On November 14th, 2007, a request for quotes procedure was applied on Powernext® Day-Ahead Auction. Some market participants expressed at that time the need for coordination of such a procedure between APX, Belpex and Powernext. In order to assess the desirability and form of the request for quotes for each one of the three markets, a consultation of the participants was decided in order to update and improve the RFQ procedure in force.

The survey was sent to market participants on Friday January 11th and closed on Thursday January 31st. 34 participants have filled-in the survey, most of them being members of the three exchanges. Two participants have encountered difficulties with the on-line survey and have sent their contribution via email. The survey comprises general questions that could be filled-in by every market participants and exchange-specific questions that could be answered only if the respondent was a member of the exchange.

Part-1 General questions

The great majority of respondents consider that the request for quotes (RFQ) is a useful service for the day-ahead market (91%). They also consider that, in case a RFQ is applied in one of the TLC exchanges, the other exchanges should also shift their gate closure time (88%) and inform their participants of the nature of the RFQ (more offers/more demands needed) (97%). A "breaking message" and an email are the preferred communication means. One respondent suggests that a direct phone call to the trading desk would be more efficient. Another one advocates that Powernext platform should allow market messages because "speed and efficiency of communication is essential". Regarding the minimum time needed for participants to change their orders, 10 minutes and 20 minutes are the most frequent answers. One suggested that "15 minutes would be ideal".

When asked freely to give their comments on the RFQ procedure, one respondent suggests that we should "look into the way EEX solves similar issues" – i.e. the so called "second auction" procedure[1]. One respondent also considers that "all 3 exchanges should allow RFQs as from the moment one exchange needs it, since every participant in the 3 countries should have equal possibilities to add additional bids/offers and help the correct clearing"[2].

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[1] EEX second auction procedure is similar to the RFQ procedure applied by Powernext. The main difference is that the order book is re-opened after the auction and not after a pre-auction test.
[2] This respondent probably means that, in case of a RFQ in one exchange, the other ones should re-open their order book.
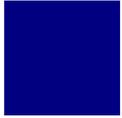
Part-2 APX specific questionnaire

APX participants are in favour of the RFQ procedure whether within the framework of the TLC (86%) or of the uncoupled Dutch market (91%). According to APX participants, the RFQ procedure should be applied both in case of minimal and maximal price.

Part-3 Belpex specific questionnaire

Belpex participants are predominantly in favour of the RFQ procedure. They are more in favour of it in regular circumstances (92%) than in case of fall-back procedure (77%). The RFQ should be applied in case of a lack of offers and of a lack of demands.

The RFQ procedure should be triggered both in case of curtailment and when prices reach a threshold, but more respondents favoured the latter one (nine answers versus five). Those who prefer the price threshold option consider that this threshold should rather be a fixed price quote rather than a variable price quote (five answers versus three). Both fixed and variable thresholds were suggested to the respondents but it is difficult to discriminate unambiguously between the answers because of a lack of contributions. Regarding fixed thresholds, in the case of a lack of offers, two participants answered ">2500€", one ">1500€" and two ">1000€". In case of a lack of demands, three participants (out of five) think that the 0.5 € threshold is relevant. Regarding variable thresholds, three participants (out or three) suggest that a variation compared to the price of the previous and the following hour is relevant. It is difficult to conclude regarding the variation that should be considered (two answers were sent: 250 € and 500 €). One respondent considers that no predetermined threshold should be used and that the relevance of the RFQ should be assessed on a case by case basis. This respondent considers that "the wording of EEX's Trading Conditions (is) quite appropriate: (5) [...] "If the determined point of intersection differs by one or more hours considerably from the determined point of intersection for the other hours of the same delivery day, the board of management of EEX can order a process according to subparagraph (6) and call for a second auction".

Finally, according to 69% of the respondents, the RFQ should take place just after the gate closure rather than before. One respondent considers that "since Belpex needs the liquidity of APX and Powernext, we believe it makes more sense to do the assessment of the need for RfQ's after the coupling for Belpex, since before coupling Belpex might very often need these RfQ's (up to Belpex to verify the potential occurrence)". A great majority (86%) considers the effect of market coupling on the local order book as significant and that it should be taken into account.

When asked if they consider any alternative to a RFQ, one respondent wonders whether it would not be simpler to launch a second round of the whole (bidding + algorithm) process. Others suggest that the RFQ should mirror EEX procedure as "it should be the aim to create a standard procedure across all exchanges".

