



– Consultation Response –

## **Europex response to the ENTSO-E NC FCA HAR consultation**

Brussels, 16 February 2016 | **General Comments**

### **1. Harmonisation**

The sheer number of annexes introducing specific rules on certain borders shows how challenging the harmonisation of forward capacity allocation rules is. The current harmonisation exercise should not be an objective as such, as it imposes resource-intensive changes with little added value for the energy system. Instead of a big bang harmonisation of all rules, ENTSO-E should first consider reviewing which key components of the model really need to be harmonised. The guiding principle for this priority check should be to analyse which harmonisation aspects will bring real benefits to the market.

### **2. Full Firmness**

For Long-Term Transmission Rights (LTTRs) to serve as true hedging instruments, the principle of Full Firmness (without caps) needs to apply. Importantly, Article 59 of the NC FCA HAR in its current version does not fulfil this criterion. While we recognise that Full Firmness on LTTRs exposes the Capacity Owners (e.g. TSOs) to higher financial risks, the lack of Full Firmness for given LTTR products significantly diminishes their value as hedging instrument for the Holders ("Buyers") of LTTRs.

### **3. LTTR Obligation**

Given that the drafting of the NC FCA HAR at the current stage is limited to option-type PTRs/FTRs, it is essential that, as stipulated in the Forward Capacity Allocation Guideline (FCA GL), the choice to alternatively apply Obligations remains valid for Capacity Owners (e.g. TSOs). Therefore, the NC FCA HAR needs to be amended accordingly.

#### **4. Secondary Trading of LTTRs and the need for a level playing field for all market venues**

To further optimise the use of capacity through an equal and efficient trading system, it is important to enable Secondary Trading of LTTRs by all market venues. Existing Regulated Markets and MTFs do not have the possibility to list products that are not classified as financial instruments, cf. MiFID. This leads to a lack of competition between market venues and reduces the efficiency of the FCA trading system as such.

In addition, the current draft of the NC FCA HAR proposal fails to describe or provide the key functionalities needed to enable orderly and efficient Secondary Trading of LTTRs. We therefore strongly recommend amending the current NC FCA HAR proposal. These principles should then be further detailed in subsequent technical rules to ensure a fair and non-discriminatory opportunity for parties other than the Single Allocation Platform (SAP) to organise Secondary Trading of LTTRs. Any trading should be allowed to be done freely in an either continuous or auction-based form.

#### **About**

Europex is a not-for-profit association of European energy exchanges with currently 27 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

#### **Contact**

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