

24th MESC meeting, 16 June 2021

The importance of LTTRs firmness – a reaction to the TSOs proposal for special rules for decoupling events

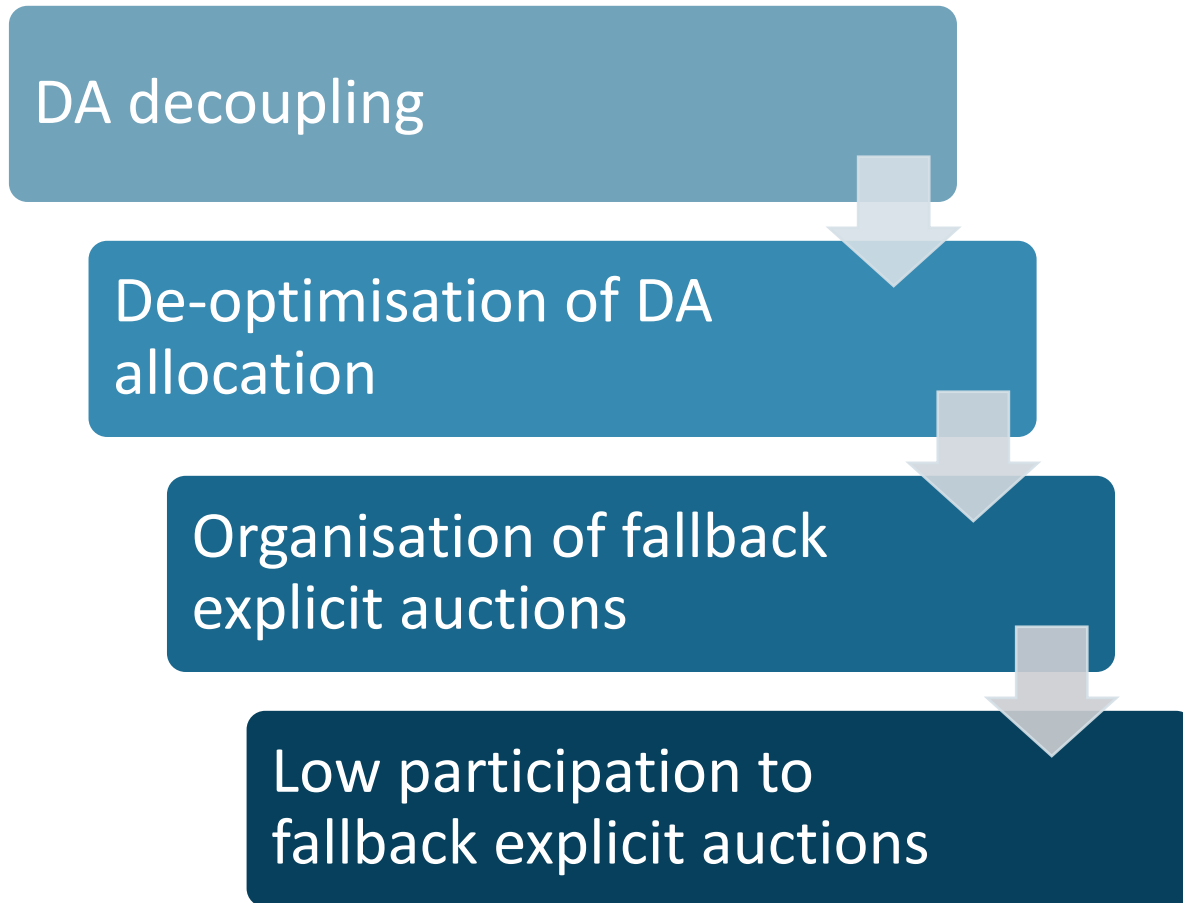
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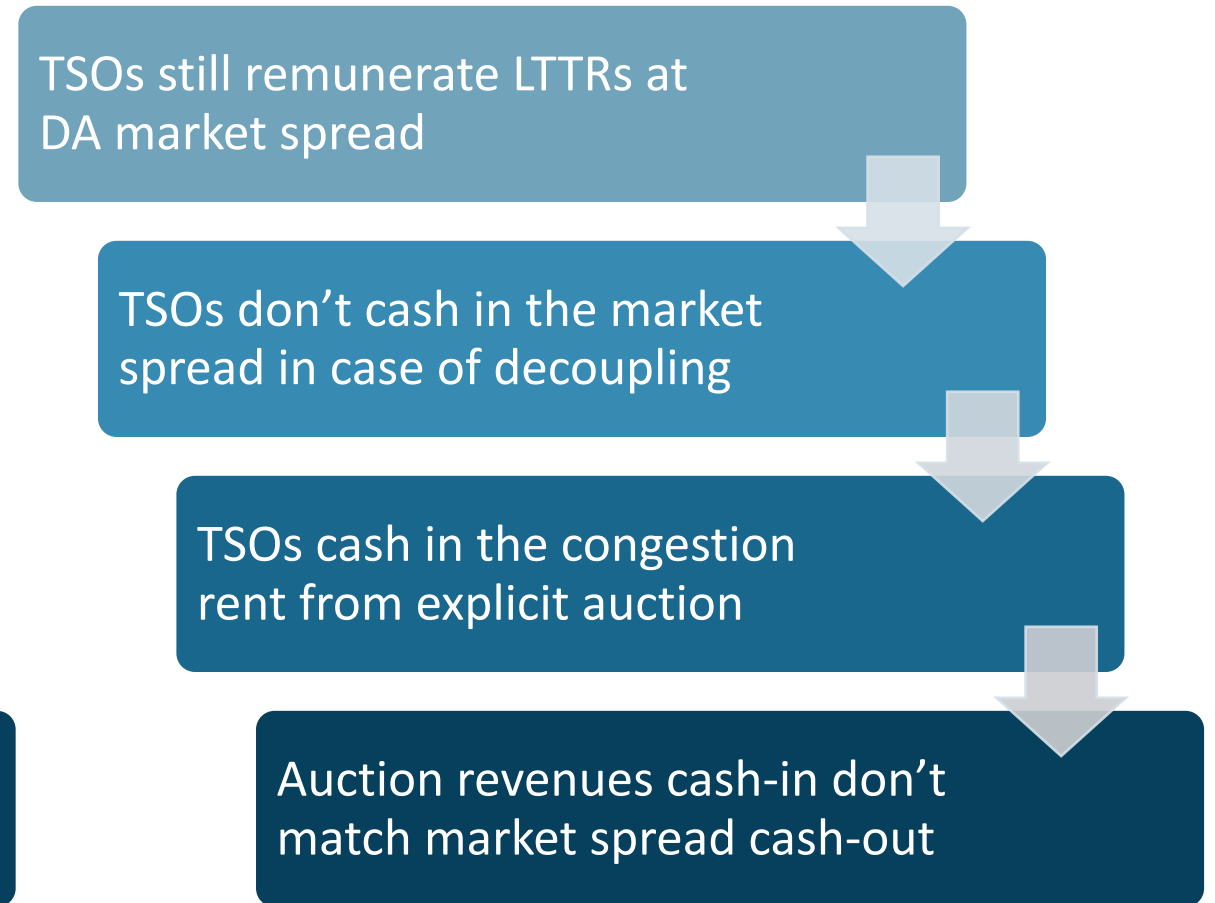
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What happens with LTTRs in case of decoupling?

