



– Consultation response –

Review of the Harmonised Allocation Rules for long-term transmission rights and regional annexes

Brussels, 3 June 2021 | Europex welcomes the opportunity to share our views on the proposal of extension of HAR Article 59 for decoupling events. We do not see adequate justification to extend the HAR Article 59 compensation caps to LTTR remuneration during decoupling events. Decoupling events are rare. The normal valuation of an LTTR should be the price difference between the relevant bidding zones, and it is this that makes LTTRs useful as a tool to hedge against price differences in the day ahead market. We therefore do not believe remuneration during these periods amounts to unfair or unjustified compensation. Applying caps to such compensation would undermine the value of LTTRs as a hedging instrument, and essentially transfers the risk of such events to the market participant. This loss of firmness of these instruments may affect the value of the LTTR and ultimately could be reflected in lower revenues for TSOs from LTTR auctions.

The caps referred to in HAR Article 59 are designed to be applied in cases of compensation due to LTTR curtailment for operational security reasons, which is very different circumstances to decoupling. Applying these caps without proper reasoning would go against the LTTR design as foreseen by the FCA. TSOs should instead focus on efficiency of the market coupling process and in particular measures to help ensure avoidance of decoupling in the first place.

About

Europex is a not-for-profit association of European energy exchanges with 29 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.

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