

**To the attention of:**

Mr Nicolas Deloge  
Director des Réseaux, CRE

Ms Michèle Dion-Demaël  
Head of Balancing Market Team, RTE

**In copy to:**

Mr Christof Lessenich  
Head of DG Energy Unit C3, European  
Commission

Mr Christophe Gence-Creux  
Head of the Electricity Department, ACER

Mr Kjell Barmsnes  
Chair of the Market Committee, ENTSO-E

13 July 2022

**Subject: EFET objection to the suspension of competitive tenders for secondary reserves (aFRR) capacity in France**

The European Federation of Energy Traders (EFET<sup>1</sup>) expresses its objection to the delay in relaunching competitive tenders for secondary reserve (aFRR) capacity in France for a period of up to three years. Although CRE presented a summary of their study on the matter in the beginning of June, the complete analysis has not been made available to market participants yet.

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. 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. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org)

In our letter of 25 November 2021<sup>2</sup> and a bilateral conversation on 11 January 2022, we already expressed our opposition to the suspension of competitive tenders for aFRR capacity in November 2022. Following a period without communication, we gathered that CRE intended to proceed with a year-long suspension of the competitive tenders, i.e. until November 2022. The proposal to suspend the tenders for three years, without formal consultation with the market, came as an unwelcome surprise a few weeks ago. Market participants have been left waiting since November 2021 for the analysis of CRE, which ultimately justifies the 3-year suspension on grounds of insufficient volumes, a sub-optimal pricing algorithm and suspicions around market manipulation.

First, we question the legal grounds for maintaining the aFRR capacity obligation scheme, in the absence of a primary market. Regulation (EU) 2019/943 on the internal market for electricity clearly states<sup>3</sup> that procurement of balancing capacity shall be based on a primary market. The only exception to this rule is when the regulatory authority has provided a derogation from making use of a primary market on the grounds of a lack of competition in the market for balancing services. This derogation must organise the procurement of balancing capacity by other forms of procurement, yet still market-based. According to us, the current obligation is not a market-based procurement mechanism and thus is not compliant with the Electricity Regulation.

Second, we disagree with the reasoning on the three-year suspension presented by CRE early June. CRE is waiting for more certified capacities, especially from CCGT plants, to allow tenders to restart. However, the suspension of competitive tenders is detrimental to the creation of new liquidity in the balancing capacity market. We view this reasoning as a clear deterrent to France's attractiveness as a place to invest and do business in the electricity sector. Liquidity cannot be incentivised in a wholesale power market in which auctions are suspended.

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<sup>2</sup> See our letter at:

<https://efet.org/files/documents/21125%20TF%20France%20LETR%20Suspension%20aFRR%20auctions.pdf>.

<sup>3</sup> Article 6 (8) of Regulation (EU) 2019/43: The procurement of balancing capacity shall be performed by the transmission system operator and may be facilitated at a regional level. Reservation of cross-border capacity to that end may be limited. The procurement of balancing capacity shall be market-based and organised in such a way as to be non-discriminatory between market participants in the prequalification process in accordance with Article 40(4) of Directive (EU) 2019/944 whether market participants participate individually or through aggregation.

Procurement of balancing capacity shall be based on a primary market unless and to the extent that the regulatory authority has provided for a derogation to allow the use of other forms of market-based procurement on the grounds of a lack of competition in the market for balancing services. Derogations from the obligation to base the procurement of balancing capacity on use of primary markets shall be reviewed every three years.

This is also why we object to the amendment of paragraph 6.4.6.3 of the updated “Règles Services Système Fréquence” issued by RTE. This new version, which CRE will need to approve, rubber-stamps the three-year suspension of the aFRR capacity tenders. The conditions for a suspension based on “market failure to be determined by CRE” and the “temporary” character of the duration of the suspension, as outlined in this paragraph, are not clear to us. This formulation increases uncertainty for market participants, does not foresee appropriate transparency standards, and will put at risk those investments which are necessary to increase liquidity, as requested by CRE to relaunch the tenders.

Finally, we welcome improvements to the price algorithm. However, the algorithm could have been re-optimised without impeding the functioning and further development of the market.

In conclusion we urge CRE to work out a solution which is compliant with Regulation (EU) 2019/943, and which will not impede the functioning and further development of the wholesale power market in France. Suspending competitive tenders in expectation of better market conditions will move the market in the opposite direction, exacerbating the adverse effects on much needed investment decisions.

We would welcome the opportunity to discuss this matter again in a bilateral meeting. In the meantime, do not hesitate to contact us for questions or remarks.

Best regards,



Mark Copley, CEO of EFET