

Public Consultation on the amendments of the regional design of long-term transmission rights for the Core Region

Fields marked with * are mandatory.

The objective of this consultation is to gather views and information from stakeholders regarding the amendments of the regional design of long-term transmission rights ('LTTR') for the Core region, which has been developed in accordance with Article 31 of the FCA Regulation. The input from the consultation will inform the Agency's evaluation when preparing its decision on that proposal.

This consultation is addressed to all interested stakeholders, including regulatory authorities, nominated electricity market operators and transmission system operators in accordance with Article 8(1) of Regulation (EC) No 713/2009.

Replies to this consultation should be submitted **by 30 August 2019 23:59 hrs (CET)**.

1. General considerations

* 1.1 Name

* 1.2 Email

* 1.3 Company

* 1.4 Country

- ☐ Austria
- ☐ Belgium
- ☐ Bulgaria
- ☐ Croatia
- ☐ Cyprus
- ☐ Czech Republic
- ☐ Denmark

- ☐ Estonia
- ☐ Finland
- ☐ France
- ☐ Germany
- ☐ Greece
- ☐ Hungary
- ☐ Ireland
- ☐ Italy
- ☐ Latvia
- ☐ Lithuania
- ☐ Luxembourg
- ☐ Malta
- ☐ Netherlands
- ☐ Poland
- ☐ Portugal
- ☐ Romania
- ☐ Slovak Republic
- ☐ Slovenia
- ☐ Spain
- ☐ Sweden
- ☐ United Kingdom

* 1.5 Should the following answers to this public consultation be treated as confidential?

- ☐ Yes
- ☐ No

* 1.6 Respondents claiming confidentiality are invited to provide an explanation of their confidentiality interests and a non-confidential version of their response for publication.

300 character(s) maximum

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the [Agency's Guidance Note on Consultations](#) and the [privacy statement](#) referred to this consultation.

2. Background Information

Related documents :

- [Regulation \(EU\) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators](#)
- [Regulation \(EU\) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity](#)
- [Commission Regulation \(EU\) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation](#)
- [ACER Guidance Note on Consultations](#)

Background

In accordance with Article 31 of the Commission Regulation (EU) 2016/1719 on forward capacity allocation (the 'FCA Regulation'), TSOs in each Capacity Calculation Region ('CCR') where long-term transmission rights exist shall submit a proposal for the regional design of long-term transmission rights ('LTTR regional design') to be issued on each bidding zone border within the CCR.

Regulatory authorities from the Core region ('Core NRAs') approved an initial proposal for LTTR regional design from the TSOs from the Core region ('Core TSOs') on 14 October 2017. Subsequently, Core NRAs approved the first amendment proposal of LTTR regional design from the Core TSOs on 19 July 2018.

On 29 May 2019, Core NRAs received a second amendment proposal from the Core TSOs. The second amendment proposal aims to introduce financial transmission right options ('FTR Options') at some EU bidding-zone borders, where there is currently no LTTR, or where TSOs currently offer physical transmission rights with use-it-or-sell-it principle ('PTR').

On 3 July 2019, the Agency received a letter from Core NRAs explaining that they unanimously agreed on requesting the Agency to adopt a decision pursuant to Article 9(11) of the CACM Regulation .

In this letter, Core NRAs explained that they did not succeed in reaching a unanimous agreement to introduce FTR Options on the bidding zone border FR-DE/LU.

The Agency needs to adopt a decision on this proposal by 3 January 2020. In the context of adopting this decision, the Agency seeks the opinion of stakeholders on the below-mentioned issues. Other comments and concerns are also welcome.

Consultation topics

The consultation questions are sorted by main topics:

- Topic 1: Introduction of FTR Options on the bidding zone border FR-DE/LU;
- Topic 2: Introduction of FTR Options on the bidding zone borders AT-CZ and AT-HU.

3. Topic 1: Introduction of FTR Options on the bidding zone border FR-DE/LU

The Core TSOs' proposal

In the Amended Proposal, Core TSOs suggest that FTRs be introduced on the NL-DE/LU, BE-DE/LU and FR-DE/LU border as of 1 January 2020.

As a result, TSOs intend to issue FTRs on all borders of the former Central West Europe ('CWE') region. Core TSOs underline benefits such as eased business processes and reporting requirements, increased liquidity on the coupled day-ahead market, improvement in day-ahead market price formation, and a level-playing field among market participants, as under PTRs long-term nominations for physical delivery might be more difficult to conclude for new market participants not having physical positions in different countries.

The Core NRAs' observations

Core NRAs observe that this development is in line with the plans of CWE and Core TSOs to gradually phase out PTRs.