Part-4 Powernext specific questionnaire

Powernext participants consider that the RFQ is needed both when additional sales and when additional purchases are needed (but more frequently in case of a lack of sales). According to them, the RFQ should be triggered both when prices reach a price threshold and in case of curtailement. The price threshold should rather be based on a fixed price quote than on a variable one (eleven answers versus six). The results regarding the thresholds are less ambiguous than in the case of Belpex because more contributions were sent but it is nevertheless difficult to conclude, especially in the case of a lack of offers (five answers for ">2500€", four for ">1500€", two for ">1000€"). In case of a lack of demands, six participants out of twelve think that the 0.5 € threshold is relevant.

It is difficult to conclude on how the variable threshold should be defined (three respondents favoured "A percentage of variation compared to the price of the following and the previous hour" and three preferred "A percentage of variation compared to the price of the same hour the previous week"). There is either no clear majority regarding the choice of the variation that should be considered. One respondent considers that the opportunity of a RFQ "should be assessed on a case by case basis".

According to Powernext participants, the RFQ should be applied both before and just after the gate closure of the exchange. Finally, 53% of the respondents consider that the effect of market coupling on the order book is significant.

When asked if they consider any alternative to a RFQ, one respondent suggest that negative bid/offer prices should be accepted and another one that the EEX second-auction procedure should be replicated

As a final comment, one participant states that "this procedure reduces unnecessary spikes and price volatility in the spot market, and as such (…) it is an important benefit to the matching process. Another one considers that " the need for RfQ's illustrates the fact that producers do not seem to offer their complete flexibility on the exchange. Even if there is no law to oblige producers to bid/offer their remaining flexibility on the exchange, we believe the exchange price would be much more stable and representative if it included all these bids/offers".

Appendix

*Complete results*

Part 1 - General Questions

1-3 Which exchange are you a member of?		
	Nb	% obs.
APX	**22**	**64.7%**
Belpex	**13**	**38.2%**
Powernext Day-Ahead	**31**	**91.2%**
Total	**34**	
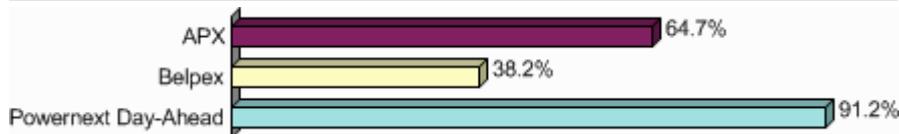
| 1-4 Do you consider that the request for quotes procedure is a useful service for day-ahead markets?		
	Nb	% cit.
Yes	**31**	**91.2%**
No	**0**	**0.0%**
No opinion	**3**	**8.8%**
Total	**34**	**100.0%**

1-6 In case a request for quotes is applied in one of the TLC exchanges, would you consider it necessary that the other exchanges react accordingly and also shift their gate closure time?		
	Nb	% cit.
Yes	**30**	**88.2%**
No	**2**	**5.9%**
No opinion	**2**	**5.9%**
Total	**34**	**100.0%**
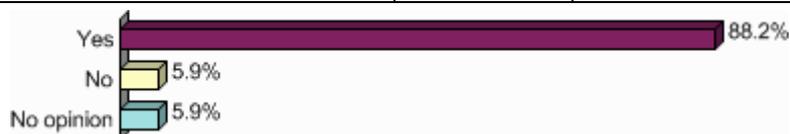
| 1-7 In case a request for quote is applied in one of the TLC exchanges, would you consider it necessary that the other exchanges inform their members of the nature of the RFQ (more offers or more demands requested)?		
	Nb	% cit.
Yes	**33**	**97.1%**
No	**1**	**2.9%**
No opinion	**0**	**0.0%**
Total	**34**	**100.0%**
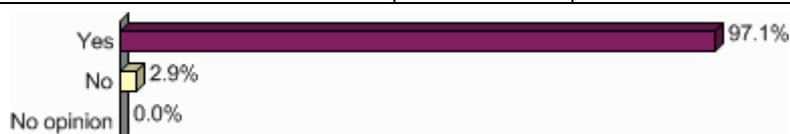
1-8 In case a request for quotes is applied, what is the minimal time between the announcement of the change and the

