

Process

1. January – February: Drafting of the policy paper
2. 1 June – 31 July 2022: Public consultation
3. 6 July 2022: Public workshop
4. **August – October 2022: Finalisation of the policy paper**
5. **August – October 2022: Meetings with main stakeholders (EC, ENTSO-E, Eurelectric, EFET, Europex, EEX, Nasdaq)**
6. October 2022: Public workshop
7. November – December 2022: Approval and publication
8. November – December 2022: Scoping of the amendment to FCA Regulation
9. January – December 2023: Recommendation on amendment to FCA Regulation

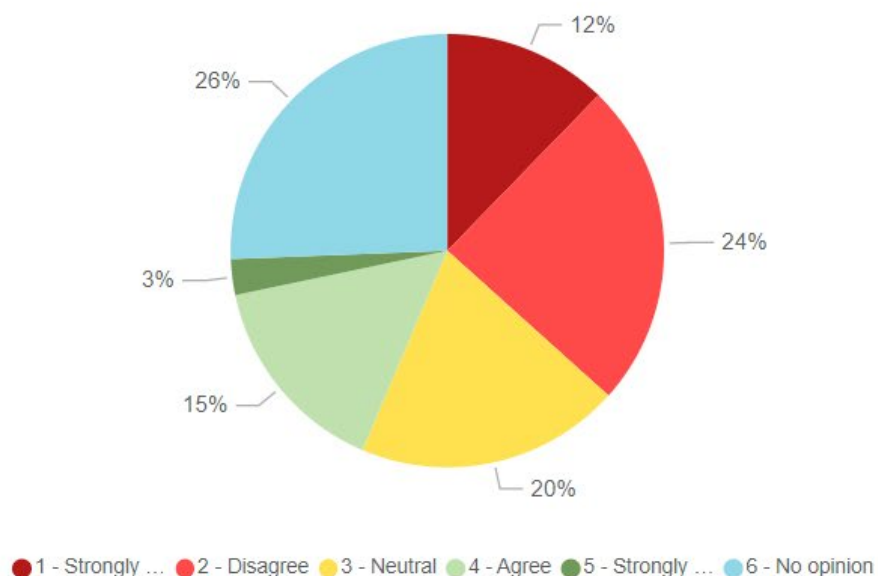
Update on electricity forward market policy paper

