



## **Results of the market participant questionnaire: CWE Market Coupling**

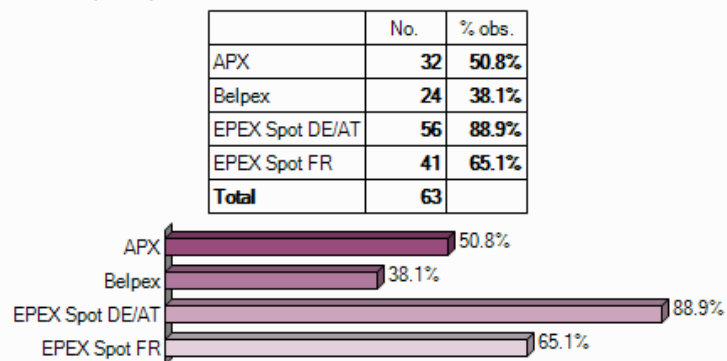
The imminent CWE market coupling raises a couple of market design issues. The Dutch, Belgian and Franco-German Power Exchanges (APX-ENDEX, Belpex and EPEX Spot) have therefore jointly consulted their participants. The consultation ended in January 2010 and Belpex is pleased to present the statistical results.

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## General

### You are a member of...

The sum of percentages is not equal to 100 due to multiple responses and deletions.



## Minimum Prices

The power exchanges aim to harmonise the level of minimum prices that can be offered in their respective markets.

Currently EPEX Spot has a technical system limit defined at  $-3000 \text{ €/MWh}$  in Germany/Austria and intends to have as a default solution a harmonised negative minimum price in France and Germany/Austria at CWE launch of  $-3000 \text{ €/MWh}$ , based on the experience gained and the level of negative prices already observed in the past and the belief that price formation should not be artificially constrained.

APX and Belpex are inclined to also adopt negative minimum prices after the CWE market coupling launch, but some of their members have argued for a different (perhaps closer to the  $-200 \text{ €/MWh}$  limit adopted in the Nordic areas), maybe moving further down over time so that prices can move in a wider range.

A key reason for allowing negative prices is to allow a correct price setting in a market where certain generation facilities experience a negative marginal cost. It can also reduce the risk of price acceptance orders being curtailed.

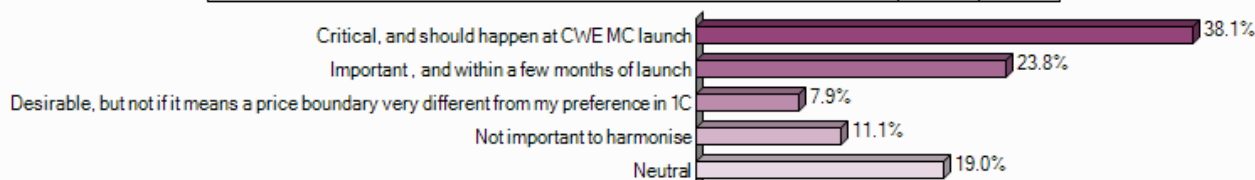
The chief reason for harmonisation is that it provides for a fair treatment of all parties whenever extreme prices occur and all orders, even price acceptance orders, have to be curtailed. Without harmonisation the sellers in markets with higher minimum price are unable to compete on price

with sellers who can offer lower prices in their market. As a consequence, they might be curtailed first: the curtailment is “exported” to their market.

The power exchanges have devised a method for handling curtailments to partially address this scenario. As explained in more detail in Attachment 1, this provides that curtailment cannot be exported from a market with a lower minimum price unless it too is in curtailment. If minimum prices are not harmonised, this rule will be applied.

**1A Given the arrangements in the CWE MC for handling curtailments, how important/urgent is harmonisation of price boundaries across all CWE power exchanges?**

	No.	% cit.
Critical, and should happen at CWE MC launch	24	38.1%
Important, and within a few months of launch	15	23.8%
Desirable, but not if it means a price boundary very different from my preference in 1C	5	7.9%
Not important to harmonise	7	11.1%
Neutral	12	19.0%
<b>Total</b>	<b>63</b>	<b>100.0%</b>



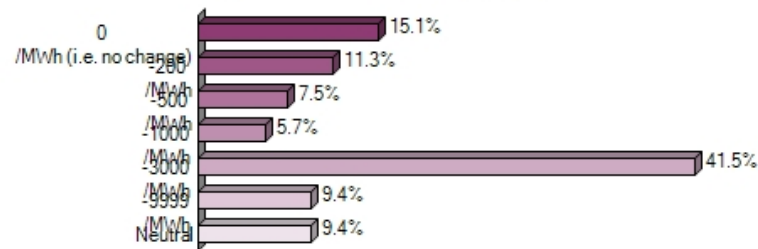
**1B What criteria should power exchanges have in mind when setting their price limit?**

