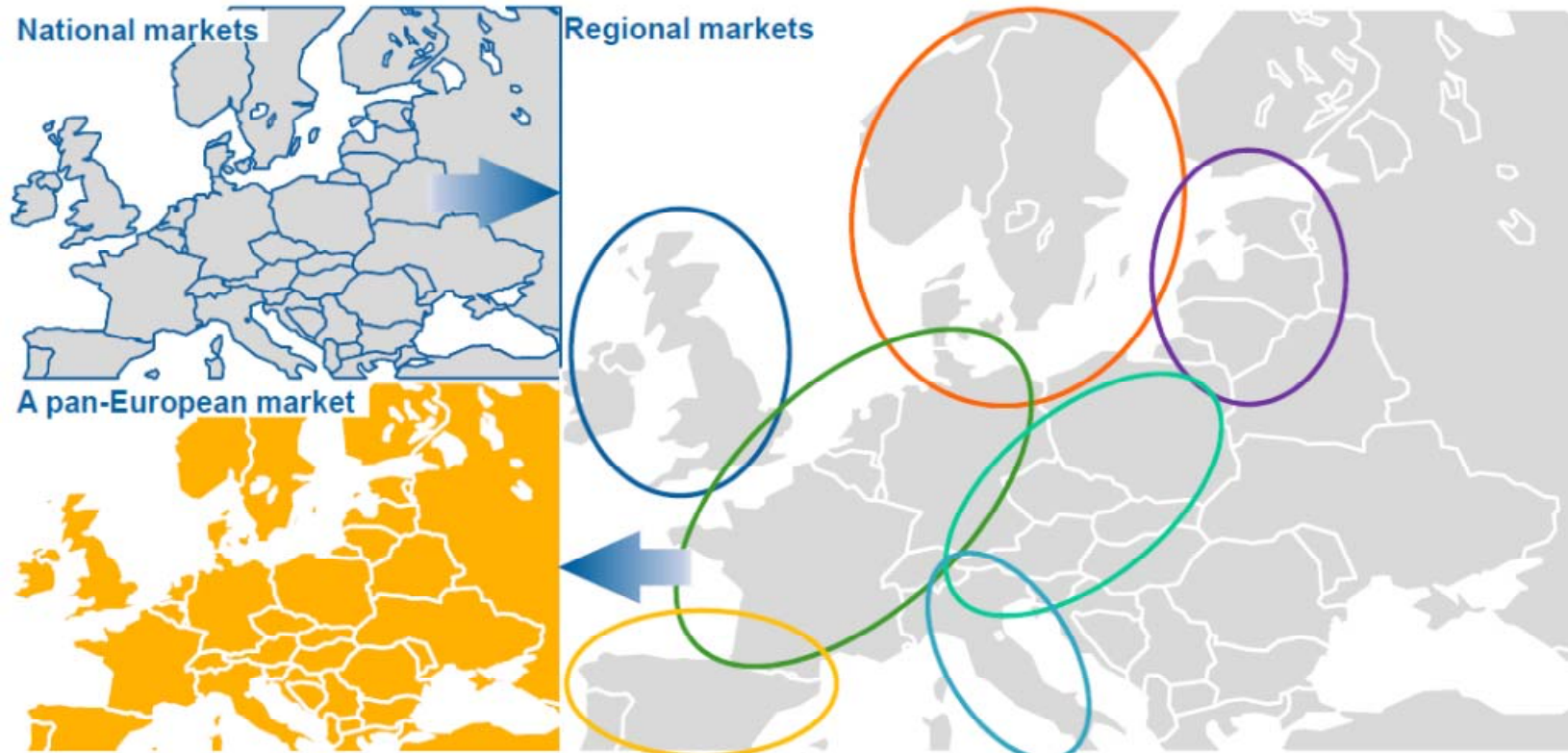
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EFET promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles.

