

Centrica plc

Millstream
Maidenhead Road
Windsor
SL4 5GD
www.centrica.com

Søren Lorenz Rask Søndergaard
Forsyningstilsynet
Torvegade 10
3300 Frederiksværk
Denmark

6 February 2022

Sent by email to: post@forsyningstilsynet.dk, srs@forsyningstilsynet.dk

Public consultation 21/01999 - METHODOLOGY FOR PROCUREMENT OF COUNTERTRADE ENERGY

Dear Mr Rask Søndergaard

Centrica Plc is quite surprised by Energinet's failure to address our and other market participants' concerns that were highlighted in Energinet's public consultation from August 2021 in their updated proposal. We have detailed our comments again below in the hope that the Danish regulator will take them into consideration in their assessment.

Generally, Centrica believes that the transition to trade balancing energy on the European balancing platform MARI will better enable the management of balancing energy and constraints than Energinet's proposal. We strongly urge Energinet to rethink its methodological framework to avoid negative impacts for Danish consumers as well as unfair access to the market for asset owners.

As one of the largest energy trading companies in Denmark, Centrica is particularly exposed to changes to the availability of cross-border capacity with neighbouring countries since we actively optimise the positions of our renewable energy portfolio in the Danish short-term markets. We are, therefore, dependent on strong and undistorted price signals both in the day-ahead and intraday market timeframe.

However, Energinet's proposal would have quite the opposite effect and will make it more difficult for market participants to forecast market behaviour and wholesale prices which is essential to optimise their portfolio. In Energinet's proposal the TSO (or a third party) is required to procure large volumes of countertrading energy in a constrained intraday market, particularly with restricted export capacity between the market zones DK1 and DE/LU. The resulting limitation of cross-border capacity between DK1 and DE/LU will significantly disturb the Single Intraday Coupling regime (SIDC) and thus negatively impact consumers and flexible assets. We think this intervention into the Danish wholesale market and the European Single Intraday Coupling regime (SIDC) should be more thoroughly assessed by Energinet, including regarding its proportionality, since it is a mere consequence of internal German grid congestions.

Additional to our concerns on the proposal's impact on the overall market functioning, we believe that it does not comply with the EU regulatory framework for the availability of cross-border capacity. According to Regulation (EU) 2019/943, the reduction in cross zonal capacity due to internal congestion in one bidding zone should be avoided. It further mentions that the minimum capacity available for cross- zonal trade shall be determined in accordance with the CACM Regulation. Therefore, the calculation and monitoring of the margin available for cross-zonal electricity trade (MACZT) should only be conducted for time frames which fall under Article 14 of the CACAM Regulation, namely the day-ahead and intra-day timeframes. Further, Regulation (EU) 2019/943 provides clear principles for the allocation of cross-border capacity, in which it emphasizes that it should be non-discriminatory, give efficient economic signals to market participants, and maximise the opportunities for market participants to participate in cross-zonal trade. We therefore disagree with Energinet's elaboration that this principal only applies to the day-ahead market and not the intraday market.

Considering the EU Commission's antitrust decision from December 2018, confirming anticompetitive effects on electricity generators in Western Denmark and the Nordics caused by similar actions from the German TSO Tennet, we are surprised to see that Energinet proposes to establish a regime which would restrict the capacity on the DE-DK1 interconnector. We would also like to point to the learnings of other European markets, in which TSOs received larger mandates to become active on the intraday market and which later proofed to have a distortive impact on wholesale markets.

Centrica would like to encourage the Danish regulator to thoroughly assess the outlined arguments and take them into consideration in their final decision.

We look forward to engaging with the Danish regulator on the points highlighted in the letter and remain available for discussion.

Yours sincerely

Cathrin Stadler
Centrica Regulatory Affairs and Policy