Swedenergy response to ACER Consultation on Forward Risk-Hedging Products and Harmonisation of Long-Term Capacity Allocation Rules

General Comments

Swedenergy welcomes the ACER consultation on Forward Risk-Hedging Products as an opportunity to provide further feedback about market needs with regard to the development of the European forward electricity market.

We take note that the Framework Guidelines on CA&CM in 4.1 introduce an opening for other instruments than FTRs/PTRs with UIOSI in case "appropriate cross-border financial hedging is offered in liquid financial markets on both side of an interconnector". That is the case primarily in the Nordic region where hedging is done with financial products (e.g. a combination of electricity forwards and CfDs). However, in some cases it is currently difficult to hedge with financial products in Sweden. Therefore Swedenergy suggests that a test on a pilot scale could be considered, where the TSO issues CfDs. The test should evaluate, amongst other parameters, the potential impact on existing products, the impact on the system price and cost before larger implementation is considered.

Questions

General

1) Are there other products or options which are not considered in this document that would be worth investigating?

Relevant products are mentioned in the document. However, depending on the focal price used for energy hedging products it may be relevant to consider alternative implementations.

One option might be seen as a hybrid of two models, which should also be investigated. This constitutes a market with CfDs and system price derivatives incorporated with "synthetic" FTR obligations, equivalent to a combination of two CfDs, which are auctioned by the TSO but in other ways identical with
today’s CfDs. The hedge for the TSO would be realised slightly differently through the combination of CfDs with different locations compared to the FTRs directly connected to a particular bidding zone border but the end result would essentially be the same.

Before deciding upon forward risk-hedging products, the options should be thoroughly analyzed and tested in order to realise their impact on markets. We believe that Sweden could serve as a testing ground.

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