new gate closure time needed for you to change your orders accordingly?	Nb	% cit.
5 mins	2	5.9%
10 mins	16	47.1%
20 mins	11	32.4%
30 mins	4	11.8%
Longer than 30 mins	1	2.9%
Total	**34**	**100.0%**
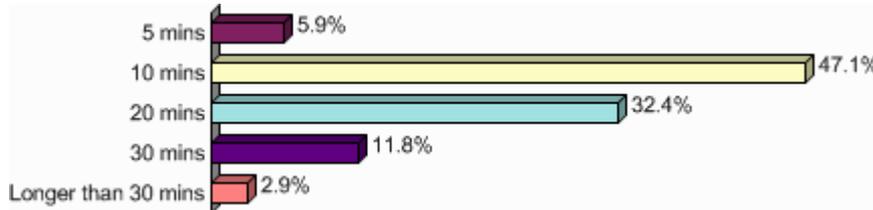
Note: delaying gate closure time increases the risk of not being able to complete the coupling calculations by 11:45, resulting in decoupling of the TLC

| 1-9 How should the market be informed that gate closure time is delayed?	Nb	% obs.
By a "breaking message" in the trading platform (not possible for Powernext in the short term)	25	73.5%
By email	33	97.1%
Via the exchange website	12	35.3%
Total	**34**	
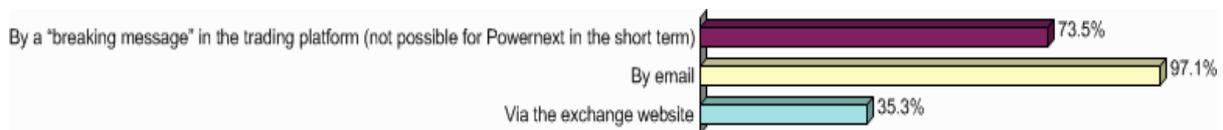
Part 2 - APX Specific Questionnaire

| 2-1 Do you consider a request for quotes a good procedure for the orderly functioning of the trilateral coupled day-ahead market?	Nb	% cit.
Yes	18	85.7%
No	1	4.8%
No opinion	2	9.5%
Total	**21**	**100.0%**

2-2 Do you consider a request for quotes a good procedure for the orderly functioning of the local (e.g. uncoupled) Dutch day-ahead market?	Nb	% cit.
Yes	20	90.9%
No	0	0.0%
No opinion	2	9.1%
Total	**22**	**100.0%**

Yes 90.9%
No 0.0%
No opinion 9.1%

2-3 If yes, in which cases should a request for quotes be applied?		
	Nb	% cit.
When maximum price is cleared in a certain hour	3	13.6%
When minimal price is cleared in a certain hour	1	4.5%
Both	18	81.8%
Total	**22**	**100.0%**

When maximum price is cleared in a certain hour 13.6%
When minimal price is cleared in a certain hour 4.5%
Both 81.8%
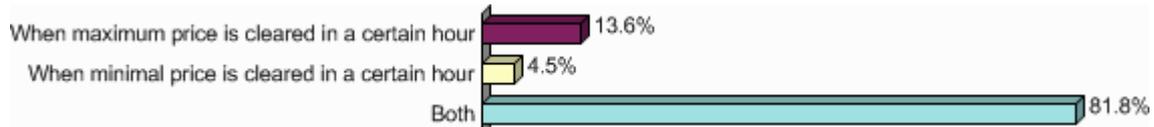
Part 3 - Specific Belpex questionnaire

Take into account that the technical price limits in the trading platform are 0.01 € as minimum and 3000 € as maximum considering that on these price levels curtailment of positions is very likely.

3-1 Do you consider a request for quotes a good procedure for the orderly functioning of the day-ahead market in case at least one of the borders of Belgium is explicitly auctioned on a day-ahead basis (namely in fall back, or partial fall back from TLC)		
	Nb	% cit.
Yes	10	76.9%
No	2	15.4%
No opinion	1	7.7%
Total	**13**	**100.0%**

Yes 76.9%
No 15.4%
No opinion 7.7%

| 3-2 Do you consider a request for quotes a good procedure for the orderly functioning of the day-ahead market in regular circumstances, with all daily capacity in and out of Belgium being implicitly auctioned.		
	Nb	% cit.
Yes	12	92.3%
No	1	7.7%
No opinion	0	0.0%
Total	**13**	**100.0%**

