
HAR Review 2023 Explanatory note

1 August 2023

Disclaimer

This explanatory document is submitted by all TSOs to the Agency for the Cooperation of Energy Regulators for information and clarification purposes only accompanying the “All TSOs’ proposal for amendment of the Harmonised allocation rules for Long Term Transmission Rights in accordance with Article 51 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation.

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I. Introduction

The Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter “FCA Regulation”) was published in the official Journal of the European Union on 27 September 2016 and entered into force on 17 October 2016. The FCA Regulation sets out rules regarding the type of Long-Term Transmission Rights that can be allocated via explicit auction, and the way holders of transmission rights are compensated in case their right is curtailed. The overarching goal is to promote the development of liquid and competitive forward markets in a coordinated way across Europe and provide market participants with the ability to hedge their risk associated with cross-border electricity trading. In order to deliver these objectives, a number of steps are required.

One of these steps is the introduction of harmonised rules for Long Term Transmission Rights at Union level. In accordance with Article 51 of the FCA Regulation, 6 months after the entry into force of the FCA Regulation, all TSOs shall develop a proposal for the harmonised allocation rules for Long Term Transmission Rights (hereinafter “HAR”). The proposal for the HAR was submitted to all National Regulatory Authorities on 18 April 2017 and was approved by ACER on 2 October 2017.

According to Article 68(5) of HAR “the Allocation Rules and the border and/or regional specific annexes included thereto shall be periodically reviewed by the Allocation Platform and the relevant TSOs at least every two years involving the Registered Participants.”. By email of 15 July 2019, ENTSO-E submitted, ‘on behalf of all TSOs’, the amended ‘Harmonised allocation rules for Long Term Transmission Rights’ for approval pursuant to Article 5(2) of Regulation (EU) 2019/942, and it was approved by ACER on 29 October 2019.

Based on the above, following the periodical review, all TSOs have elaborated on a draft reviewed HAR where they proposed additional needs for adjustments that resulted from experience. In addition, with the introduction of LT FBA, the HAR have been reviewed to accommodate changes required.

II. Main changes

1 15 min MTU

With the introduction of 15 min MTU in DA, HAR has been reviewed and updated to accommodate changes needed. The update to tackle the 15 min MTU in DA required few and small changes of the Harmonised Allocation Rules.

2 Reduction periods

TSOs kept the concept of having reduction periods and added this for LT FBA. However, considering the concept of LTFB capacity calculation as approved by ACER for the SAP, such reduction periods in general have to be considered already in the capacity calculation process. Therefore, TSOs plan to use reduction periods only for HVDC connectors for LT FBA. This is to avoid providing 0 capacities for such connectors for the yearly allocations and thus increasing the offered capacity.

3 LT FBA related changes

General provisions (Article 19)

In Article 19 one additional part was added related how to use available collaterals in case of a payment incident of a market participant occurs. There is added that in such situation first the outstanding amounts relating to ATC based auctions shall be covered by available collaterals and afterwards outstanding amounts of flow-based shall be considered. Reason behind that rule is simply because bids of ATC-based auctions are fully considered (100%) by the credit limit verification process described in Article 34, whereas in flow-based because of the price cap some underestimation of the calculated credit limit related to the bid amount could be possible.

Auction specifications (Article 29)

In the Provisional Auction Specification file one of the items included is : deadline for return of the Long Term Transmission Rights allocated in previous Auctions for the respective Bidding Zone border(s). For the LTFB capacity calculation process the Returns have to be submitted to the RCCs 5-6 WDs before the opening of the auction.

Since the LTFBA auction timings are more congested, Market Participants will only have under normal circumstances 3 to 4 WDs to submit their Returns. The provisional AS has to go out before the Return submission is enabled.

The approximate timeline would be as follows:

- Monthly auctions are opened for 2 WDs
- Return submission ends 5 to 6 WDs before the opening of the Monthly auction
- Return submission is opened for 3 to 4 WDs
- Before the Return submission is opened the provisional Auction specifications have to be generated.

These altogether add up to the 12 days proposed in the HAR. It was changed for consistency purposes for the ATC based auctions as well.

In LTFB the capacity calculation takes a longer amount of time than for the ATC based auctions. Therefore, especially at the end of the year, when both the Yearly and the January monthly auctions have to be run, as well as enough time has to be allocated to be able to rerun both, certain compromises had to be made to accommodate this tight timeline. One of these is that the yearly and monthly auction might be run for a shorter amount of time compared to their usual length. Additionally, the FB parameters will only be received two working hours before the opening of the auctions. It is safer to link the publishing of the final Auction Specification (which will contain the OC) to the opening of the auctions.

