



Union Française de l'Électricité

UFE's answer to ENTSO-E's consultation on the Cost-Benefit Analysis of Multi-Region Loose Volume Coupling (MRLVC) arrangements to apply between the UK and the bidding zones directly connected to the UK

UFE welcomes the possibility to comment on a key issue for the functioning of power markets in the context of Great Britain's exit from the European Union and the decoupling of its national markets from European markets.

Overall, UFE deems that, in terms of global welfare, the comparison of the MRLVC solution with explicit auctions made by the CBA showing a much poorer performance of explicit auctions does not provide sufficient insights and is not methodologically satisfactory. In particular, UFE would have considered more relevant to take as the basis for analysis the concrete elements that already exist (e.g. actual results of the explicit auctions run at Great Britain borders since the beginning of the year, actual flow forecasts used in the grid models for capacity calculations).

When it comes to the counterfactuals of the CBA, UFE would like to stress that, contrary to certain views expressed in the CBA, explicit auctions are not considered by market parties to represent such an operational complexity: they were already in place before the integration of Great Britain in the day-ahead market coupling and well-established processes are in place for these auctions. Furthermore, the welfare losses that would be induced by explicit auctions compared to the ones that would be induced by the MRLVC solution are in our view likely to be overestimated.

In the current proposed form, UFE therefore considers that the MRLVC solution would actually bring more drawbacks than advantages. Only a volume coupling that eliminates the effects of forecasting errors (i.e. a tight volume coupling) may bring significant benefits. In that case, the level of complexity would however be such that it would be much more efficient and simpler to keep Great Britain in the Single day-ahead coupling. In this respect, UFE deeply regrets that Annex ENR-4 of the EU-UK Trade and Cooperation Agreement (TCA) envisages the MRLVC solution as the only way forward, irrespective of economic efficiency and market needs.

Besides, beyond the implementation of the MRLVC solution, UFE notes that, while keeping explicit auctions, a relevant solution to improve the current situation would be to merge the order books from the relevant British power exchange and the bordering bidding zone's NEMO into a common order book so as to obtain a single day-ahead price in Great Britain.