Yes 92.3%
No 7.7%
No opinion 0.0%
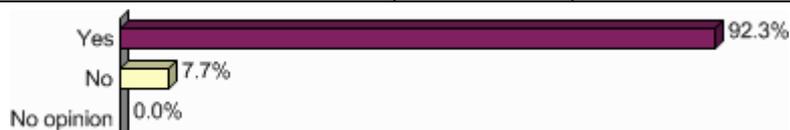
3-3 In which cases should a request for quotes be applied?		
	Nb	% obs.
Additional sales needed	2	5.9%
Additional purchases needed	0	0.0%
Both	11	32.4%

Total	34	
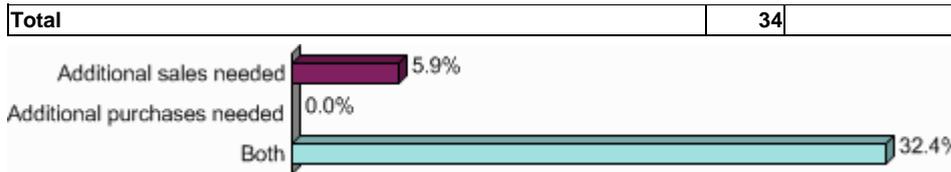
Take into account that the technical price limits in the trading platform are at 0.01 € and 3000 €. A unreasonably high price might not be limited by the technical limit, whereas 0.01 € might not always be unreasonable (negative prices are allowed at other European exchanges).

3-4 When should a request for quotes be applied?	Nb	% obs.
Based on a price threshold	9	26.5%
In case of curtailment	5	14.7%
Never	0	0.0%
Total	**34**	

3-5 Should the threshold be based on?	Nb	% cit.
Fixed price quote	5	62.5%
Variable price quote, based on historical data	3	37.5%
Total	**8**	**100.0%**
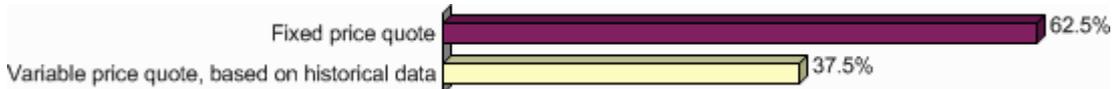
3-6 In case of a lack of offers, which threshold would be relevant?	Nb	% cit.
> 2500 €	2	40.0%
> 2000 €	0	0.0%
> 1500 €	1	20.0%
> 1 000 €	2	40.0%
Other	0	0.0%
Total	**5**	**100.0%**
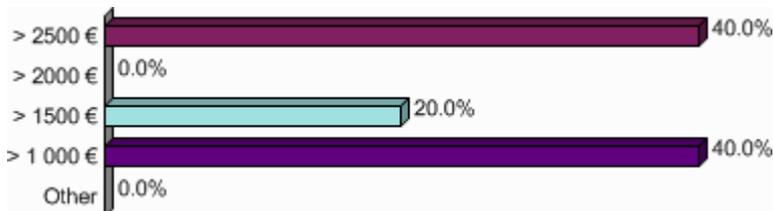
3-8 In case of a lack of demands, which threshold would be relevant?	Nb	% cit.
<5 €	0	0.0%
<2 €	1	20.0%
< 1€	1	20.0%
<0,5€	3	60.0%
Other	0	0.0%
Total	**5**	**100.0%**
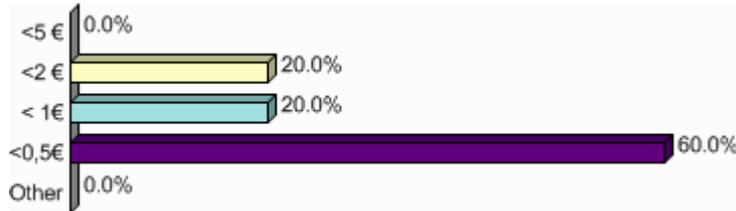
| 3-10 Which variable threshold would be relevant?		
	Nb	% cit.
A variation compared to the price of the previous and the following hour	**3**	**100.0%**
A variation compared to the price of the same hour of the previous weeks and days (as proposed recently to you in the request for quotes procedure in case of fall back)	**0**	**0.0%**
Other	**0**	**0.0%**
Total	**3**	**100.0%**

