

Communication

Belpex

Strategic Reserve Market Segment

Belpex will launch a new market segment, the Belpex Strategic Reserve Market Segment (Belpex SRM). Setting up the Belpex SRM required amendments to the Belpex Market Rules. Those changes have been approved by the Secretary of State in charge of Energy and will be effective as of 13 October 2014.

The Belgian strategic reserve mechanism

The creation of a strategic reserve is part of the measures of the so called “Plan Wathélet” which was initiated by the former Belgian Secretary of State in charge of Energy Melchior Wathélet with the aim of guaranteeing Belgian electricity supply in the future. The “Plan Wathélet” consists of several elements, amongst which the creation of a Strategic Reserve.

The strategic reserve is designed for situations where the total Belgian consumption can't be covered by the available production capacity in Belgium and imports from other countries. The strategic reserve is thus a means to avoid curtailment of load. The design, procurement and operation of the strategic reserves mechanism has been assigned to Elia, under close supervision of the CREG, who also validates the functioning rules of it.

Through this new mechanism, Elia will be able to activate generation units that would otherwise be unavailable or to instruct consumers willing to participate in this mechanism to reduce their load. The strategic reserve will be called on only in case of structural shortfall during the winter period, from 1 November to 31 March.

One of the triggers for Elia to use strategic reserves is a so called “economic trigger”, i.e. a situation in which total price-taking demand for electricity on the Belpex DAM exceeds the total available offer, including what can be imported through market coupling. In such a case, Elia will satisfy with the strategic reserve capacity as much curtailed demand as possible.

Upon its request, Belpex has worked closely with Elia to set up this mechanism, which will be operated through a new dedicated market segment on Belpex, i.e. the Belpex SRM.

More information on the winter situation in Belgium, and strategic reserves in specific, can be found on a dedicated page on Elia's web site: <http://www.elia.be/en/about-elia/questions-about-the-risk-of-shortage-in-Belgium>.

The functioning of the Belpex SRM

During the winter period, the part of off-take limit Orders submitted at the maximum Order price on the Belpex DAM that have not been matched in the Belpex DAM auction shall be replicated by Belpex in the Belpex SRM.

After the publication of the final results of the Belpex DAM contracts are created at the maximum Order price of the Belpex DAM, i.e. 3000 €/MWh, by matching the replicated off-take Orders with the strategic reserve offered by Elia on the Belpex SRM. In the case that the volumes offered by Elia are not sufficient to fully match all replicated off-take Orders, the replicated off-take Orders shall be matched pro rata.

Publication of the Belpex SRM results and contracts will happen with only a short delay after the publication of the Belpex DAM results, and participants will be alerted of this via a breaking message in the trading platform.

No impact on MRC procedures

The Belpex SRM will not impact the Belpex DAM procedures that are in use today, including the Multi-Regional Coupling (MRC) procedures.

This implies e.g. that the Second Auction procedure described in article 4.8.1 of the Market Segment Procedure will continue to apply on the Belpex DAM and that a second auction can be triggered before final Belpex DAM results are published and thus before any remaining unmatched part of buy Orders at 3000 €/MWh are replicated in the Belpex SRM.

More detailed information on the MRC procedures was communicated to Participants prior to the launch of the NWE Market Coupling and is available on the Belpex website.

Impact on Market Rules and Procedures

The implementation of the Belpex SRM requires some amendments to the Belpex Market Rules & Market Procedures. The changes are summarized below.

- Main changes to Belpex Market Rules :
 - Definitions added: Belpex SRM, Strategic Reserve Participant, Strategic Reserve Delivery Order, Strategic Reserve Allocation, Expected Period of Use;
 - Definition of Participant amended: now includes Direct, Indirect and Strategic Reserve Participant, with subsequent modifications throughout the text;
 - Description of the fixing process of Strategic Reserve added, including replication of orders from the Belpex DAM;
- Main change to Market Segment Procedure :
 - Definition & specification of Instruments available in the Belpex SRM;
- Main change to User Procedure :
 - Various small amendments to reflect practical changes introduced by creation of Belpex SRM;
- Main change to Admission and Access Procedure :
 - Admission criteria & procedure for Strategic Reserve Participant;
 - Various small amendments to reflect practical changes introduced by creation of Belpex SRM;
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- Main changes to Fee, Invoicing and VAT Procedure :
 - Variable operational Fee for Belpex SRM defined;
- Main changes to the APX Clearing Rule Book :
 - Amendments to Schedule D (provisions for Belgian Power Market) to align definitions with amended Belpex Market Rules;
 - Collateral requirement updated: Overnight risk calculation to take into account the transactions on the Belpex DAM;
 - Clearing Price List updated: Fee for Belpex SRM defined.

Please find attached to this communication the Belpex Market Rules, Belpex Fee, Invoicing and VAT Procedure and the APX Clearing Rule Book & annexes. The remaining documentation will be provided in the course of next week.

These changes will be effective on 13 October 2014.

Please note that the Belpex SRM will only be active during the winter period (as stipulated in the Market Rules) and subject to Elia making strategic reserve available for allocation on the Belpex SRM.

Market preparation

To optimally prepare Participants for the launch of the Belpex SRM, a detailed explanation, including a refreshment of the procedures applicable to the Belpex DAM, will be presented during the Belpex Users' Group that will take place on 9 October 2014. If you would like to register, please contact your account manager.

Member test sessions will be organized prior to the launch to give Participants a chance to get acquainted with the way the Belpex SRM will be presented in EuroLight®.

Contact details

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