The FB algorithm will be a more complex one than the one used for the ATC based borders.

JAO would like to ensure enough time to verify the results coming from the algorithm (as much as possible-method is still under discussion/design) as well as allow enough time in case there are any issues with the algorithm to fix them. This would be especially relevant around the project go-live, when the algorithms will be used for the first time on production. The proposal is that under normal circumstances JAO will have two hours to provide the provisional Auction Results, but if during those two hours the need is identified for additional time, an extension will be feasible with a maximum 6 hours. With such a step the risk of auction cancellation would be mitigated.

Credit limit verification (Article 34)

In principle the mechanism of calculating the maximum payment obligation (MPO) for bids of a market participant for ATC based auction is the same as for flow-based auctions. However, considering the fact that during flow-based auctions typically a larger number of borders are allocated parallel in time (by the same auction), market participants also have to bid for all such borders in parallel related to one common flow-based gate closure. Considering this, there is indeed a potential risk that MPO calculation for flow-based auctions could increase.

To reduce this effect, TSOs could be convinced to accept a price cap used for bids for the calculation of MPO and therefore the collaterals needed by market participants. Such price cap is set in a way to be used instead as the original price of a bid for the calculation of MPO as soon as the price cap is equal or smaller than the offered bid price. For avoidance of any doubt, such cap price is only used for the calculation of MPO, for the allocation evaluation of course the offered bid price is used. In addition, based on final implementation on JAO side an example shall be published on JAO homepage that the calculation would become repeatable for market participants.

The basic idea for the amount of such a price cap was to be similar to the expected auction price (marginal price) as this is indeed the price used for invoicing by JAO if a bid is accepted. Unfortunately it is not easy to forecast such marginal prices in the one hand for flow-based auctions and on the other hand, based on a lot of technically and timely restrictions for implementation of such a price cap until planned go-live for 2025, currently a very simplified process to calculate such price caps based on historical market spread results is proposed here for the HAR. Details for calculation of such price caps for flow base auctions are described in Article 34.6.

Fallback procedures for auctions (Article 52)

The addition in Article 52 was made in order to clarify that the timings as described under Article 29 of the Auction specifications might not be respected in case auctions have to be rerun. If they should be that would mean there will not be enough time to rerun the auctions within one month.

Regarding the possibility of auction evaluation extension: As complexity is lower and no issues have been experienced with the auction result calculation in the past, we do not feel the need to apply the backup solution for ATC based allocations.

Auction cancellation (Article 53)

In the past events occurred where wrong input data led to incorrect offered capacity. For example, it occurred that too much capacity was given (instead of 50MW -> 500MW due to an error) and then based on the rules there is no disposition arranging such a scenario. Therefore, this addition was proposed.

Process and notification of curtailment (Article 58)

Update is needed due to the fact that returns are inputs for the Flow-based parameters calculation which will be handled by the RCCs and will take 5 working days. If during this time the returns were cancelled in case a curtailment is received, the process of the Flow-based parameters calculation would have to be restarted.

Late payment and payment incident (Article 68) and suspension of the participation agreement (Article 72)

To ensure fairness and a level playing field between holders of long-term transmission rights (LTTRs), meaning:

- 1) holders of ATC LTTRs only;
- 2) holders of both ATC and long-term flow based LTTRs; and
- 3) holders of only long-term flow based LTTRs;

TSOs have decided to keep provisions related to late payment and payment incident and suspension of the participation agreement as written in a currently applicable Harmonised allocation rules for long-term transmission rights (i.e., 29 November 2021 version approved by ACER) complemented with necessary changes introduced in a version of Harmonised allocation rules for long-term transmission rights submitted to ACER on 1st of March 2023.

4 General changes

Invoicing and payment conditions (Article 66)

We noted in the past that erroneous invoices can occur due to different reasons. An erroneous invoice can occur due to an IT bug in the auction tool Article 66(14)(c). An erroneous invoice can occur due to incorrect data provided by a third party as referred to in Article 66(14)(b). A TSO could be a third party.

Liability (Article 70)

The current liability wording in Article 70 already foresees that the SAP is only liable in the event of gross negligence and fraud i.e. technical issues are already excluded unless they are linked to gross negligence and/or fraud. This implies that the market participants need to demonstrate that gross negligence and/or fraud is the source of the technical issues.

Gross negligence and/or fraud imply that the SAP has not provided its best efforts, diligence and care in performing its obligations and therefore we deemed it adequate to make this addition. Furthermore, the concept of 'best efforts' is present in industry standard rules (example: power exchanges) and therefore we do not see why SAP cannot have it in its rules.