	No.	% cit.
Based on a technical limit, possibly -9999 /MWh	18	28.6%
A limit based on other criteria.	45	71.4%
<b>Total</b>	<b>63</b>	<b>100.0%</b>



1C Since APX and Belpex have not defined their negative price boundary yet, what would be your preferred price limit for these power exchanges? (to be answered by market participants of APX and Belpex, assuming that EPEX Spot remains at -3000 /MWh)

	No.	% cit.
0 /MWh (i.e. no change)	8	15.1%
-200 /MWh	6	11.3%
-500 /MWh	4	7.5%
-1000 /MWh	3	5.7%
-3000 /MWh	22	41.5%
-9999 /MWh	5	9.4%
Neutral	5	9.4%
<b>Total</b>	<b>53</b>	<b>100.0%</b>



## Request for Quotes / Second Auction

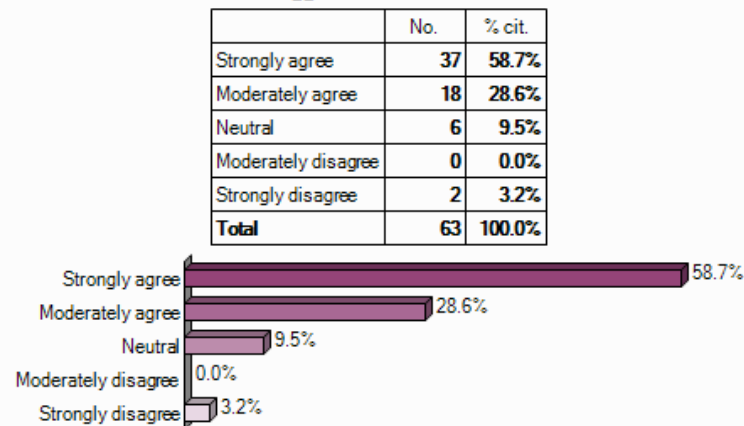
In common with many similar markets, the power exchanges currently operate Request for Quotes (RfQ) or Second Auction procedures where, in the event they see unusually low levels of liquidity on either the buy or sell side of the market that could lead to extreme prices, they can reopen their order books and allow parties to re-bid. The RfQ/Second Auction procedure can also be used in the event that a manifest error has occurred.

In TLC, the RfQ procedures are applied across all three power exchanges (i.e., all markets reopen) since it is regarded as unfair that participants could re-bid in some markets but not all while valuable trading information has been released into the market which potentially affects all coupled markets.

Currently in TLC the effect of the cross-border flows is not considered when triggering an RfQ, as this result is usually known too late. Therefore, RfQs today are triggered based on isolated market predictions, which is often an imperfect predictor of extreme prices following market coupling. However, some participants have indicated that they would tolerate late results (even after the VPP nomination deadline in France) if this helped avoid anomalous prices. Having the provision to call an RfQ after the market coupling has been computed would also reduce the number of unnecessary RfQs called based on isolated market predictions.

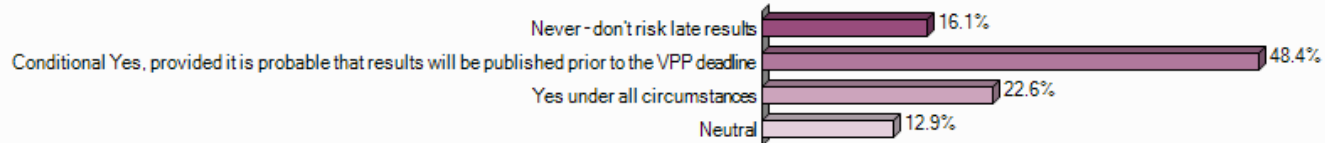
The Exchange Council of EPEX has decided on an RfQ procedure to the market including new rules which will be applied. A RfQ will be triggered when hourly prices exceed 500 €/MWh or drop below -150 €/MWh and when they differ significantly from OTC prices.

**2A Should all the power exchanges harmonize on these rules to trigger a RfQ?**



**2B Should an RfQ/Second Auction be called after the CWE coupling results have been computed?**

	No.	% cit.
Never - don't risk late results	10	16.1%
Conditional Yes, provided it is probable that results will be published prior to the VPP deadline	30	48.4%
Yes under all circumstances	14	22.6%
Neutral	8	12.9%
<b>Total</b>	<b>62</b>	<b>100.0%</b>



