

GTS, ACM
Electronic submission via email

24 February 2022

Subject: EFET¹ message on the Code Amendment Proposal aimed at preventing “undesirable” market behaviour

The European Federation of Energy Traders wishes to express its concerns over the proposed changes aimed at preventing “undesirable” market behaviour that pushes the Dutch gas system out of balance. We remain of the opinion that design of the system penalizing “undesirable behaviour” under the Code Amendment Proposal remains vague and - in our understanding - disproportionate. It also represents an apparent change from the circumstances described in Annex 2, and we do not believe that the proposed solution adequately addresses the problem described or is proportionate to issues arising from the revised description of the behaviour. EFET believes that a more fundamental overhaul of balancing rules should be considered.

Our first concern is that the system automatically considers the party’s actions as deliberate without verifying the grounds of the imbalance. We note that particularly for holders of physical portfolios, a lasting imbalance can be well founded and not easy to resolve at short notice, not least within the five-hour window envisaged in the Proposal. In practice, the additional fine for undesirable behaviour may be both out of proportion and targeted against companies that had no intention to abuse the market situation. It is for this kind of situation that the design of a market-based balancing regime was designed to be efficient.

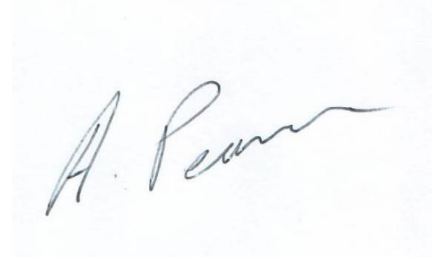
More importantly, we believe that the entire approach to resolving “undesirable” market behaviour is ill-targeted from the outset. The cause of behaviour resulting in maintaining deliberate imbalances may arise from the weighted average balancing price, being an inadequate incentive to bring a portfolio back into balance. One option worth further consideration is the move to a marginal price cashout. However, where marginal prices are at extreme levels, this can create other perverse incentives – not least to hold inefficient amounts of flexibility – that can also reduce efficiencies and raise overall costs that must be passed through. Further analysis would be necessary to determine if this is likely to raise or reduce costs. creates at times to some stakeholders. It would therefore be more efficient to remove the very trigger for unwanted behaviour through moving to marginal imbalance pricing. This way the problem would resolve itself without resorting to complex solutions, such as the one proposed, that attempts to automatically label an action as deliberately harmful and penalizes

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

the sustained imbalance even if the company in question has no option to fix its position on the market in the short-term.

We conclude by noting that the broader overhaul of the balancing system involving the introduction of incentives for the TSO to minimize the costs of the balancing actions is likely to be most effective in addressing the perceived issue.

Kind Regards,
On behalf of EFET TF BeNeLux

A handwritten signature in black ink, appearing to read 'A. Pearce', written in a cursive style.

Andrew Pearce,
Chairman of EFET TF BeNeLux

A handwritten signature in black ink, appearing to read 'Doug Wood', written in a cursive style.

Doug Wood
Chairman of Gas Committee, EFET