



Market participants concerns with the ACER Decision 14/2021 on the Core LT CCM

EFET and Eurelectric oppose ACER decision on Core LT CCM

ACER Decision 14/2021 on the Core LT CCM leave us startled:

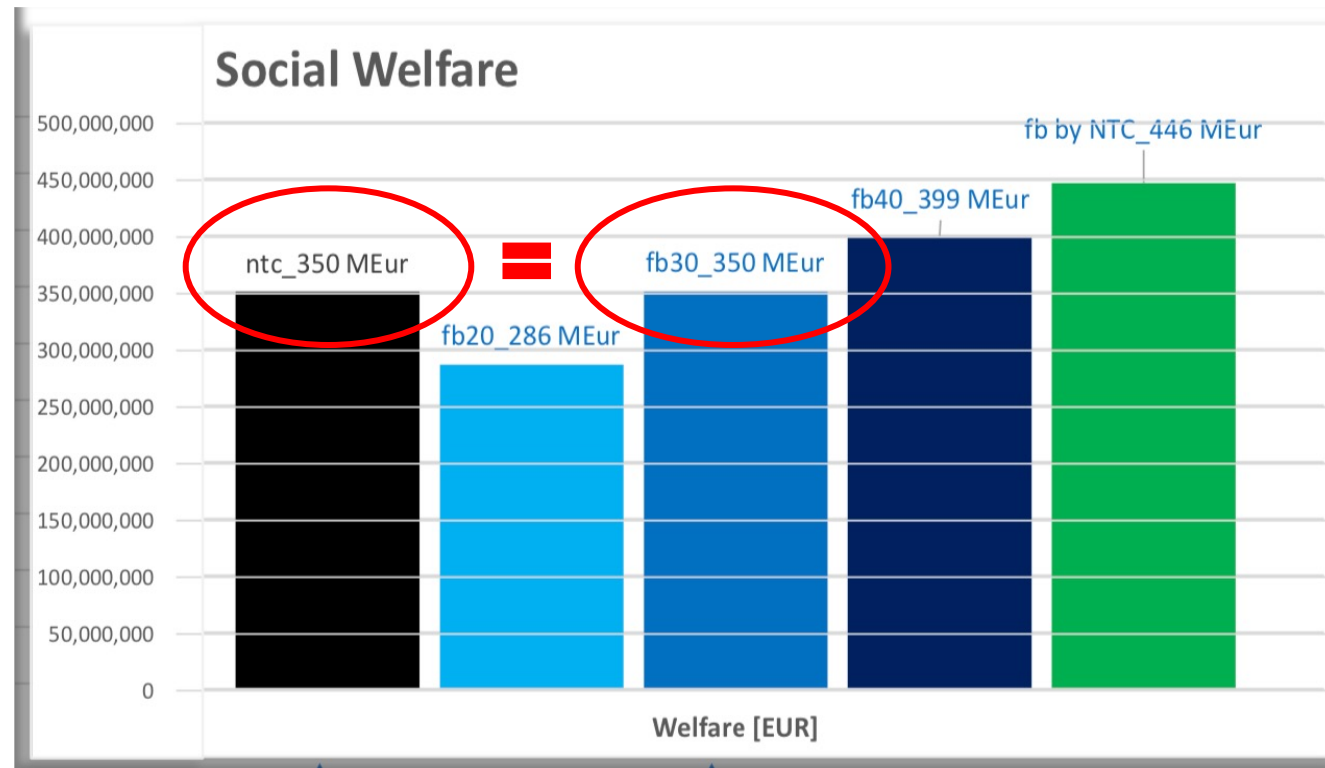
- Suboptimal decision process
- Benefits of flow-based not guaranteed
- Important operational and market impacts

Suboptimal decision process with poor stakeholder engagement

- A two-year long process to discuss a sensitive topic...
 - Since the first draft methodology, more than 2 years have elapsed
 - TSOs and NRAs discussed in depth various options, without market involvement
- ...Culminating in a rushed decision
 - A public consultation on the flow-based approach came up only this summer, without details, only covering concepts
 - A study on the benefits of flow-based on which the decision is based was performed quickly and without market participant input. It is not public