Duration and amendment of Allocation Rules (Article 69)

For article 69 we take note of the comments made in terms of lighter approval process for certain aspects of HAR. We consider that certain disposition specific on the operations of the SAP could go through a lighter approval process. For example – the introduction of electronic signatures for MPs – such changes which ease the market and bring digital progress should be able to be applied faster.

Termination of the participation agreement (Article 73.1)

Concerning Article 73, an additional sentence was added to the first paragraph for explanatory purposes, which reads as follows:

*A registered participant may at any time request the single allocation platform to terminate the participation agreement to which the registered participant is a party. The termination shall take effect after thirty (30) working days upon receipt of the termination request by the single allocation platform and if all outstanding payment obligations are settled, **which for the avoidance of doubt shall include any and all remaining instalments for the entire product period of long-term transmission rights with a product period of one (1) or more months.***

The proposed addition constitutes a clarification of the term “outstanding payment obligations” and it does not introduce any new principles, processes, or requirements for the market participants, as it is also evident from the wording (“for the avoidance of doubt”). Its objective is to provide clarity on the interpretation of Article 73(1) regarding the settlement of the remaining invoices for LTTRs by market participants. This explanation is considered important for ensuring legal certainty and avoiding possible litigation risks stemming from the aforementioned term.

III. Changes in relation to the remuneration of the Long-Term Transmission Rights: addition of article 49, CAP for the Remuneration of Long Term Transmission Rights holders for non-nominated Physical Transmission Rights and Financial Transmission Rights

FCA Article 35(3) stipulates “*where the cross-zonal capacity is allocated through implicit allocation or another method resulting from a fallback situation in the day-ahead time frame, the remuneration of long-term transmission rights shall be equal to the market spread.*”

To ensure fairness and a level playing field both for market participants and for tariff payers in the case of fallback allocation (triggered by a decoupling of the day-ahead market), TSOs believe that a structural solution is to be found in an update of the FCA regulation. As there is no consensus (yet) on this amongst European stakeholders and legislators, TSOs pragmatically propose a change to the HAR as a first improvement.

Concretely, TSOs have added article 49. The TSOs are of the belief that article 49 of the amended HAR shall apply in case of decoupling events.

Decoupling situations are unintended and very rare events. Therefore, these should not be considered as regular market situations. In the coordinated capacity calculation processes, many measures are in place to avoid decoupling situations and TSOs strive to avoid these. With increasing of complexity in capacity calculation on the one hand and implementation of flow-based market coupling the risk of decoupling became much higher. Unfortunate in the past decoupling situations it was shown that even if fallback is working well, the market is not using this in a significant way. This could lead to very extreme DA-price situations and market spread with direct consequence to extreme high LT-compensation cost for TSOs on several bidding zone borders, which are not representing effective market price situation. Therefore TSOs propose to limit the maximum financial responsibility respectively risk in case of decoupling by introducing a monthly cap per bidding zone border with the full net congestion income of concerned bidding zone borders.

IV. Introduction to TSO response to public consultation

In accordance with the Article 6 of the FCA Regulation, the HAR was formally consulted via formal web-based consultation for the first submission 1 March 2023 between 7 December 2022 and 16 January 2023¹, and for the second submission 1 August 2023 between 8 June and 8 July² 2023. During this public consultation, for both submissions, ENTSO-E received responses from 6 stakeholders.

This document lists all TSOs' assessment of the comments provided to the public consultation of the HAR review. This document provides responses per individual comment received, in order to give a consistent view on all TSOs' approach towards the HAR.

This document is not legally binding. It only aims at clarifying the assessment of the comments received from stakeholders during the formal public consultation of the. This document is not supplementing the HAR document, nor can it be used as a substitute to them.

All TSOs acknowledge and thank stakeholders for the effort that they have invested in providing feedback for the consultation on the HAR; this feedback is a major contributor to bringing improvements and transparency to the process.

¹ [All TSOs' proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights - European Network of Transmission System Operators for Electricity - Citizen Space \(entsoe.eu\)](#)

² [All TSOs' proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights - European Network of Transmission System Operators for Electricity - Citizen Space \(entsoe.eu\)](#)

V. Annex 1 – Public consultation responses received for 1 March submission

This Annex 1 is dealing with the public consultation responses received based on the HAR-version prepared for first submission to ACER with 1st March 2023.