3-12 Which variation is considered significant to you?		
	Nb	% cit.
250 €	**1**	**33.3%**
500 €	**1**	**33.3%**
1000 €	**0**	**0.0%**
Other	**1**	**33.3%**
Total	**3**	**100.0%**

3-14 When should/can a RFQ be applied?		
	Nb	% cit.
Before the gate closure of the exchange	**1**	**7.7%**
Just after the gate closure of the exchange (at the latest 5 minutes after the order book closure)	**9**	**69.2%**
In both situations	**3**	**23.1%**
Never	**0**	**0.0%**
Total	**13**	**100.0%**
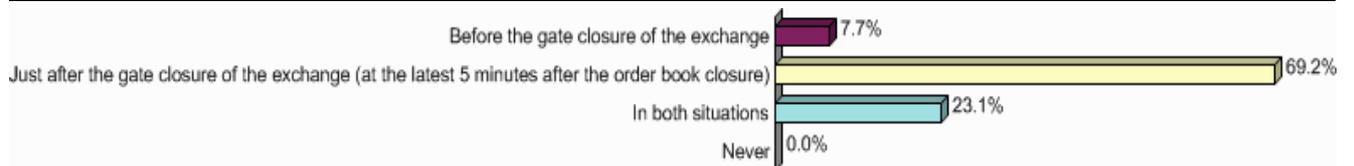
| 3-15 Do you consider the effect of market coupling on the local order book of the exchange:		
	Nb	% cit.
Marginal (not to be taken into account when looking at the thresholds)	**1**	**7.7%**
Significant (to be taken into account)	**11**	**84.6%**
Indifferent	**1**	**7.7%**
Total	**13**	**100.0%**
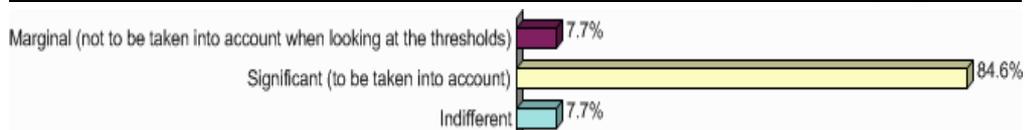
4-1 In which cases should a request for quotes be applied?		
	Nb	% obs.
Additional sales needed	28	82.4%
Additional purchases needed	23	67.6%
Fewer sales needed	2	5.9%
Fewer purchases needed	2	5.9%
Never	0	0.0%
Total	**34**	
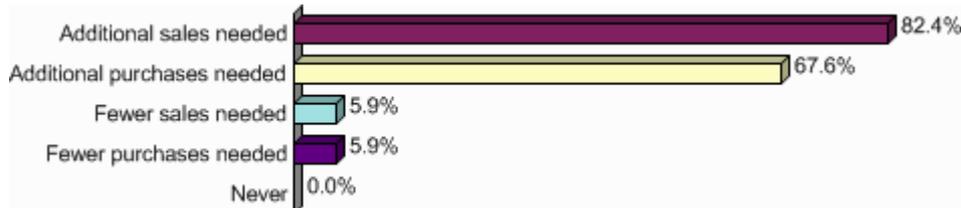
4-2 When should a request for quotes be applied?		
	Nb	% obs.
Based on a price threshold	18	52.9%
In case of curtailment	17	50.0%
Never	1	2.9%
Total	**34**	

4-3 Should the threshold be based on...		
	Nb	% cit.
Fixed price quote	11	64.7%
Variable price quote, based on historical data	6	35.3%
Total	**17**	**100.0%**
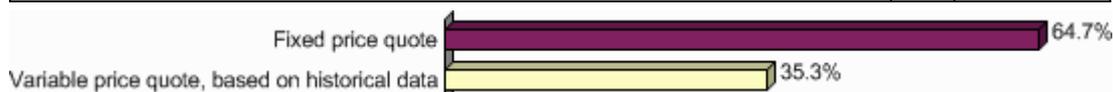
4-4 In case of a lack of offers, which threshold would be relevant?		
	Nb	% cit.
>2500€	5	41.7%
>2000€	0	0.0%
>1500€	4	33.3%
>1000€	2	16.7%
Other	1	8.3%
Total	**12**	**100.0%**
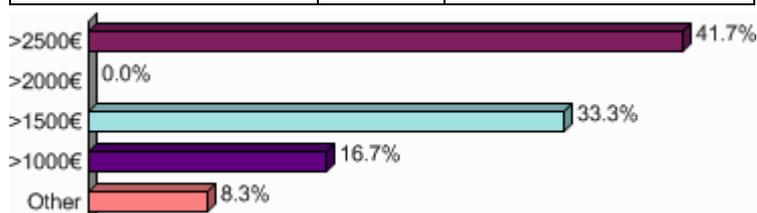
4-6 In case of a lack of demands, which threshold would be relevant?