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Developments towards an integrated market: The original vision



Source: emcc

→ **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

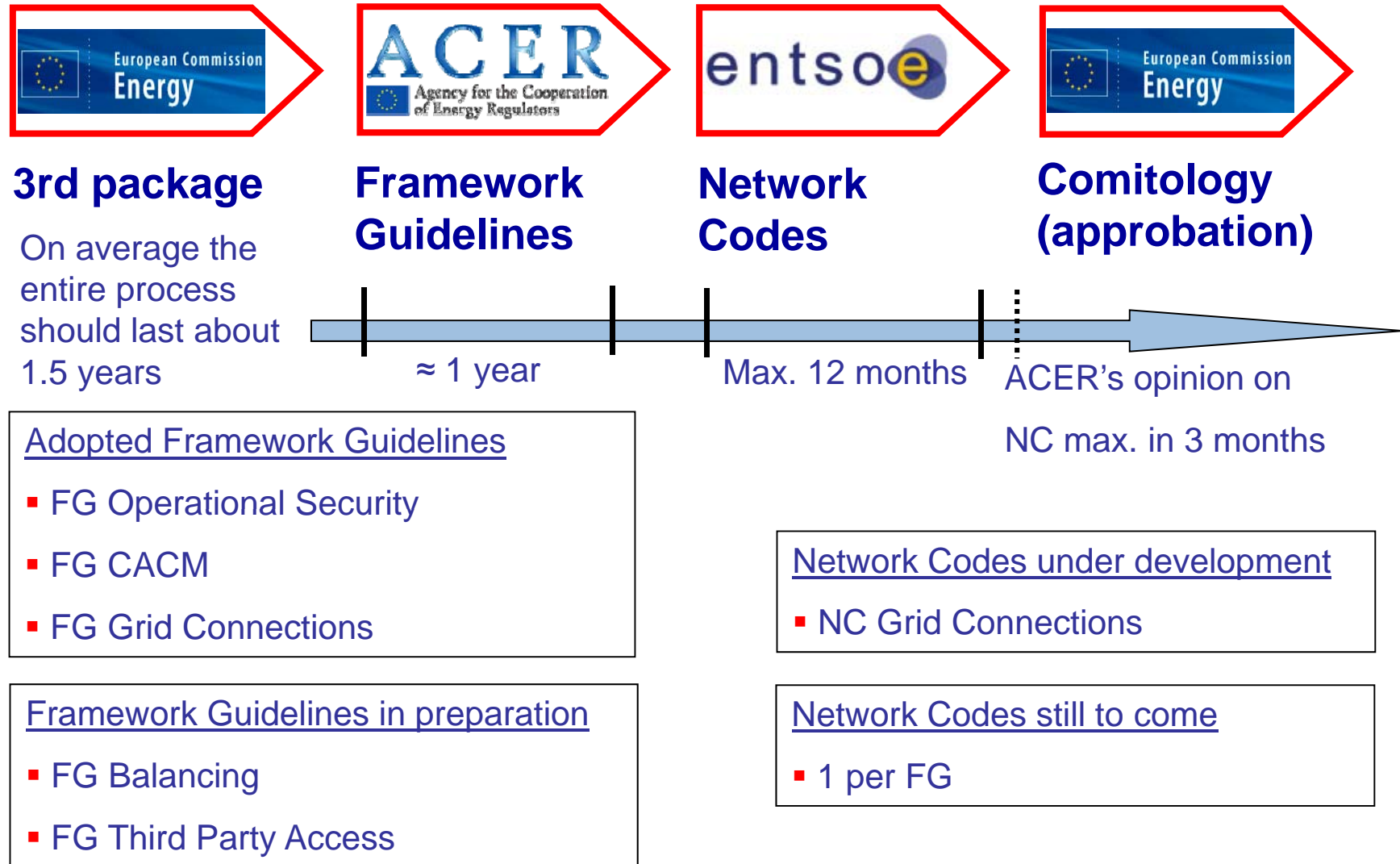


- Allocation coordinated in single auction offices
- Longer duration (i.e. > day ahead) rights based on ATC between established zones: not flow based allocation
- Encourage x-border balancing on a market-based approach
- No preference between PTRs (UIOSI) and FTRs. But harmonization of products
- “Maximization”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