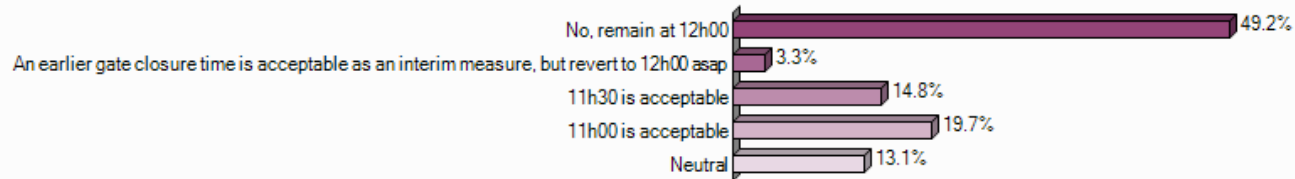
**2C If an RfQ/Second Auction is called after the CWE coupling results have been computed, should the Danish-German volume coupling first be rerun with the new German order book?**

	No.	% cit.
Yes, rerun both Danish-German volume coupling and CWE	15	25.0%
No, only rerun CWE	28	46.7%
Neutral	17	28.3%
<b>Total</b>	<b>60</b>	<b>100.0%</b>



2D Given the constrained operating time for CWE, particularly where Danish-German volume coupling operates in sequence, would an earlier gate closure time for CWE be acceptable?

	No.	% cit.
No, remain at 12h00	30	49.2%
An earlier gate closure time is acceptable as an interim measure, but revert to 12h00 asap	2	3.3%
11h30 is acceptable	9	14.8%
11h00 is acceptable	12	19.7%
Neutral	8	13.1%
<b>Total</b>	<b>61</b>	<b>100.0%</b>



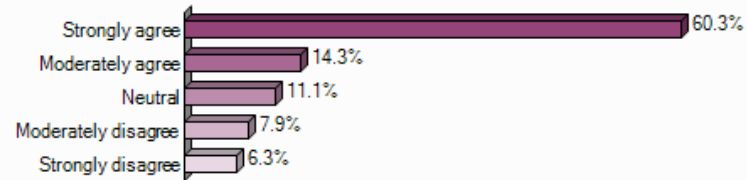
## Publication Times

In TLC results are published by the individual PXs as soon as possible. Typically this occurs within a minute of each other. However, some participants have asked that publication be at the same time since in coupled markets the price of one market gives an indication of the outcome of the others, and influences the forward curve and OTC trading in all countries. Therefore, a different publication time for each market might introduce discriminatory information levels provided to market parties not active in all markets. In addition, some have asked for fixed publication times, to make their operations more efficient

The PXs are considering an approach where a standard normal publication time is established, such that this can be achieved on the vast majority of days (say 95% success rate). If this time is missed then publication will be as soon as possible (but for technical reasons this may not be perfectly harmonised).

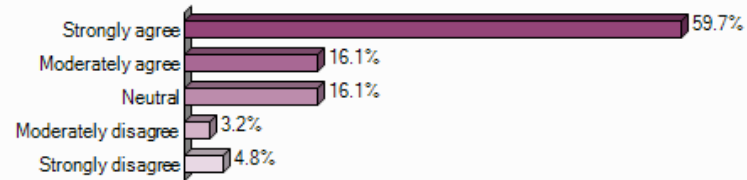
**3A Should the power exchanges harmonise publication times?**

	No.	% cit.
Strongly agree	38	60.3%
Moderately agree	9	14.3%
Neutral	7	11.1%
Moderately disagree	5	7.9%
Strongly disagree	4	6.3%
<b>Total</b>	<b>63</b>	<b>100.0%</b>



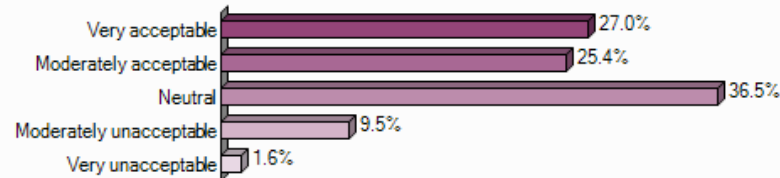
**3B Should the power exchanges standardise normal publication times?**

	No.	% cit.
Strongly agree	37	59.7%
Moderately agree	10	16.1%
Neutral	10	16.1%
Moderately disagree	2	3.2%
Strongly disagree	3	4.8%
<b>Total</b>	<b>62</b>	<b>100.0%</b>



**3C How do you regard the power exchanges proposed approach?**

	No.	% cit.
Very acceptable	17	27.0%
Moderately acceptable	16	25.4%
Neutral	23	36.5%
Moderately unacceptable	6	9.5%
Very unacceptable	1	1.6%
<b>Total</b>	<b>63</b>	<b>100.0%</b>

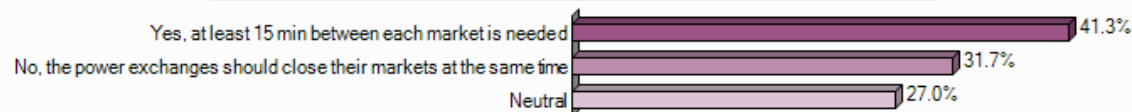


**Fall-Back CWE**

The CWE partners have prepared a fall-back scenario to allocate capacities to the market, and organise the day-ahead markets in case the CWE price coupling would be unable to provide results in time. In this fall-back scenario, the order books are reopened while capacities are allocated to the market parties explicitly via the shadow explicit auction, organised by CASC-CWE. Following the allocation of the capacities, the power exchanges organise a decoupled matching of their order books. The nomination cycle towards the TSOs does not change, apart from its timing which will be delayed to the late afternoon.