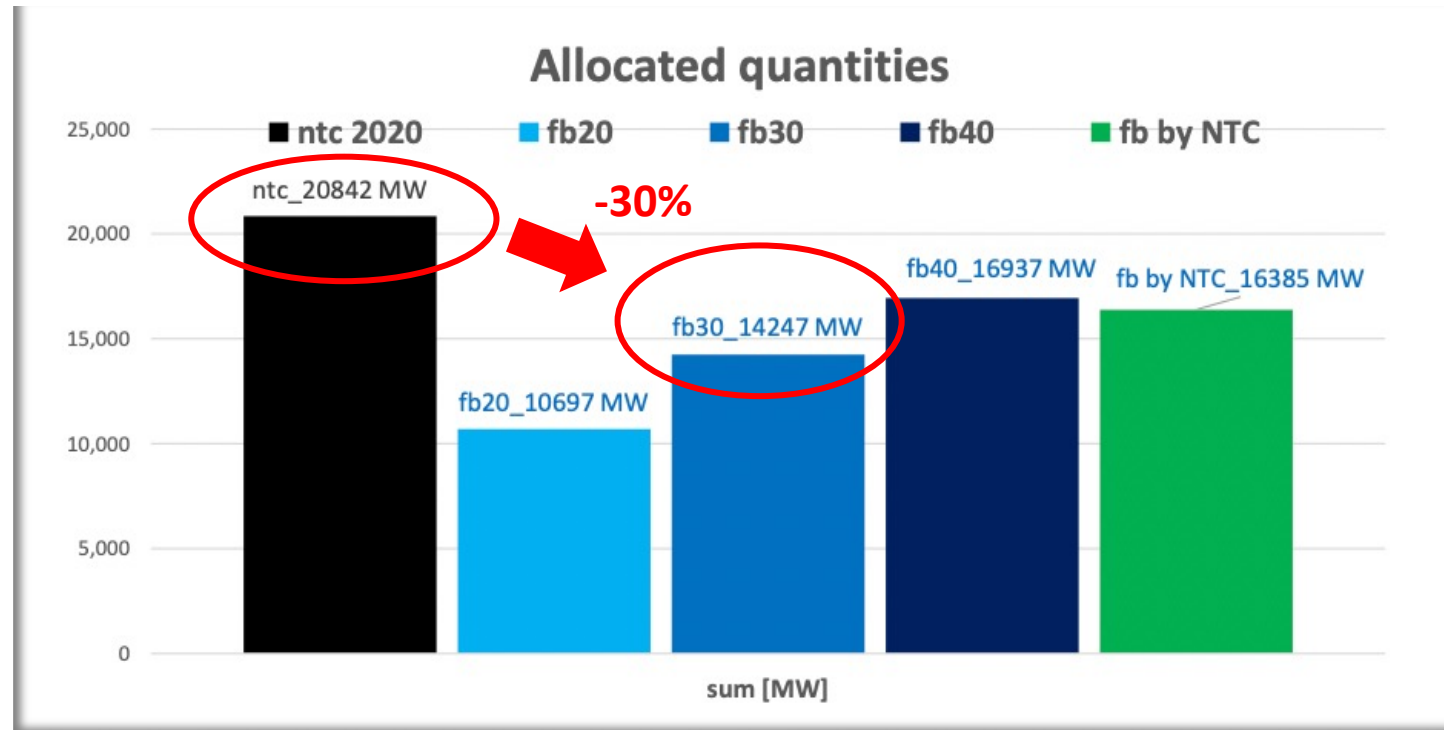
Benefits of flow-based are not guaranteed

- FCA Guideline requires evidence of the added value of flow-based
 - cNTC methodology is the default methodology – using FB should be justified
 - ACER study takes narrow view that “social welfare” = auction revenues
 - Even with this narrow view, study shows similar “social welfare” of the approved FB methodology with min-RAM 30% compared to current NTC
 - No assessment of cNTC