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**

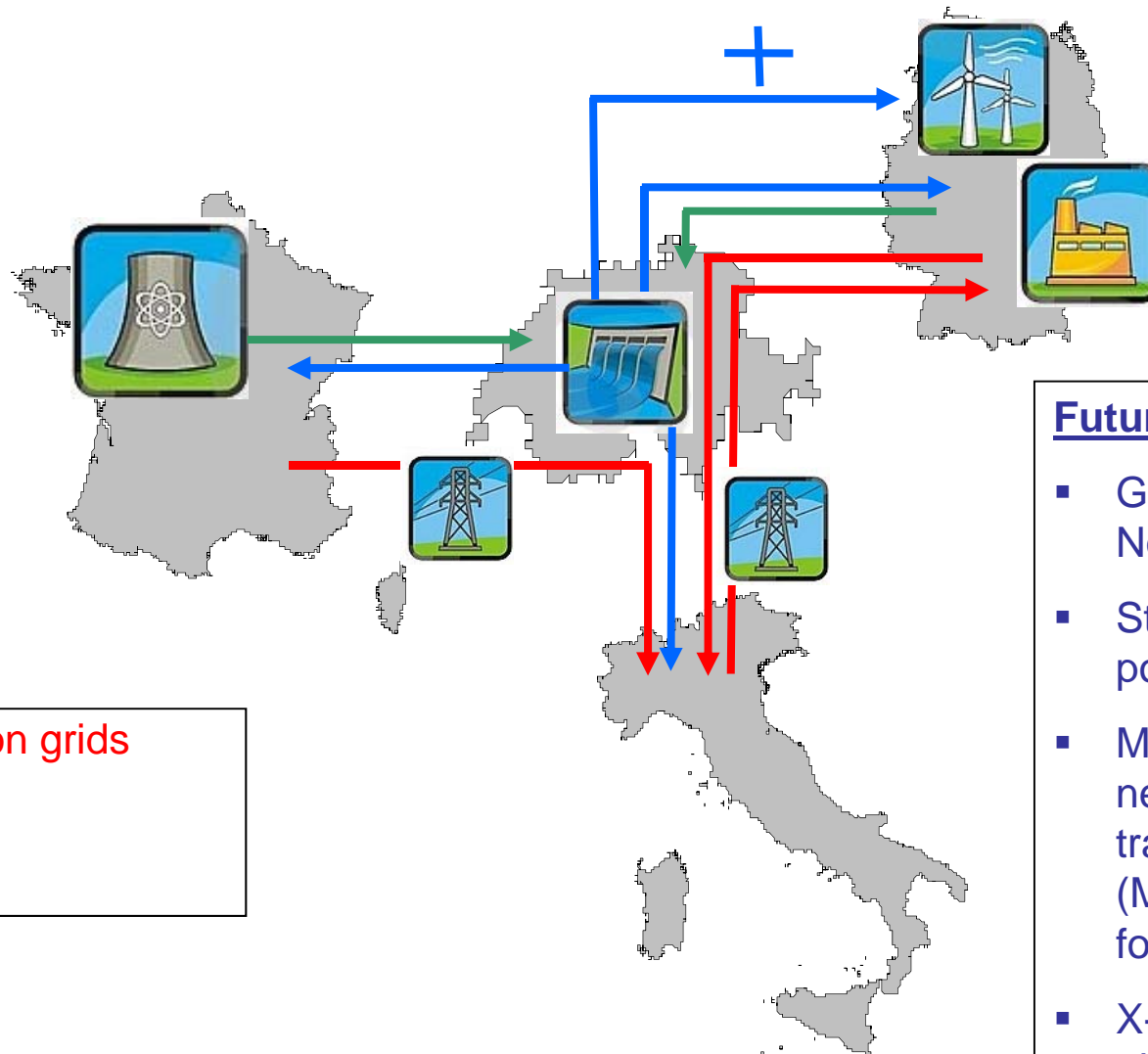
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Switzerland in Europe



