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Verzonden: vrijdag 28 augustus 2015 15:29
Aan: Secretariaat DE
CC: Fransen, Mathieu
Onderwerp: zienswijze Statkraft Markets, zaaknummer 15.0730.52

Dear Sirs,

Herewith we would like to submit a response ('zienswijze') regarding the proposal of TenneT to implement the EU Harmonised Allocation Rules HAR. (Zaaknummer 15.0730.52).

This response is limited to the proposal to replace the current PTRs by FTRs on the Belgian-Dutch border as proposed in Annex 1 of the EU HAR.

Normally, a PTR with UIOSI and an FTR can be regarded as equivalent products. However, we propose not to implement FTRs now.

The reason for this view is related to the limited possibilities for cross-border intraday trading. There is actually a subordinate treatment of cross-border intraday trading in favour of day ahead cross-border trading. The current methodology of cross border trading is designed to facilitate maximal flows on a day ahead basis, which results in an undervaluation of cross-border capacity and an inefficient use of flexible assets across borders. This inefficiency causes welfare losses. Especially in periods when the day-ahead price difference is small (a flat merit order curve), and when there is a likelihood that intraday prices will diverge, it is more efficient to not flow at the day ahead stage and to keep flexible assets available with the possibility to deliver flexibility across borders depending on the price developments on the intraday markets.

This issue is described in a report "Revealing the value of flexibility":

http://www.poyry.com/sites/default/files/imce/files/revealing_the_value_of_flexibility_public_report_v1_0.pdf

This report was based on a study performed by Pöyry in which ACM was one of the sponsors. Pöyry describes the issue as follows: "The optimal allocation of capacity between timeframes will be dependent on system conditions on the day, and in practice any allocation between timeframes which is fixed in advance is likely to be suboptimal⁸. Allocating (i.e. reserving) the entirety of cross-zonal capacity primarily to the Day-Ahead market may not deliver the optimal social welfare in all market circumstances, since it forecloses the opportunity value of flexibility for use in shorter market timeframes."

And Pöyry proposes: "Market coupling rules should allocate cross-zonal capacity across timeframes based on market values not a priori reservations, and should provide a way of pricing intraday capacity."

This issue is likely to become more important as intraday markets are gaining importance. We are therefore of the opinion that issue needs to be addressed with priority.

It might be possible to solve this issue in different ways. One, relatively easy, possible solution could be found in abolishing the UIOSI rule. We believe that abolishing the UIOSI rule would not have negative repercussions. Such a solution could obviously only

be implemented as long as PTRs still exist. If FTRs would now be introduced, this possible solution would be lost.

Therefore, we request ACM to refrain from introducing FTRs now and to first address the subordinate treatment of cross-border intraday trading and a better allocation of cross-border capacity across time frames.

Obviously, we are happy to explain our view if need may be.

With best regards

Paul Giesbertz

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