



– Consultation response –

**ACER public consultation on harmonised allocation rules for long term transmission rights in accordance with the FCA Regulation**

Brussels, 27 August 2021 | Europex welcomes this opportunity to comment on the proposed amendments to the harmonised allocation rules (HAR) for long term transmission rights, submitted by TSOs in accordance with Article 51 of the FCA Regulation. We support ACER's approach to delete Article 59(5) of the proposal, which proposes a cap on remuneration of LTTRs in case of fallback allocation. 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.

We also note the lack of legal basis for the proposal to introduce caps. 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 Regulation. Moreover, an expansion of the application of Article 59 would not be in line with the requirements in Article 35 of the FCA. Article 35 clearly requires the remuneration to be equal to the market spread (implicit auction) or the clearing price of the daily auction (explicit auction) and does not foresee the possibility of caps.

Even if TSOs were seeking to amend other HAR articles (Article 48 EU HAR deals with remuneration of LTTR holders) we believe that the firmness of LTTRs is a fundamental market design principle, that should not be changed without adequate justification and supporting evidence. We have not yet seen published supporting analysis from the TSOs giving a transparent and balanced overview of the economic impact of this remuneration. In addition to this, a thorough assessment would be needed of the potential impacts on the value of LTTR instruments and knock-on effects to market participants and consumers.

## 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.

## Contact

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