

Subject: Openbare raadpleging over de aanvraag tot goedkeuring van het voorstel van de NV ELIA TRANSMISSION BELGIUM voor werkingsregels voor de toegang tot de intraday elektriciteitsmarkt in het kader van congestiebeheer

Date: 10th April 2020

Contact: Roberto Colombo

3e Binnenvestgracht 23N
2312 NR Leiden
The Netherlands

KvK No: 56443838
VAT No: NL85212777B01
IBAN: NL56 RABO 0174 1772 91
BIC: RABONL2U

www.northpool.nl
T: +31 (0)88 2400 300
F: +31 (0)88 2400 399

Dear,

We would like to share our view on the request for approval of Elia's proposal on regulations for intraday market access for congestion management purposes (CREG ID 2068).

Northpool B.V. is a Netherlands-based energy trading company active in the CWE areas and Great Britain as well as on the interconnectors connecting these areas. With our strong background in meteorology, our focus is on intraday trading where we provide flexibility close to the time of delivery, considering (amongst others) the uncertainty in the production of renewable energies. With our experience in the intraday market we feel there are some comments to be made on the contents of the proposal set forth by Elia.

Transparency

On a general level, we think allowing Elia access to the intraday market for specific grid security reasons, such as congestion management, has its merits but it opens a few points to be addressed. One specific condition should be set on such access, and that is in terms of transparency. Currently, transparency is provided by Elia sending a monthly report to CREG and JAO if in the previous month trades in the intraday market took place. This is not enough. As per the explanatory note on the measure taken on the 11th August 2019, Elia sold 99MW in 11 hours on this day, because the amount of contracted reserve was low and use of non-contracted reserve would have led to higher costs. It is stated that the impact to market players in terms of ATC or balancing market are limited. But we do have some remarks to make:

- 1) The amount traded is significant in terms of Belgium standard activity on the intraday market. Looking at the market data for the 11th of August, the 1089 MWh traded by Elia accounts on average for almost 50% of the trading volume done for the affected hours, and it amounts close to 90% of the total traded volume for the hours 09:00-10:00 and 10:00-11:00.
- 2) This amount traded could be misleading to market players without a proper and timely transparency message, as such sudden activity on the ID market with a Belgium seller (as in the case of the 11th August) could lead market players to assume a power plant is ramping up unexpectedly or that renewables are currently producing over their forecast. This of course is not the case, but without any kind of notice the overall picture changes due to this unexplainable market activity.

- 3) In a situation where the ATC from Belgium to other countries on XBID is limited, having Elia impact the market for such a volume could lead to the ATC being exhausted and in turn Belgium could decouple from the rest of CWE. In a situation where the ATC to either the Netherlands or France is exhausted, this could lead to significantly lower liquidity and higher costs for market parties who find themselves with overproduction and having to rely on the intraday market to adjust their schedule. One could say the flexibility is taken out of the market by Elia.

It is important to underline that Elia, as per REMIT regulation, is indeed a market participant just as any other BRP and no information asymmetry between participants should be in place. In the context of redispatch and countertrading, following REMIT and ACER guidelines, we believe that information available to Elia constitutes inside information and as such it should be published in an effective and timely manner.

In the context of market transparency, we would like also to provide as example the *Channel Capacity Calculation Region TSOs' proposal for redispatching and countertrading cost sharing methodology* of the 23rd Nov 2018. Specifically, in this document it is mentioned under Article 5, Monitoring and Reporting, that in line with the REMIT Regulation:

- *All coordinated Redispatching and Countertrading will be reported within 1 hour from the activation of the coordinated Redispatching and Countertrading.*
- *Coordinated Redispatching and Countertrading volumes and costs are to be reported as per the Transparency Regulation. This mechanism will provide transparency and allow market parties to see when Redispatching and Countertrading actions are being used based on operational security and economic criteria in accordance with Article 74(5)(c) of the CACM Regulation.*

Given the current regulation and guidelines, and given the channel TSOs' proposal on the same argument, we would like to stress that the current solution defined does not guarantee to participants a sufficient amount of transparency.