33
Contributions

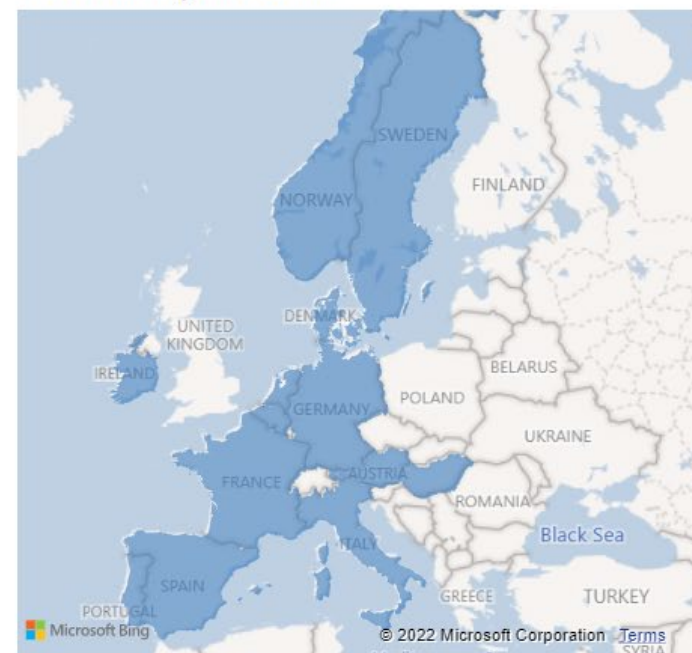
562
Opinions on sections

339
Written comments

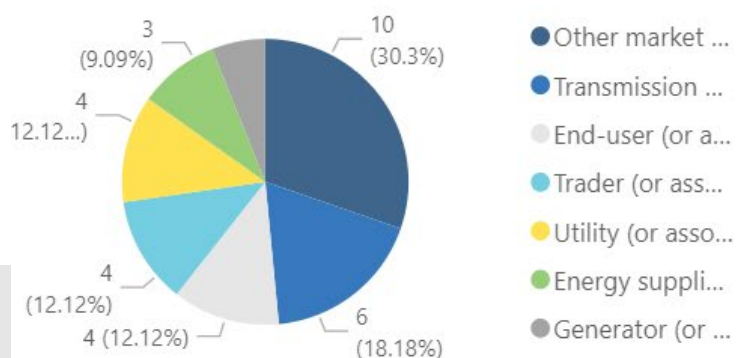
Overall opinion on the policy paper



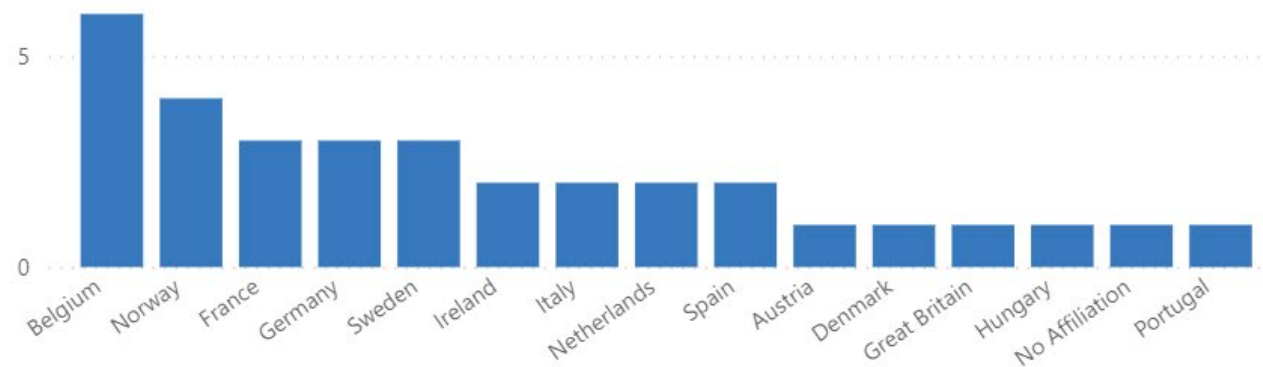
Contributing countries



Activities represented

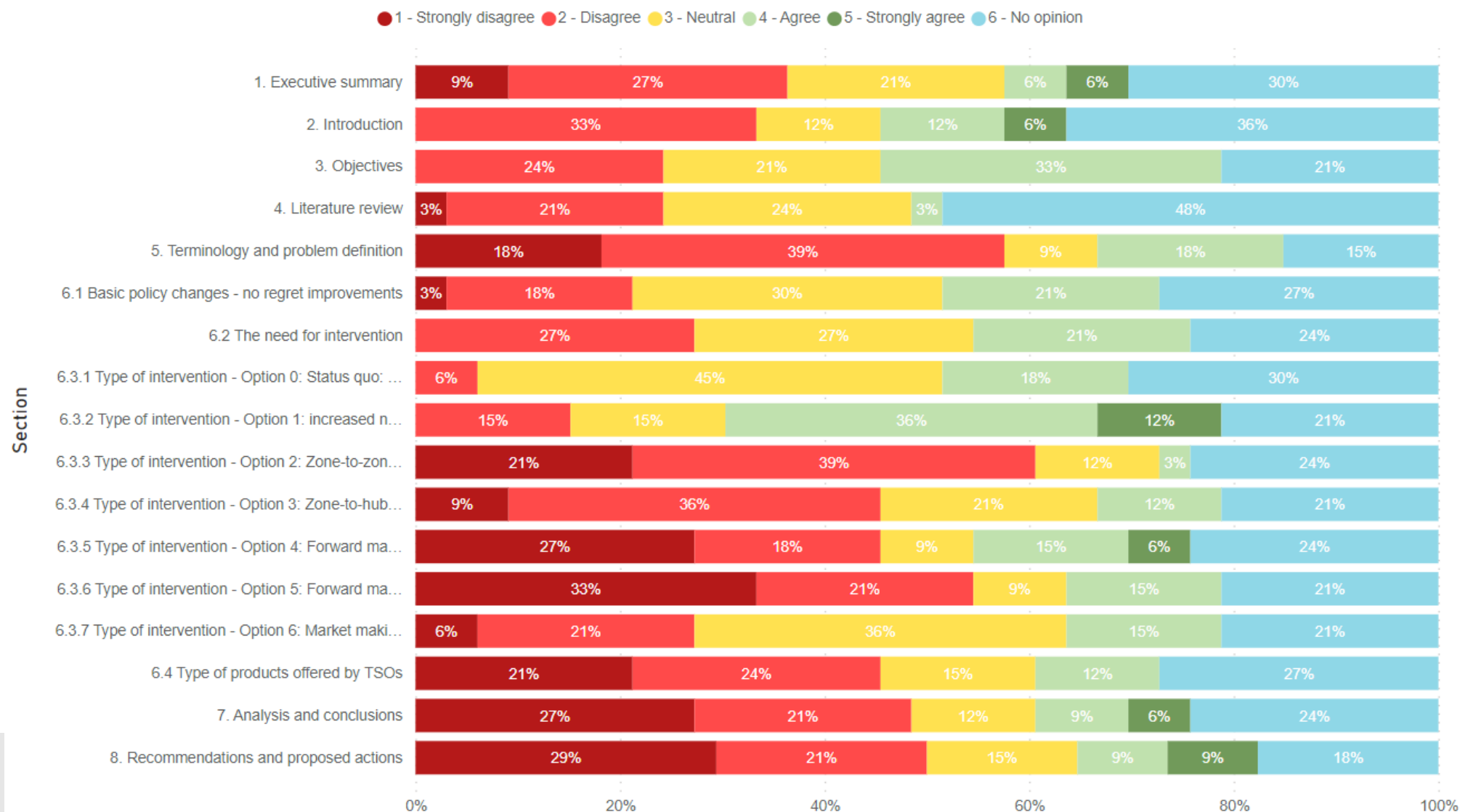


Count of companies by country



Update on electricity forward market policy paper

Overall opinion on Sections



Main critique from consultation

1. **Too narrow scope:** too much focus on capacity allocation and FCA Regulation. Forward market is much more than FCA Regulation
2. **Suggestions for broadening the scope:**
 - (a) **National state interventions:** support subsidies, CRMs, protection of consumers, state owned investments. Incentives to reduce these barriers and promote hedging should be assessed.
 - (b) **Collaterals:** proposals to reduce collateral requirements, non-fully backed bank guarantees
 - (c) **Liquidity fragmentation:** different products, exchanges, bidding zones
 - (d) **Regulatory uncertainty:** political and regulatory interventions reduce the motivation to hedge
 - (e) **Design complexity:** Hedging in the forward market should be simple
 - (f) **Barriers to PPAs:** remove barriers to PPAs

Main critique from consultation

- 3. Problem definition:** Many disagree on the flexibility to change the bidding zones, on undervaluation, on suitability of FTR obligations.
- 4. Measures beyond what is needed:** Simpler measures should be prioritized over more complex ones, such as: maximise cross-zonal capacity, merging of smaller bidding zones, longer timeframes, development of the secondary market
- 5. Zone-to-hub LTTRs:** Some stakeholders expressed objections, others expressed neutrality or interest. Request for further discussion on this option. Concerns on whether hub-based products would be liquid and supported by liquid CfDs.
- 6. FTR obligations:** concerns that they would diminish the market participants' interests in the LTTRs. Some other consider that this would decrease the interest for speculators only. Others see general benefits of obligations.

Main critique from consultation

- 7. Flow-based:** Flow-based implementation should not be an objective in itself but a tool to attain objectives. Its suitability should be carefully assessed considering the different objectives of DA and forward markets..