Impact of lower allocated capacities is ignored

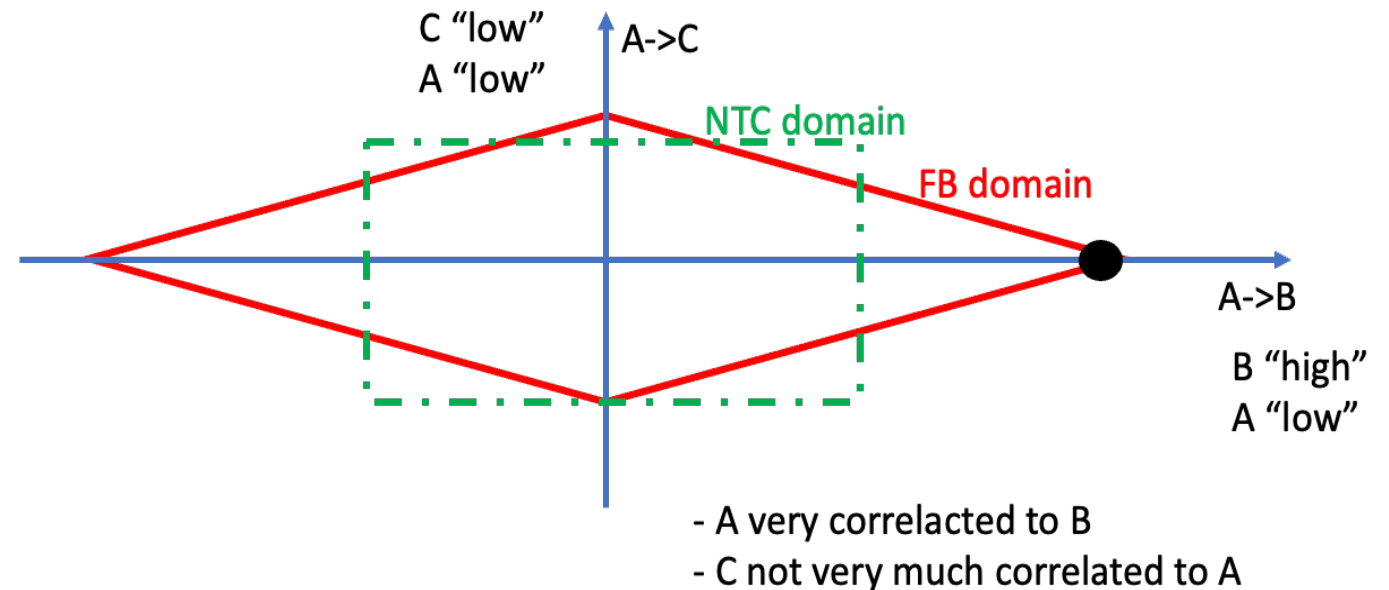
- Use of flow-based in forward decreases allocated capacities
- Analysis of “social welfare” ignores the economic effect of lower allocated capacities
 - Does not correctly represent the added value of LTTRs in terms of hedging possibilities
 - Does not cover the cost to ensure a certain level of allocated capacities



Expected effects on the market

- What lower allocated capacities mean for the market:

- Capacity will be allocated in priority at borders with large spreads
- Low or zero allocated capacity at borders with small spreads



- As OPTIONS, FTRs are used by market participants to **hedge their exposure primarily to the volatility of the spreads**, rather than their nominal value
- This will increase the cost of hedging, but it is not assessed in the ACER Study

Market participants see no safeguards

- 2019 NRAs commitment to guarantee “at least the same level of allocated capacities” is rendered void by ACER Decicion 14/2021
- No safeguard or guarantees that there will be enough stakeholder involvement and a smooth transition in the future
 - “Monitoring and performance” criteria not defined yet – will be dermined with NRAs (no stakeholder involvement foreseen in the methodology)
 - Will a parallel run also compute the allocated capacities?
 - Will minimum level of capacity be guaranteed at each border?

Next steps, EFET and Eurelectric requests

- Associations like EFET and Eurelectric cannot appeal ACER Decisions
- If the Decision stands, safeguards need to be applied in the allocation process to ensure a minimum level of capacity at all borders
 - The allocation process will be tackled via the EU HAR
 - We expect strong stakeholder involvement
- Stakeholders should also be consulted for the determination of indicators (monitoring and performance criteria)
- We call on ACER to publish its Study on the additionality of flow-based