Actual situation:

- Well interconnected
- Battery for Europe
- Link between Italy and CWE



- **Connection grids**
- **Imports**
- **Exports**

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:

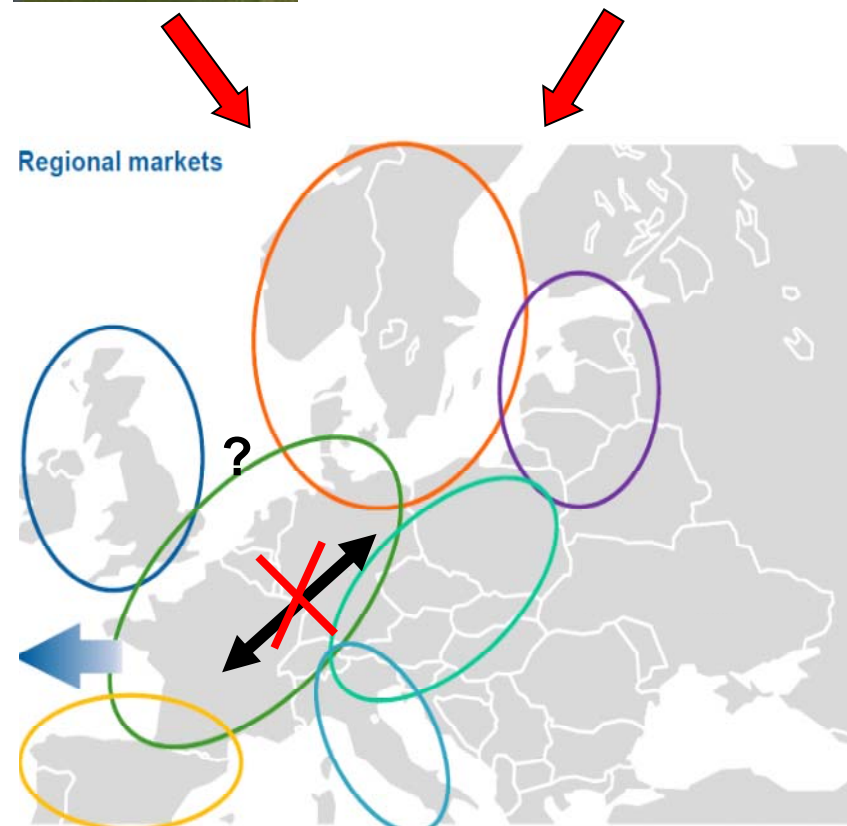
- Security of Supply
- Green Targets

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

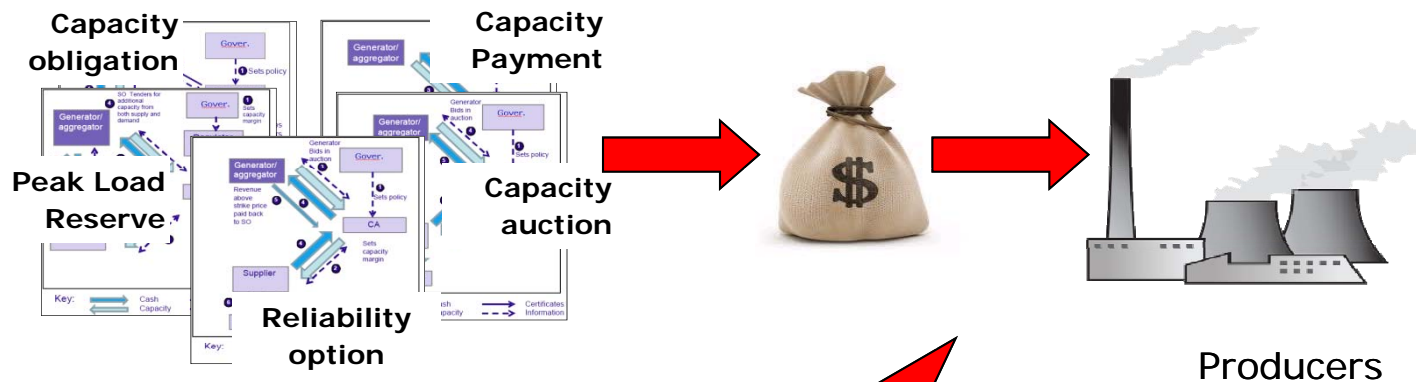


Source: emcc