Organization	EDF	All TSOs response
<p>Any views on the proposals are welcomed together with more specific questions related to each topic of the proposal</p>	<p>EDF welcomes this ENTSO-E consultation and would like to recall some key messages:</p> <ul style="list-style-type: none"> • first, the importance of ensuring the financial firmness of Long-Term Transmission Rights (LTTRs) (see more details in response to question 9). TSOs should not default on their obligation to guarantee the financial firmness of transmission rights pursuant to the FCA Guideline; • second, the added value of the Flow Based (FB) allocation has not been sufficiently demonstrated compared to foreseeable negative impacts; The implementation of FB capacity calculation and allocation creates a major change in forward market design and deserves a thorough assessment of benefits; • third, the introduction of FB has negative effects on collaterals, increasing them to a level disproportionate to the risk exposure of TSOs (see response to question 8); • fourth, LTTRs beyond the one year ahead horizon are also needed, as the maturities of LTTRs should be aligned with the maturities of forward products in the market. So far TSOs do not perform any assessment of the available capacity in timeframes beyond one year ahead, limiting by default the allocation of forward rights to one year ahead of delivery at best. Forward hedging is becoming crucial in the current market circumstances, and LTTRs issued earlier than one year before delivery could support well-needed cross-border hedging and PPAs over longer time horizons. • Finally, on the last slide summarizing the amendments, in the part “Amendment article/General”, we do not understand what ENTISOE means by “possibility to amend certain aspects of the HAR without regulatory approval”. We believe HAR changes must always require regulatory approval. 	<p>All TSOs welcome the market participants’ feedback. Please find below some justified responses to the comments:</p> <ol style="list-style-type: none"> 1) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10). 2) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations. 3) Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9). 4) All TSOs acknowledge the interest from market participants for more advanced forward capacity allocation timeframes. This is not directly related to the HAR, however the topic is being discussed under the market reform debate for updating general rules for LT-market (FCA-update).
<p>Please provide your views on provisions related to collaterals requirements</p>	<p>The move towards FB Allocation implies significant impacts for collateral requirements. The FB approach for capacity allocation implies one single auction for each region where it applies. In the CORE CCR for example, this translates into one auction for more than 20 borders. This demands significant top-up in collateral requirements for market participants, increasing the costs of hedging and trading in general. This major drawback is not addressed in the HAR.</p> <p>The filtering which is foreseen to reject bids that would not be covered by the provided collateral, is seriously challenging the benefit of the FB Allocation.</p> <p>Finally, the required collateral (for both Flow Based and ATC) seems disproportionate compared to the risks TSOs are bearing. We suggest that the validity of the collateral should end right after the payment of the acquired rights.</p>	<p>All TSOs understand the market participants’ concerns on collateral requirements. Please find below some justified responses to the comments:</p> <p>Based on the difficulties of Flow-Based allocation, TSOs have discussed how to find a compromise between the risk for TSOs and the requirements on market participants. Several options were discussed (bid prioritization, pot options, percentage of bids, ...) and it was concluded based on several criteria that the best feasible solution to accommodate requests from market participants was the option with a cap on collateral. Therefore, All TSOs propose an implementation of a price cap for calculating maximum payment obligation/collaterals needed during the bidding phase to a level which could be expected as the marginal price of an auction.</p> <p>Regarding the filtering, in the current HAR such kind of filtering of bids is already used, however with 100% of needed collaterals. Furthermore, the TSOs offered several possibilities of a ‘bid prioritisation’ to reduce this problematic.</p> <p>This is indeed the process – as soon as open invoices are paid by market participants, the respective amount of</p>

