

Remuneration of LTTRs

Latest decoupling events have had very strong impact on TSOs and tariff payers

Decoupling	LTTR CI	SA CI	LTTR to MPs
07/06/2019	1,9 M€	716 k€	19,6 M€
04/02/2020	62 k€	26 k€	208 k€
13/01/2021	526 k€	268 k€	4,0 M€
Total	2,5 M€	1,0 M€	23,9 M€

TSOs submitted a letter to EC asking to consider a change in the FCA regulation for the following reasons

- There is **no correlation** between the remuneration of LTTRs holders and market fundamentals and the specific market principles it contradicts.
- The LTTRs **cannot be considered as hedging opportunities** against DA congestion pricing.
- The **overcompensation** to LTTR holders in case of decoupling events has an impact **on tariff payers**.
- TSOs see the need for a **fairer approach** in order to create a level-playing field for all affected parties.
- The TSO's proposed amendment will avoid the tariffs payers to support the disproportionate remuneration to some market participants in case of decoupling events.

Remuneration of LTTRs

Parallel mitigation measures / short term and mid terms actions undertaken by TSOs

- TSOs have initiated a workstream with NEMOs to scrutinise the **processes between 12:00 and 3pm** to assess whether time can be re-allocated in order to avoid as much as possible the decoupling of the SDAC
- TSOs are analysing the current fallback procedures and have asked views from the market participants in the framework of the training organised by the SDAC.
- TSOs will organise a Workshop in April with NRAs to review the findings of the 2 abovementioned workstreams
- TSOs are assessing the possibility of amending the HAR in this year's review, to include possible improvements with regards to the remuneration scheme

Ongoing survey

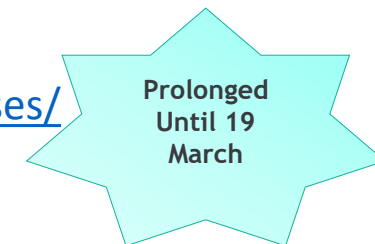
Background details

Building on the SDAC training session with market participants (3 March), the team prepared a survey to give market participants the opportunity to express their views on the fallback processes currently in place – Shadow Auctions.

Main questions

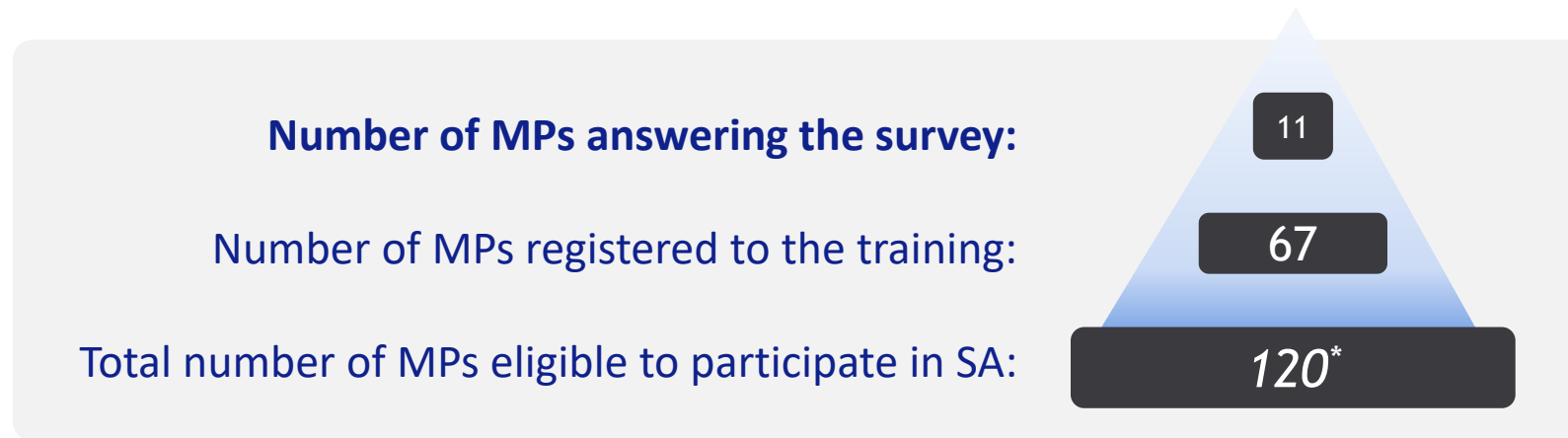
1. When a decoupling message is communicated, do you participate in the shadow auctions process (Never, sometimes, always)
2. What is for you the key objective / added value of shadow auctions?
3. What are the criteria you apply as market participant to decide whether or not to participate to shadow auctions?
4. What are the criteria you apply as market participant to decide whether or not to nominate the acquired shadow auctions rights?
5. Which of the following process do you deem appropriate to be used as fallback to the DA market coupling:
6. For each of the options above, please explain why you deem it appropriate or not (Shadow auction, Intraday continuous allocation, intraday auctions, other)

Link to the consultation : <https://consultations.entsoe.eu/markets/shadow-auctions-processes/>



Ongoing survey - Response's summary

Main take-aways



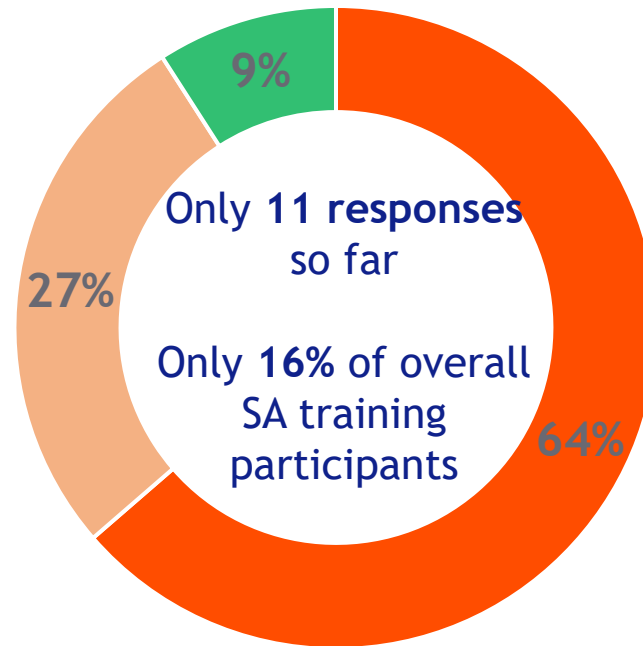
** 330 MPs registered in JAO. 120 participants with rights to participate in at least one shadow auction*

- **Participation/readiness generally low so far (4 Big companies & 7 SMEs)**
- **DA needs to have a robust Market Coupling Price (whatever happens!)**
- **In case Shadow Auction is continued, 20-30min additional time is requested.**
- **Intraday Auctions rated rather low... quite surprising! Design of the Intraday auctions may not be fully known by the market participants.**

Ongoing survey - Response's summary

Do you participate in the shadow auctions process? (Never, sometimes, always)

Participation in Shadow Auctions



■ Never ■ Sometimes ■ Always