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

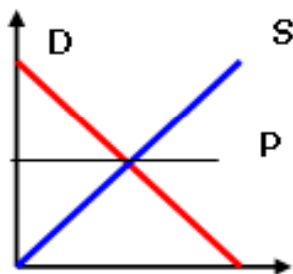


Capacity Remuneration Mechanisms



Source: DECC

Energy Markets



Traders

- 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

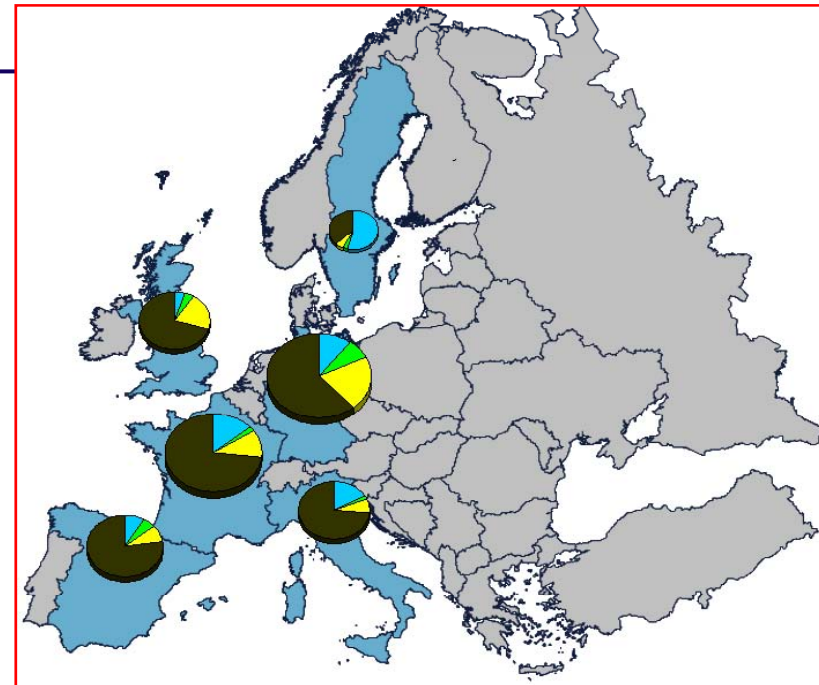
Energy policies influenced by national interests: Green Agenda: Renewable production will change the market