		collaterals of that market participant are ‘relaxed’ for other bids automatically by JAO.
<p>Please provide your views on contestation of auction results and fallback procedures and articles affected by these</p>	<p>TSOs are introducing in article 49 a cap to be applied for the remuneration of the non-nominated/financial LTTRs in case of Day-Ahead market decoupling. As already mentioned in the EDF response to the ACER consultation on HAR in 2021, EDF would like to recall that a cap on LTTRs remuneration is neither permitted by the FCA Regulation, nor economically justified.</p> <p>First, EDF would like to remind that the main objective of financial firmness of LT capacity allocation (LTTR remuneration at day ahead market spread) is to allow the market participants to hedge position across borders.</p> <p>Second, even if EDF understands TSOs concerns regarding the remuneration of LTTRs in case of decoupling (day ahead market spread VS day ahead shadow auction prices), the recent decoupling events do not corroborate this concern. Indeed, on the recent decoupling events (2019, 2020, 2021), the total amount compensated by TSOs to market participants (as LTTRs) represents a very small part of the total revenue incomes for the TSOs across the whole year (coming from the allocation of cross zonal capacity on Long Term auctions). Furthermore, caps on the remuneration of long-term transmission rights are reserved to cases of curtailment.</p> <p>Third, EDF shares ACER’s Decision 15-2021 where ACER ruled out such a proposal underlining that there is no legal basis to implement a remuneration cap in case of decoupling and that a modification of EU HAR would imply a change to the FCA Regulation. Article 35 of the FCA Regulation lays down rules for the remuneration of LTTRs. It requires the remuneration to be equal to the market spread for implicit auctions or their fallback in day-ahead. We therefore do not understand why and disagree with the fact that this point is being brought again in the debate.</p> <p>Finally, EDF would like to remind that market participants are not responsible when a decoupling occurs, it is not in market participant’s hands, and they are suffering from it. While there were several decoupling cases since 2019, the focus of TSOs and NEMOs should be on the robustness of the algorithm and the whole day ahead market coupling process. Instead of changing the EU HAR, the focus has to be on the reinforcement of the testing/improvements of the SDAC process to avoid any decoupling event in the future. But in case it happens, shadow auctions should be maintained, and training sessions like the ones organized in 2022 should be maintained (these sessions however duly require the presence of all TSOs). By the way, communication towards market participants in case of (a risk of) decoupling should also be improved.</p>	<p>All TSOs understand market participants’ position regarding this cap, however All TSOs would like to stress several points regarding the LTTR remuneration rules in case of decoupling:</p> <ol style="list-style-type: none"> 1) The current regulation does not foresee an adequacy revenue for TSOs in case of decoupling. In nominal situation, the LTTR remuneration is based on the DA market spread, which is the DA remuneration price for TSOs, so that TSOs are able to gather the income to pay out LTTR holders. That way TSOs are not at a financial risk. 2) As the market coupling fallback is an explicit auction, TSOs DA remuneration price in case of decoupling is the marginal price which is different from the LTTR remuneration. During the past decoupling events, the DA market spread was unusually high, and the marginal price of the fallback auction was extremely low. This ends in a situation where TSOs were forced to pay out millions of euros to LTTR holders while collecting only thousands of euros on the other hand. This situation puts TSOs at an important financial risk. 3) Moreover, last year, the DA market price reached the price cap due to the severe energy crisis. 4) TSOs are to offer long term hedging product to the market, but their financial security should also be guaranteed and ensured. 5) The decouplings are unforeseen events, due to a force majeure cause, that neither market participant nor TSOs are responsible for. For all these reasons, TSOs advocate to set up a limit to LTTR remuneration in case of decoupling.
<p>Organization</p>	<p>EFET</p>	

Any views on the proposals are welcomed together with more specific questions related to each topic of the proposal

EFET response to all TSOs' proposal for amendments of the methodology for Harmonized Allocation Rules for long-term transmission rights
The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments to All TSOs' proposal for amendments of the methodology for Harmonized Allocation Rules for long-term transmission rights (HAR).

EFET acknowledges that the proposed amendments to HAR are needed in order to facilitate the implementation of flow-based cross-zonal capacity allocation. However, as stated in our previous responses, we consider that a fundamental review of the general approach is needed.

Key messages

1. The review of the EU HAR should not be the occasion for TSOs to default on their obligation to guarantee the financial firmness of transmission rights according to the FCA Guideline. Caps on the remuneration of long-term transmission rights are reserved to cases of curtailment. No specific cap should and can legally be added in cases of day-ahead market decoupling with the existing legal framework.
2. We continue to challenge the value-added of flow-based allocation of transmission capacity in the forward timeframe. Above all, such substantial shift requires a proper assessment of benefits, which still has not been made publicly available.
3. The flow-based allocation approach significantly increases collateral requirements. The general approach to collateral requirement seems to be disproportionate to the risk exposure of the TSOs.
4. The existing proposal does not seem to support the allocation of calendar yearly products, earlier than year ahead, which is crucial for hedging on longer-term basis. TSOs should assess the level of capacity they can make available to the market two to five years ahead of delivery as yearly calendar products.
5. Transparency by the TSOs in the capacity calculation process is key for the flow-based allocation. HAR should ensure consistency with the requirements for data publication under the Long-term capacity calculation methodology of the Core CCR.

General comments

The financial firmness of LLTRs should be maintained even in case of day-ahead market decoupling

As noted in our response dated 27 August 2021 to ACER consultation on the HAR, a modification of the EU HAR to allow caps on the remuneration of LTTRs in case of decoupling would require amendments to the FCA GL, which forms the legislative basis of the EU HAR. Like art. 48 EU HAR, art. 35 FCA GL foresees that LTTRs are remunerated at the DA market spread when DA market coupling is in place at a given border, whether the allocation actually occurred implicitly or via a fallback process. This principle does not suffer any exception in the FCA GL. Art. 54 FCA GL, which foresees the possibility for TSOs to established caps on compensation, only applies to curtailed LTTRs and can therefore not be used to amend art. 59 EU HAR in the direction pursued by the TSOs (footnote 1 link:

<https://efet.org/files/documents/210827%20Electricity%20Committee%20CR%20LTTR%20remuneration.pdf>).

