Decoupling event
MESC - Meeting

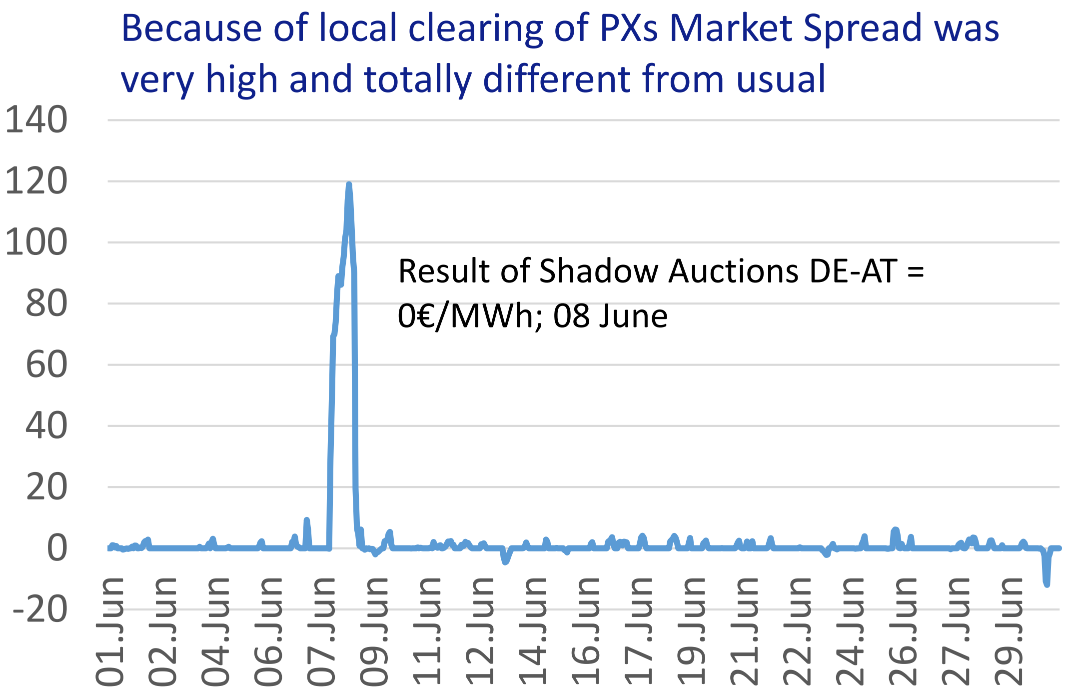
17th December 2020

TSO's position on LTTR remuneration in case of decoupling

Decoupling incident June 2019 created a deficit. On CWE borders it was 15 M€

- **Current FCA regulation: LTTRs are to be remunerated based on "DA market spread"**
- **LTTR remuneration was 30x higher than shadow auction income: 15.4 M€ vs. 0.5 M€**

Market Spread DE>AT for June 2019



Worst-case such fallback event would cost society hundreds of millions of €!

Example for DE-AT border			
Process	Alloc. Cap./h	Avg. Price	Cost
LT DE>AT (Total)	4.900 MWh	70,98 €	~8.4 M€
Shadow Auctions	1000 MW	0 €	0

Bad case day	4.900 MWh	300 €	~35 M€
Worst case day	4.900 MWh	3.000 €	~350 M€

TSO’s position on LTTR remuneration in case of decoupling

Current regulation contains a market design flaw

- Hedging products aim to reduce the exposure to the fluctuation of the day-ahead transmission capacity price, namely market spread (i.e., congestion rent) in case of market coupling
- Current LTTRs remuneration mechanism **in case of decoupling** is not in line with the principle of “hedging” **as market spread is no longer representing the value of DA cross-border capacity**
- This leads to **windfall profits for LTTR holders at expense of society** whilst TSOs will be incentivized to **lower the amount of LTTRs they put on the market**

All TSOs proposal: compensate LTTR holders with the shadow auction price

- **Based on the market conditions** that apply in this situation for capacity
- Incentivises market participants to fully participate in the shadow auctions
- The market participant **hedges in a physical way** e.g. buy and nominate transmission capacity allowing the market participant to procure energy in the “cheaper” bidding zone and transfer this to the more expensive bidding zone
- **Solves the aberration of undue money transfers** from tariff payers to market parties