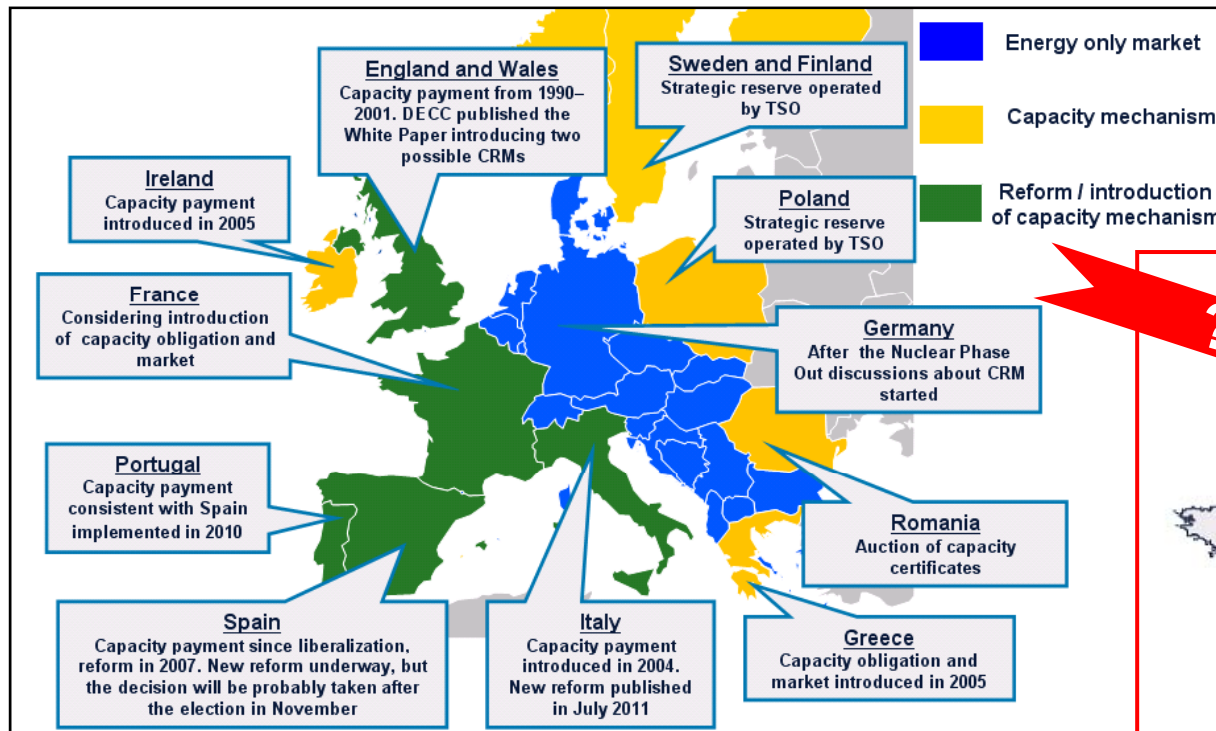
- Heavy investments in RES expected in the coming years
- RES increase/production will have significant impacts on the merit order
- Therefore, the European market design needs to be reformed with focus on:
 - Flexibility & storage;
 - Increase of cross border capacities
- **EFET underlines the need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

Country	Target 1: Total RES portion		
	2005	2010	2020
Germany	10%	17%	39%
Italy	16%	19%	26%
UK	5%	9%	30%
France	14%	16%	27%
Spain	8%	14%	23%
Sweden	54%	57%	62%

- Renewable energy sources (RESs) in 2005
- Additional RES-E by 2010
- Additional RES-E by 2020
- Traditional energy sources



Energy policies influenced by national interests: The direct consequences for Switzerland



Potential Risks:

- Overcapacity
- Inefficiency
- Burden supported by customers

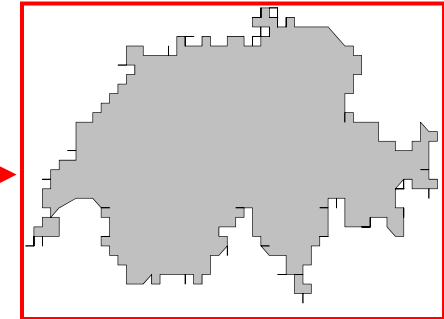
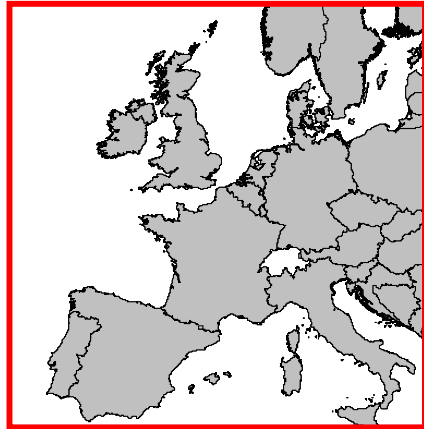


Source: IHS/CERA

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

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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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