A review of the general approach about flow-based implementation is needed

The implementation of flow-based capacity calculation and allocation creates a major change in forward market design and deserves a thorough assessment of benefits. We have expressed this view at several occasions, pointing out at the downsides of the flow-based approach. We draw your attention to the EFET response to the ACER consultation on the SAP, CID and FRC amendments for long-term flow-based allocation submitted to ACER on 23 November 2022, which summarizes our reservations related to the implementation of flow-based capacity allocation (footnote 2 link: <https://www.efet.org/files/documents/221124%20Electricity%20Committee%20CR%20ACER%20FB%20forward%20allocation.pdf>

Please find below some justified responses to the comments:

- 1) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs' response to EDF on page (10).
- 2) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER's request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER's decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER's Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.
- 3) Regarding the concerns on collateral requirements, please see the TSOs' response to EDF on page (9).
- 4) All TSOs acknowledge the interest from market participants for more advanced forward capacity allocation timeframes. This is not directly related to the HAR, however the topic is being discussed under the market reform debate for updating general rules for LT-market (FCA-update).
- 5) Transparency in the capacity calculation process is also very important for all TSOs. Based on REMIT regulation, All TSOs have to fulfil very accurate requirements. All relevant data shall be published in time by auction specification.

The allocation of LTTRs earlier than one year before delivery is key for long-term hedging.

Even though the HAR is neutral regarding the products to be allocated, the existing processes in place do not support the allocation of transmission rights as yearly products beyond one year ahead of delivery, i.e. year+1, year+2, ..., year+5. So far TSOs do not perform any assessment of the available capacity in timeframes beyond one year ahead, limiting by default the allocation of forward rights to one year ahead of delivery at best.

Forward hedging is becoming crucial in the current market circumstances, and LTTRs issued earlier than one year before delivery could support well-needed cross-border hedging and PPAs over longer time horizons.

Specific comments to HAR

1. Article 9 outlines that ‘...bank account should be from European Union, United Kingdom, European Economic Area or a country in which the Single Allocation Platform performs cross border auction services.’ It is not clear if it is meant a country to which Single Allocation Platform provides services or country where SAP performs service, i.e. Luxembourg. We propose the following formulation, ‘...a country where entities which are serviced by the SAP are registered and licensed as TSOs’. Similar remark is also valid for Article 20.1 (a).

2. It is noted in the EFET response (footnote 2), November 2022⁷ but we consider important to emphasize it here as well. The flow-based approach for capacity allocation implies one single auction for each region where it applies. In the CORE CCR, this translates into one auction for more than 20 borders. This demands significant top-up in collateral requirements for market participants, increasing the costs of hedging and trading in general. This is a major drawback of the flow-based approach and unfortunately it is not addressed in the HAR. We invite TSOs to provide clear explanations of the collateral requirements and their interaction with submitted bids under the flow-based allocation approach so that market participants understand it and are able to adjust their bidding strategy. Moreover, the validity of the collateral requirements as outlined in the HAR, regardless of the flow-based or ATC approach, seem to be disproportionate to the risk exposure of the TSOs.

- Article 22 sets the validity of the collateral requirements for yearly and monthly products to at least 30 calendar days after the end of the Product Period(s).

- Article 66 outlines that the payments for long-term rights shall be settled before the start of the Product Period.

The above freezes the collateral for more than 60 calendar days even though the specific rights related to the product period are required to be paid. Unnecessarily freezing collateral is a financial commitment for market participants which increases the costs of trading and hedging.

3. Article 29.6 outlines the information on the offered capacity that is made public before the auction in the flow-based approach. This is limited to (a) Max Exchanges (MaxBex), and (b) Max Net Positions. There is no clear definition of these parameters nor a reference to the methodology that defines them, in particular with respect to the flow-based allocation approach. It is not clear if such information is provided per border, or per source-sink.

EFET considers that the full list of required data (as listed in the CORE LT CCM, annex 1, article 20.1, referring to article 3f of the FCA regulation) should be published prior to the auction. Clarity should be given on how this information will be published and where. We consider that the provisions in

Specific comments to HAR:

- 1) **Article 9:** This article refers to the acceptance of a bank account from "a country in which the SAP provides cross border auction services". In this regard, the article is sufficiently clear as if the country of SAP's operation was limitedly referred to, the drafting of the article would include the mention of "a country from which the SAP provides cross border auctions services".

The proposed wording is not acceptable as it extends the scope of application and allows bank accounts from countries not referred to in these Rules.