In day-ahead



With LTTRs



Assessing the reality of the problem

- “Over-compensation” claimed by the TSOs?
 - Decoupling event in 2019 = 2,8% of annual forward congestion rent
 - Decoupling event in 2020 = 0,9% of annual forward congestion rent
 - Decoupling event in 2021 = 2,1% of annual forward congestion rent (not taking account monthly LTTR allocation)
- “Not a hedging opportunity against DA congestion pricing”?
 - FCA GL calls for “cross-zonal risk hedging opportunities” and “market participants’ needs” guide how these opportunities are assessed
 - Market participants taking position across borders are exposed to the market spread at a BZ border, hence the setup of the remuneration rules

Analysing the solution proposed by the TSOs

Legality

- Remuneration cap proposal in art.59 EU HAR is misplaced (art. on LTTR curtailment compensation)
- Remuneration cap proposal is not in line with art.35 FCA GL

Effectiveness

- All things equal, 37 to 90 days of decoupling would have be needed to reach the annual remuneration cap in 2019 and 2020 (only taking forward congestion rent into account)

Appropriateness

- Changing remuneration rules on days of decoupling means decreasing firmness all year long – market participants assess firmness at the time of allocation (Y-1, M-1)
- Reduced firmness = lower value of LTTRs = lower congestion rent for the TSOs
- High risk that the proposal would actually worsen the financial situation of the TSOs

EFET recommendations for the way forward

We propose a reset of this discussion to start it again on a sound basis

Reducing occurrences of decoupling

- by continued investment in Euphemia and improved testing
- and adjusting Euphemia timings if necessary

Improving decoupling management

- by improving communication in case of (a risk of) decoupling
- by streamlining fallback auction processes (timings, bidding)
- and continuing regular trainings with market participants

Without endangering existing market functioning

- full financial firmness of LTTRs should remain except Force Majeure
- creative thinking on improved fallback is welcome – albeit maintaining the integrity of DA fallback and intraday

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