All Core NRAs, except one, agreed that LTTR proposal of Core TSOs can be approved as proposed due to the following main reasons:

- FTR Options provide more liquidity to the day-ahead markets than PTRs (when the latter are nominated);
- Harmonisation of LTTRs across CCR is the preferred policy option, since different LTTRs on different borders may give advantages/disadvantages to market participants active on different borders;
- LTTRs should, similarly as other futures and forwards traded on power exchanges, hedge against the (difference of) day-ahead prices, not against the imbalance prices in case of partial day-ahead market clearing. It is therefore preferred that the same hedging standard is maintained for LTTRs as for other hedging products available on the market.

One Core NRA expressed the following reservations regarding the replacement of PTRs with FTRs on the FR-DE/LU border at this stage:

- As PTRs are, in most cases, not nominated at this border, switching from PTRs to FTR-options would not significantly improve the liquidity of the day-ahead market but would degrade the quality of the rights offered to market participants without clear benefits to the day-ahead market.
- The nomination of PTRs enables market participants to hedge against high imbalances prices associated with the risk of partial day-ahead market clearing.
- Core TSOs did not support the second amendment proposal with an analysis of expected benefits over incurred costs [1].

[1] Such request came [from 4 out of 6 respondents to the public consultation organised by Core TSOs on the second amendment proposal from 7 February to 7 March](#). However, the Agency notes that the FCA Regulation does not formally require such an analysis for the introduction of FTRs.

3.1 Do you support the proposal of TSOs with regard to the introduction of FTR Options on the FR-DE/LU border as of 1 January 2020?

- ☐ Yes
☐ No

3.2 Please specify your arguments, and in particular any objection you may have.

4. Topic 2: Introduction of FTR Options on the bidding zone borders AT-CZ and AT-HU

The Core TSOs' proposal

In the Amended Proposal, Core TSOs suggest that FTR Options be introduced on the AT-CZ and AT-HU borders as of 1 January 2020. As specified in Article 1(2) of the second amendment proposal, the introduction of FTR Options on those borders will be effective in parallel with the application of the day-ahead market coupling on the CZ-AT and the AT-HU borders. Further, the proposal clarifies that the change of the type of long term transmission right shall apply also to already allocated yearly transmission rights and that the date of a change will be announced before auctioning the yearly products. After further discussion with regulatory authorities it seems that this date will not be legally binding, but rather approximate and that the final date will be announced shortly before the change.

This introduction implies that TSOs will convert the already allocated yearly PTRs allocated on the AT-CZ and AT-HU borders into FTR Options from the date when the market coupling will be implemented on those two borders.

Concerned TSOs (APG, MAVIR and CEPS) favour this approach over a postponement of its implementation to 1 January 2021.

The Core NRAs' observations

Core NRAs observe that this aspect of the proposal is consistent and compliant with the FCA Regulation – in that sense also fulfilling the requirements and objectives listed in the FCA Regulation. Core NRAs, therefore, did not raise specific observations on this issue.

The Agency's observations

The Agency shares the concern expressed by stakeholders[1] regarding the legal feasibility of such approach, and lacks information to understand its necessity and benefit. First, the FCA Regulation does not mention the possibility to convert already allocated PTRs into FTR Options. In contrast, the only

discretion that the FCA Regulation does seem to give to TSOs is to allocate long-term cross-zonal capacities as either PTRs or FTR Options. Second, the Agency also understands that FTR Options on these two borders cannot be introduced before market coupling is implemented in accordance with Article 33(2) of the FCA Regulation. Without prejudice to the legal feasibility of the proposed solution, the Agency identifies two alternative options, which are legally compatible with the FCA Regulation:

- Option 1: Introduction of the FTR Options at the beginning of the first next calendar year after the introduction of the market coupling on the AT-CZ and AT-HU borders (i.e. 1 January 2021);
- Option 2: Introduction of monthly FTR Options from the first next calendar month and yearly FTR Options from the first next calendar year after the introduction of the market coupling on the AT-CZ and AT-HU borders. This would not be incompatible with Article 31(6) of the FCA Regulation since PTRs and FTR Options would not be allocated on these borders in parallel (i.e. in the same auction).

[1] [4 out of 6 respondents to the public consultation organised by Core TSOs](#) expressed such concerns.

4.1 Do you share the concerns of the Agency regarding the proposed conversion of PTRs into FTR Options in the middle of the year 2020?

- ☐ Yes
☐ No

4.2 Which of the above two alternative options for implementation of FTRs Options on the bidding zone borders AT-CZ and AT-HU do you support?

- ☐ Option 1: introduction of the FTR option during the next calendar year, in parallel with the application of the day-ahead market coupling on the CZ-AT and the AT-HU borders
☐ Option 2: introduction of the FTR options at the beginning of the next calendar year (1 January 2021)
☐ Option 3: introduction of monthly, then yearly FTR options

4.3 Do you have any other comment regarding the shift from PTRs to FTR options on the AT-CZ and AT-HU borders?