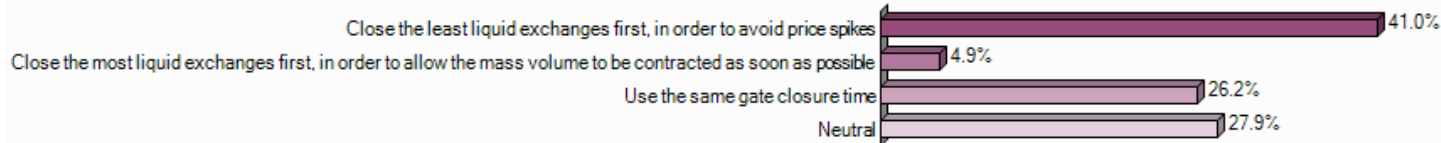
**4A In case of fall-back, would you prefer the power exchanges to close their order books at different gate closure times (to the extent operationally feasible)?**

	No.	% cit.
Yes, at least 15 min between each market is needed	26	41.3%
No, the power exchanges should close their markets at the same time	20	31.7%
Neutral	17	27.0%
<b>Total</b>	<b>63</b>	<b>100.0%</b>



**4B In case of different gate closure times for each of the power exchanges, which scenario would you prefer?**

	No.	% cit.
Close the least liquid exchanges first, in order to avoid price spikes	25	41.0%
Close the most liquid exchanges first, in order to allow the mass volume to be contracted as soon as possible	3	4.9%
Use the same gate closure time	16	26.2%
Neutral	17	27.9%
<b>Total</b>	<b>61</b>	<b>100.0%</b>



## Roll-Back CWE

The launch of CWE Price Coupling is a major improvement including the introduction of new and/or adapted systems, new operational procedures etc. Even when tested thoroughly, there is always a risk of failure when switching from the current systems to CWE Price Coupling on the launch day itself as well as during the first period after the launch.

In order to mitigate this risk, keeping possible roll back options as a backup for a certain period of time have been discussed amongst the CWE partners and it was decided that TLC will be used as the roll back for the TLC markets and day-ahead explicit auctions operated by CASC as the roll back for the German borders.

Note: TLC rules would apply – e.g., no negative prices.

**5A In case of a roll-back to TLC, the TLC partners intend to keep the gate closure time at 12h00 and not at 11h00. What would you prefer?**

	No.	% cit.
GCT at 12h00	24	39.3%
GCT at 11h00	15	24.6%
Neutral	22	36.1%
<b>Total</b>	<b>61</b>	<b>100.0%</b>



## Exchange Gate Closure Procedure

In the TLC, the exchanges have adopted slightly different gate closure procedures. APX and Belpex both apply a strict gate closure at 11:00, but with the following flexibility:

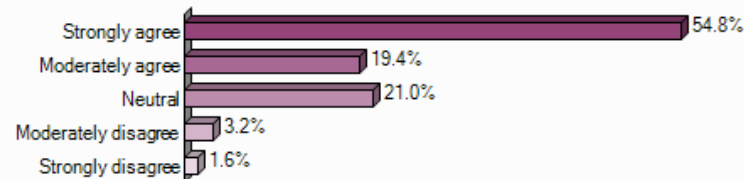
- where notified prior to 11h00 the exchanges are able to enter orders after gate closure on behalf of individual members experiencing problems (the "Trading on Behalf" procedure), and

- in case of major disturbances affecting a significant portion of its member base, APX will delay its gate closure for all participants.

EPEX Spot allows a few minutes for technical communication issues, normally closing at 11h03, but occasionally later in exceptional cases where the exchange is aware that some parties are having widespread communication problems.

### 6A Should the power exchanges adopt the same gate closure procedures?

	No.	% cit.
Strongly agree	34	54.8%
Moderately agree	12	19.4%
Neutral	13	21.0%
Moderately disagree	2	3.2%
Strongly disagree	1	1.6%
<b>Total</b>	<b>62</b>	<b>100.0%</b>



### 6B Of the current exchange gate closure processes, which one would you prefer?

	No.	% cit.
APX-ENDEX / Belpex	12	19.7%
EPEX Spot	40	65.6%
Neutral	9	14.8%
<b>Total</b>	<b>61</b>	<b>100.0%</b>