- 8. Power Purchase Agreements:** It should whether PPAs are within the scope. Removing barriers and providing incentives to contracting PPAs is key to develop renewable energy generation (e.g. by creating a PPA platform).
- 9. Quantitative assessment/market test:** due to the complexity of the proposed solutions, a quantitative analysis backing the assessment would be needed. The latter could consist of a market test.
- 10. Applicable regulation in case of NEMOs:** Which regulation would govern forward market PXs? For example, market making is already covered by Delegated Regulation 2017/578.

Main critique from consultation

- 11. Product standardization:** Standardizing the forward products could be an opportunity to develop competition between forward exchanges
- 12. Market making:** All against mandatory market making. Most consider market making should be organised by PXs even if financed by TSOs and via network tariffs. Some consider that market making should not be subsidized by TSOs. Some completely against market making
- 13. Value for the final consumer:** A critical assessment of the current LTTR market should be performed. Given significant losses of congestion income and network tariffs, the benefits of LTTRs need to be demonstrated to outweigh the costs for consumers.
- 14. Decoupling and LTTR firmness:** TSOs emphasised that over payment in case of decoupling has not been solved. Others emphasise the need to keep and improve firmness. To remove the remnants of PTR design (e.g. emergency situation, force majeure, curtailment, etc).

Main critique from consultation

- 15. Baseload products and RES hedging:** The current baseload products are not fit for variable RES production and are a key barrier to the development of RES generation. The different designs inefficiently address the fundamental changes in the market from high OPEX to high CAPEX generation.
- 16. Periphery bidding zones:** Most of the presented options are not suitable for periphery BZs. Only one market making addresses the issue of liquidity within a BZ
- 17. Coupling options:** The solutions suitable for DA physical market are not suitable for forward market as objective of both are different. Coupling emphasises on optimising electricity flows, whereas forward market focuses on hedging.
- 18. Undervaluation of LTTRs:** Some question the method or the results, other ask for more recent analysis, others suggest reasons why risk premia will always be negative for LTTR