- 2) Regarding the concerns on collateral requirements, please see the TSOs' response to EDF on page (9).

- Article 22: This is no change to current HAR
- Article 66: This is no change to current HAR

To change the validity of the collaterals is not possible, because they should be valid if a Payment Incident occurs during the Invoicing Process, to allow JAO to use the Bank Guarantee provided as a collateral. Since process of the Payment Incident takes longer, than the Invoicing Process itself, the validity date of the collaterals cannot be decreased.

- 3) **Article 29.3:** TSOs will consider which is the right place to give this information to the market participants. However it would be too detailed for a description in HAR. All TSOs will publish data items in direct relation to the auction in the auction specifications. In parallel, based on Core LTCCM Art 20.1, Core CCC will publish additional relevant data after each capacity calculation. Although not defined explicitly, MaxBex and Max Net Positions concepts are present in the DA CCM or in JAO's Core Publication Tool handbook.

	<p>the HAR on transparency should at least refer to the list of parameters defined in the relevant CCM.</p> <p>4. Additions in paragraphs 3 and 4 of Article 31 make these paragraphs applicable only to the ATC approach, however these seem to be overruled by paragraph 6 of the same Article, which states that the same process applies to ATC-based and flow-based allocation. Please clarify in order to avoid any ambiguity.</p> <p>5. Article 49 (new) sets the cap to be applied for the remuneration of the non-nominated/financial LTTRs in case of day-ahead market decoupling. It takes into account only the congestion incomes of the TSOs related to specific month (yearly, monthly, shadow auction) for a specific month. We consider this matter of crucial importance and as noted above, the legal basis for remuneration of the non-nominated/financial LTTRs in case of day-ahead market decoupling, are set in the FCA GL. Amending this principle in HAR creates legal ambiguity and raises compliance concerns. In addition, the firmness of the LTTRs is greatly affected beyond the day-ahead firmness deadline. In our response from August 2021 (link provided in footnote 1), we provided a detailed explanation on legal and economic viewpoint. The payout of the TSOs in the case of decoupling on the below outlined observed events suggests that such amendment is unnecessary and highly disproportionate to the exposure that the TSOs face in case of decoupling:</p> <p>EFET assessment:</p> <ul style="list-style-type: none"> - on 07/06/2019: 2,8% of aggregated 2019 EU congestion rent (forward allocation only) - on 04/02/2020: 0,9% of aggregated 2020 EU congestion rent (forward allocation only) - on 13/01/2021: 2% of aggregated 2021 EU congestion rent (annual LTTRs allocation only) <p>6. Article 66.14 outlines delays in invoicing and settlement due to erroneous data. Potential delays 90 up to 180 working days. In such cases, this Article shall state that in such cases, collaterals provided by auction participants are released and participants are not penalized due to late invoicing.</p> <p>7. Article 73.5 (e) states that JAO terminates of participation agreement in case of 15 months inactivity. It is not clear what inactivity means, but before termination JAO should check with the party, and only in case of no feedback for period of 20 days to terminate.</p> <p>Contact Arben Kllokoqi Director of Electricity Market Design a.kllokoqi@efet.org</p>	<p>4) Matter of final formatting of HAR. General part (paragraph 6) is related to products and timeframes, not to ATC or FB allocation.</p> <p>5) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs' response to EDF on page (10).</p> <p>6) Article 66.14: No change to the current HAR. This seems to be a misunderstanding. Corrections do not prevent for paying/receiving any payments by regular monthly invoicing. The article is describing correction cycle of incorrect invoicing, but do not block any kind of collaterals.</p> <p>7) Article 73.5: No bids and no log-in in JAO Systems (e-CAT). See last sentence; JAO shall have notified the registered participant in such situation.</p>
<p>Please provide your views on provisions related to collaterals requirements</p>	<p>(also mentioned above)</p> <p>It is noted in the EFET response (footnote 2), but we consider important to emphasize it here as well. The flow-based approach for capacity allocation implies one single auction for each region where it applies. In the CORE CCR, this translates into one auction for more than 20 borders. This demands significant top-up in collateral requirements for market participants, increasing the costs of hedging and trading in general. This is a major drawback of the flow-based approach and unfortunately it is not addressed in the HAR. We invite TSOs to provide clear explanations of the collateral requirements and their interaction with submitted bids under the flow-based allocation approach so that market participants understand it and are able to adjust their bidding strategy.</p> <p>Moreover, the validity of the collateral requirements as outlined in the HAR, regardless of the flow-based or ATC approach, seem to be disproportionate to the risk exposure of the TSOs.</p> <ul style="list-style-type: none"> - Article 22 sets the validity of the collateral requirements for yearly and monthly products to at least 30 calendar days after the end of the Product Period(s). 	<p>Regarding the concerns on collateral requirements, please see the TSOs' response to EDF on page (9).</p>

