

Information Seminar Market Coupling
between Denmark and Germany
Hamburg
13th November 2007



European Federation of Energy Traders

Expectations of Traders



“We foresee energy markets throughout Europe, in which traders efficiently intermediate in the value chain on the basis of clear wholesale price signals, thereby optimising supply and demand and enhancing security of supply, to the overall long term benefit of the economy and of society”

- ➔ **The European Federation of Energy Traders (EFET) is an industry association which represents over 80 trading companies operating in about 20 countries**
- ➔ **EFET promotes pan-European energy trading in open, transparent and liquid wholesale markets**
- ➔ **EFET main activities include:**
 - ➔ **Advocacy**
 - ➔ **Promote energy trading in Europe**
 - ➔ **Standardisation of contracts**

- ➡ Create a Transparency guideline for the Region

- ➡ Install a Day Ahead Market coupling between Germany and Denmark

- ➡ Include an Explicit auctions for long term capacities to the Nordic market

The guideline gives all market player the same basis of data's.

This is important to plan the hedging for short and medium term of sales volumes and production volumes. A market is only liquide when trading companies are part of the market. The need to calculate the risk a good overview of the market also this will be supported from the guideline.

Market coupling is an important step to get a clear and reliable market Price.

But Why:

➔ Through the coupling all price zone are moving as if they are one market.

The exception is if the capacities will be exceeded

Result

The day Ahead price is a strong indices. All long-term product are based on an indices, so the whole market will be more trustworthy.

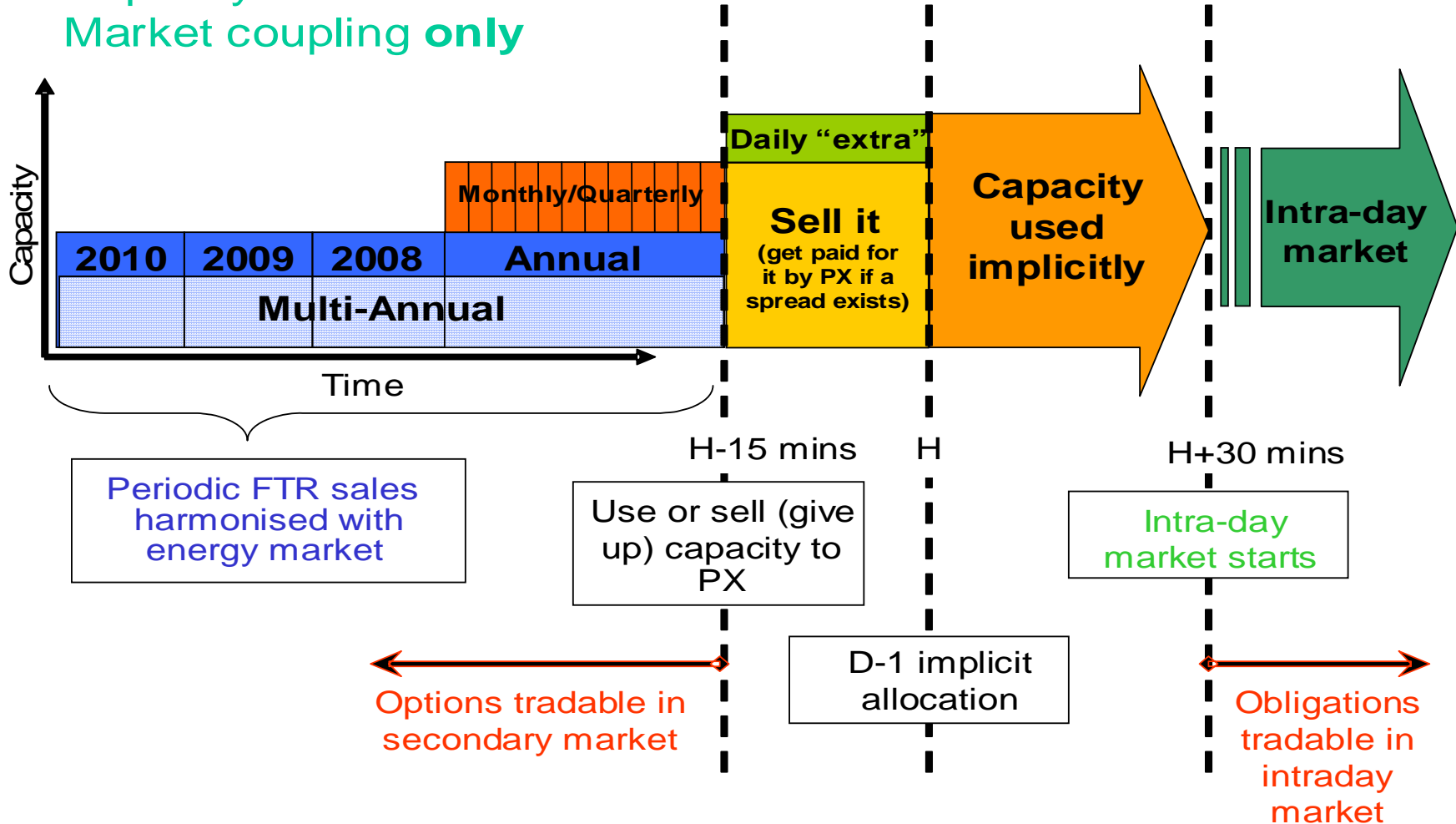
Explicit auctions for long term capacities to the Nordic market

Additional to the market coupling it will exist an explicit auction at the Denmark border. This solution followed the opinion of EFET.

Advantages from Long Term Auction:

- Hedging possibilities of the price risk
- Increase of market player
 - Therefore more liquidity in the single price areas

Capacity allocation at D-1: Market coupling **only**



No market interference from the politics and the grid operators → bad example

- ⇒ Maximum Price for customer (Poland)
- ⇒ Low price rules (France)
- ⇒ Misuse of capacities (Ramping in the Nordic)
- ⇒ Feed in Tariff EEG (Germany)

Both parties are responsible for basement of the market and should secure in technical and legal framework

Important for a functioning market is competition. Therefore it should be easy to enter a market

- ⇒ No market entry barriers for example like in Norway or Czechs republics with requests like Trading license etc.
- ⇒ IT standards for the formats and systems
- ⇒ Standardize contracts and handling of the credit issues
- ⇒ Deadlines where we don't need this absolute deadlines
 - Internal scheduling
 - Day Ahead Nomination at 13:00

⇒ Intraday Trading possibilities and not only optimization for a liquid intraday market

⇒ Reserve Power market → Balance market

Use of free Capacities → No Reservation