



Bern, 6 February 2013

Consultation regarding the question of electricity exchange with a view to potential market coupling

Summary of the main findings

1. Introduction

In the electricity trading sector, between various countries regional market coupling on the day-ahead market is currently being (or has already been) introduced. The existence of a nominated trading location (i.e. an electricity exchange) is one of the prerequisites for Switzerland's participation in the market coupling process.

The Swiss Federal Electricity Commission (EICom) and the Swiss Federal Office of Energy (SFOE) carried out a joint consultation in December 2012 for the purpose of analysing potential solutions regarding an electricity exchange. The consultation was of an informal nature and set out to gain a better understanding of the needs of market participants. EICom carried out the consultation regarding the legal background governing the supervision of compliance with the provisions of Swiss electricity supply legislation. The SFOE is responsible for providing the decision-making bases for adapting the legal framework.

For the consultation process, the balance groups responsible in the control area Switzerland, plus various other stakeholders and interest groups, were asked to provide input. Approximately 100 questionnaires were sent out, and replies were received from 32 recipients. Around half of the replies came from Swiss companies that are responsible for a balance group, while the remainder were sent in by the balance groups responsible abroad, large domestic customers, representatives of the various interest groups, exchanges and the national grid operator. From the feedback it was apparent that the consultation was welcomed and met with considerable interest.

2. Ideas regarding a Swiss electricity exchange

In the questionnaire, the various interest groups were asked to outline their views regarding an electricity exchange. Approximately half of the respondents stated that they were happy with the existing solution and would like it to be used as the basis for developing a market coupling system. By way of substantiation they cited the efficiency of the existing solution, the avoidance of redundancies that would arise if Switzerland were to develop its own solution, and the smooth functioning of the existing platform. Some of the respondents explicitly stated that they were opposed to the idea of a separate, independent Swiss exchange.

On the other hand, a number of other respondents pointed out that it would be essential for Switzerland to create its own trading platform or exchange solution so that the country would be able to optimally represent its own interests (cf. section 4).



Several respondents stated that Switzerland's participation in market coupling was desirable, while a number of others expressed the wish that a futures market should be introduced for the Swiss market area since the existing pricing solution is not ideal.

3. Preferred options for an electricity exchange solution

Around half of the respondents stated their preference for a contractual solution in which exchange tasks would be performed by an external service provider. The cited advantages of this solution include a minimisation of costs, rapid implementability and the ability to rely on the existing know-how and experience of contractual partners. It was also pointed out that an independent Swiss exchange might not be able to generate sufficient liquidity. In addition, if a contractual solution were to be adopted, it would be possible to secure technical compatibility between the EU and Switzerland in the area of market coupling.

Some of the participants in the survey stated their preference for Switzerland to introduce its own exchange. Here the envisaged advantages include decision-making autonomy, representation of specific Swiss interests and influencing congestion management and market structure (e.g. product development).

A third group of respondents put forward their own ideas which are partly based on elements of a contractual solution or Switzerland's creation of an own exchange. Here, the cited examples include the full integration of the Swiss segment into existing exchanges and the creation of a Swiss entity that would then issue a mandate to an exchange provider for a futures market.

Which is the preferred option for an electricity exchange?¹

Participants	Swiss exchange	Contractual solution	Other options	No response
Exchange	0	2	0	0
Members of Swisselectric	0	5	0	0
Foreign traders	1	4	3	1
Swiss traders (without production)	0	2	2	0
Swiss traders (with production)*	1	2	4	1
Representatives of interests	0	1	0	1
TSO	1	1	1	0
Consumers	0	0	3	0
Total	3	17	13	3

¹ Multiple answers possible

* Without members of "Swisselectric"

4. Need to be able to influence various aspects of an electricity exchange

The survey revealed a very pronounced need among the respondents to be able to influence various aspects of an electricity exchange. Multiple answers were possible regarding this question. In the view of the majority of participants it was essential to be able to influence the development of products, co-determine auction rules and influence the conditions of trading. In order to safeguard the various involved interests it should be necessary to consider the creation of corresponding committees (e.g. for the representation of Switzerland's interests).



Which of the listed aspects would it be essential to be able to influence in an electricity exchange for the Swiss market?

Participants	Auction rules	Products	Trading conditions	Swiss interests	Committees	Fees	Own proposals	No response
Exchange	0	0	0	0	0	0	0	2
Members of Swisselectric	5	5	5	5	5	0	0	0
Foreign traders	6	5	4	2	2	3	1	2
Swiss traders (without production)	2	3	3	2	2	2	2	0
Swiss traders (with production)*	5	4	4	2	4	2	1	0
Representatives of interests	1	1	1	1	1	0	0	0
TSO	1	1	1	1	1	1	0	0
Consumers	0	3	1	3	3	1	0	0
<i>Total</i>	<i>20</i>	<i>22</i>	<i>19</i>	<i>16</i>	<i>18</i>	<i>9</i>	<i>4</i>	<i>4</i>

* Without members of "Swisselectric"

With respect to financing, a majority of the respondents stated that financing should be covered in the form of participation and transaction fees. A number of companies felt that financing should be effected from the equity of the exchange service provider.

With respect to the question of ownership of an entity in Switzerland or an electricity exchange, the feedback from the respondents can roughly be divided into two groups: In the first group the view is that there should be no criteria regarding the ownership structure, while in the second group the view is that major stakeholders (exchange service provider, traders or the national grid operator) should be involved.