We also would like to stress how large the effect of Elia accessing the ID market could be. Following ACER regulation regarding market manipulation, possible signals of market manipulation are:

- a) *The extent to which orders to trade given or transactions undertaken represent a significant proportion of the daily volume of transactions in the relevant wholesale energy product on the trading venue concerned, in particular when these activities lead to a significant change in the price of the wholesale energy product;*
- b) *The extent to which orders to trade given or transactions undertaken by persons with a significant buying or selling position in a wholesale energy product lead to significant changes in the price of the wholesale energy product or a related wholesale energy product admitted to trading on a trading venue;*

We believe the situation as it occurred on the 11th of August could fall under the points a) and b) mentioned above. Additionally, given that the current proposal aims to extend the scope of redispatch and countertrading, it is crucial to improve the level of transparency on this subject and to disclose information as soon as it is known. By doing this, all market participants share the same information to be able to form a correct idea about the market fundamentals and consequently the fair market price.

One final remark we would like to put forward is based on the common practice established by other TSOs on the topic of redispatch and countertrading. As we have seen from TenneT and RTE, when a similar action occurs this is timely published (before the measure takes place) so that market

participants are made aware of the direction, size and time frame of the measure. It is in the best interest of the TSOs to provide transparency on this topic so that BRPs can have a comprehensive fundamental picture. Therefore we suggest for Elia to follow the common practice in order to avoid discrepancies among TSOs themselves in the way this topic is addressed.

Use of Nemo Link in countertrading

Elia proposes several situations in which Nemo Link can be used in countertrading to solve internal Belgian congestions, but the exact details of using Nemo Link are not fully elaborated on.

Does Elia intend to use TSO-TSO trades with National Grid to effectuate the countertrade? If so, how and when does Elia intend to obtain the (intraday) capacity needed to a countertrade? Will they *reserve* capacity by not making it available in one of the intraday auctions (and thereby affecting the capacity auction by limiting the available capacity to the market)? Or will they be able to use the left-over (not-nominated) capacity after intraday gate closure? In the latter case the countertrading action would be very close to the time of delivery, such that the grid security is only ensured in a late stage.

Depending on the answers to these questions, certain transparency mechanisms should be in place to provide full disclosure to the market.

Furthermore, we would strongly urge Elia to consider the market as a means of countertrading on Nemo Link instead of resorting to TSO-TSO trades. Market parties can already obtain intraday capacity in one of Nemo Link's auctions and proceed with the nomination in a timely fashion without placing additional constraints on the system.

Elia could utilize this market mechanism by organizing a public 'call-for-bids' where market participants can offer to nominate capacity on the Nemo Link on behalf of Elia. This avoids impacting the market by limiting the available intraday capacity on the Nemo Link, and can be done as soon as required instead of in a very late stage (i.e. after the intraday nomination gate closure when it is clear whether or not there is unused capacity that can be used by Elia). A call-for-bids is necessary as the direct intraday market can't be used to assure that the capacity is nominated on Nemo Link. For the balancing part of the countertrade in Belgium, the intraday market can be used by Elia as proposed.

This solution would be cost-efficient as market participants can compete in providing this capacity and the associated energy volume from the UK market. Therefore, the cost of countertrading for Elia will be close to the fair market value of the transferred energy, instead of National Grid having to activate the corresponding counteraction from their balancing reserves. For Elia, the proposed solution unlocks both the flexibility and liquidity of the UK market

We believe the above points would contribute to a well-functioning (intraday) power market in both the CWE region and the UK, while allowing Elia to use this market to come to cost-effective solutions for congestion management.

Please don't hesitate to reach out to us in case you need any additional information.

Sincerely,

Roberto Colombo

roberto.colombo@northpool.nl