



Views on ACER/CEER policy paper on the further development of the EU electricity forward market

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# Evolutions on forward markets should ensure an increase of hedging possibilities/liquidity

- We welcome ACER/CEER initiative to engage into a revision of the forward market that will bring benefits in terms of liquidity.
- Better liquidity is needed for the market to function efficiently and to improve risks hedging for Market Participants. Liquidity requires simplicity and transparency. Interventions proposed should not introduce a high level of complexity that could jeopardize the attractiveness of forward markets.
- Forward markets should offer efficient and effective hedging to Market Participants and provide price signal for investments. It does not aim to achieve optimal supply/demand equilibrium. Hence, market coupling should not be implemented for this timeframe if it adds complexity and limits hedging possibilities.
- Long- Term Transmission Rights (LTTR) are assisting liquidity in the forward markets thanks to PTR and FTR options. Removing optionality will reduce buying/selling orders and be detrimental to the liquidity of the markets.
- We encourage ACER-CEER to extend their reflection beyond the LTTRs (such as on collateral requirements, specific national market arrangements) as they are not the only reasons preventing the market to function well.

# **LTTRs should be issued for longer-term horizons and with more frequent allocations**

- We welcome the proposal for coordinated assessment and decisions made by NRAs on LTTR issuance need from TSOs.
- Eurelectric hence supports the mandatory issuance of LTTRs by TSOs.
- Allocation of LTTRs should be extended to horizon of 3 years.
- Aligning LTTRs maturity with forward products one will allow Market Participants to hedge cross-border risk more efficiently with other risks in the market.
- Market Participants need continuous possibilities to hedge in forward market. We welcome the increase of the number of auctions so it allows to have more anticipation before the delivery and reduces cross-border risk for market participants. We also support the development of secondary market.

# Eurelectric views on the type of TSO intervention proposed in ACER-CEER consultation

- Our following comments on options should be considered as our initial reactions based on our current understanding of the measures.
- Further study of these proposals are needed to objectively quantify their impact through CBA and prove their added-value in terms of efficiency.
- It should then be subjected to discussion with market participants.
- These options seem to constitute a set of potential accompanying measures for market design with smaller bidding zones. We would like to remind that the decision to split BZ belongs to Member States following the outcome of the bidding zone review.
- We question the feasibility of implementation of some proposals (especially application of flow-based and market coupling). Some of the options may not fit a "one-size-fits all" approach and would require further assessment. Some specificities in regions can justify differences or adaptations of the model.

We have a rather negative views on Zone-to-Zone and market coupling with futures options in some regions for the following reasons:

- it would lead to over complexification of the forward market, more complicated price discovery and transparency;
- it would require a change of market design and governance.

We are more in favor of further study on the following options

- Option on Market Making could have some interests if well designed. Although we insist that it must be decided on a voluntary basis and not mandatory.
- Options on Zone-to-hub LTTRs and market coupling with CfDs should be further clarified and assessed and the terminology for market coupling reviewed.
- Still we are questioning the feasibility because already today with only BZB LTTR there are not enough LTTRs issued by TSOs → how to ensure liquidity on Zone-to-hub LTTRs (or CfDs) ?
- We are fully committed to pursue the discussions and study the alternatives more in depth and with a larger scope.

THANK YOU