	Nb	% cit.
<5 €	1	8.3%
<2 €	0	0.0%
< 1€	4	33.3%
0,5 €	6	50.0%
Other	1	8.3%
Total	**12**	**100.0%**
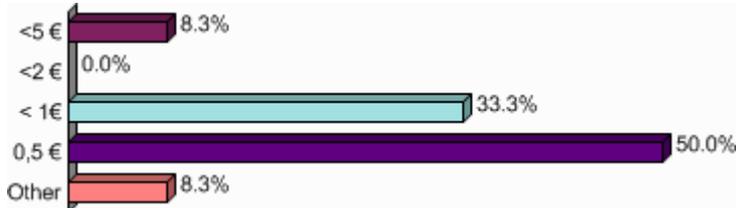
4-8 Which variable threshold would be relevant?

|	Nb	% cit.
A percentage of variation compared to the price of the previous and the following hour	3	42.9%
A percentage of variation compared to the price of the same hour the previous week	3	42.9%
Other	1	14.3%
Total	**7**	**100.0%**
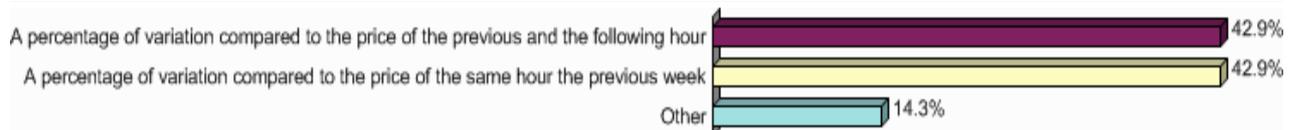
4-10 Which variation would be relevant?

	Nb	% cit.
50%	3	42.9%
100%	1	14.3%
200%	1	14.3%
500%	1	14.3%
Other	1	14.3%
Total	**7**	**100.0%**
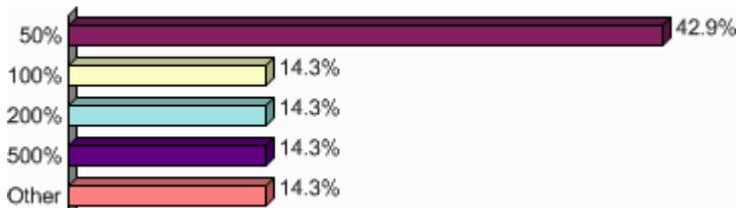
4-12 When should/can a request for quotes be applied?

	Nb	% cit.
Before the gate closure of the exchange	4	12.9%
Just after the gate closure of the exchange	14	45.2%
In both situations	13	41.9%
Never	0	0.0%
Total	**31**	**100.0%**
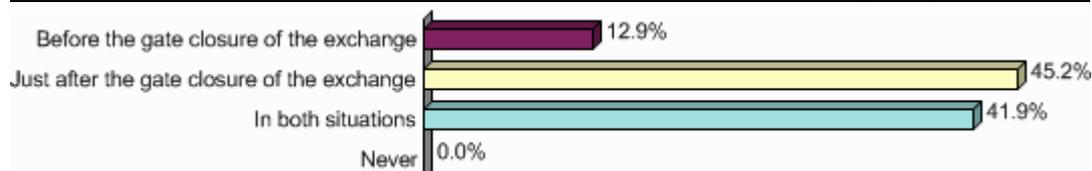
4-13 Do you consider the effect of market coupling on the local order book of the exchange:

	Nb	% cit.
Marginal (not to be taken into account when looking at the thresholds)	5	16.7%
Significant (to be taken into account)	16	53.3%
Indifferent	9	30.0%
Total	**30**	**100.0%**

Marginal (not to be taken into account when looking at the thresholds) 16.7%
Significant (to be taken into account) 53.3%
Indifferent 30.0%