	<p>- Article 66 outlines that the payments for long-term rights shall be settled before the start of the Product Period. The above freezes the collateral for more than 60 calendar days even though the specific rights related to the product period are required to be paid. Unnecessarily freezing collateral is a financial commitment for market participants which increases the costs of trading and hedging.</p>	
<p>Organization</p>	<p>EURELECTRIC</p>	
<p>Any views on the proposals are welcomed together with more specific questions related to each topic of the proposal</p>	<p>Key messages:</p> <ul style="list-style-type: none"> - Eurelectric continues to challenge the added value of Flow Based allocation which has not been sufficiently demonstrated and is hence not compliant to FCA guideline article 10. Most importantly, it has not been proved that FB allocation will lead to more cross-zonal capacities being allocated, which should be the ultimate goal given the need for long-term hedging under current circumstances. - Collateral: Eurelectric wants to highlight that the move to Flow Based Allocation implies a significant increase of collateral requirements which has so far not been addressed and is therefore seriously imperiling any benefits of the Flow Based Allocation. - Hedging for longer term horizon is not sufficiently foreseen in the EU HAR. The proposal does not sufficiently support the possibility for allocation of FTR beyond the year-ahead horizon. - Transparency: the EU HAR lacks sufficiently detailed and effective transparency provisions with regards to the evolution of the Flow Based Calculation and Allocation; - we reiterate our opposition to Art. 49 which provides for a cap for the remuneration of LTTRs in case of decoupling event and would like to remind that it is not compliant with the FCA regulation (Art. 35); - on the last slide, in the part “Amendment article/General”, we don’t not understand what ENTSOE means by “possibility to amend certain aspects of the HAR without regulatory approval”. We believe HAR changes must always require regulatory approval. <p>General comments</p> <p>Format of the consultation: We welcome the ppt explaining the main changes, this is pedagogical and useful.</p> <p>FTR obligations: Eurelectric would like to remind its opposition to the use of FTR obligations. As said in our answer to the consultation of ACER on the Forward Policy paper. We therefore reiterate our request to remove the FTR obligations in the EU HAR.</p> <p>LTTR beyond the one year ahead horizon: The maturities of LTTRs should be aligned with the maturities of forward products in the market. It would allow MPs to hedge their cross-border risk together with other risks in the market. We recommend the EU HAR to be adapted to accommodate such potential evolution, should a decision be taken to implement LTTR allocation beyond year-ahead.</p>	<p>Please find below some justified responses to the comments:</p> <ol style="list-style-type: none"> 1) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations. 2) Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9). 3) All TSOs acknowledge the interest from market participants for more advanced forward capacity allocation timeframes. This is not directly related to the HAR, however the topic is being discussed under the market reform debate for updating general rules for LT-market (FCA-update). 4) Transparency in the capacity calculation process is also very important for all TSOs. Based on REMIT regulation, All TSOs have to fulfil very accurate requirements. All relevant data shall be published in time by auction specification. 5) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).

<p>Please provide your views on provisions related to collaterals requirements</p>	<p>Collateral issues: We understand in the background power point document that an update of EU HAR is needed in order to review how bids are assessed and rejected due to insufficient credit limit and TSOs to assess if the amount of credit limit required can be reduced. We fail to understand the following sentence and would welcome clarification: “Included as unsolved and open question for Shadow Opinion and PC”. Eurelectric wants to highlight that the move to Flow Based Allocation implies a significant impact for collateral requirements. We understand that the collateral requirement has not been adapted/modified to the allocation of more than 20 borders at the same time: therefore, Market Participants will have to provide at once the full amount of collateral corresponding to the “sum” of all the individual borders they are bidding. This will drastically increase the cost of hedging and trading in general. This major drawback of the Flow Based allocation is not addressed in the EU HAR, contrary to what has been said during the LTFBA workshop in November 2022. The filtering which is foreseen to reject bids that would not be covered by the provided collateral, is seriously challenging the benefit of the Flow Based Allocation. Eurelectric called several times for a proper solution to address this problem, without success. Finally, the required collateral (for both Flow Based and ATC) seems disproportionate compared to the risks TSOs are bearing. Indeed: - article 22 mentions that the validity of the collateral requirements should be 30 days after the end of the Product Period; - Article 66 says that the payment for long term rights shall be settled before the start of the Product Period; We suggest that the validity of the collateral should end right after the payment of the acquired rights.</p>	<p>Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9).</p> <ul style="list-style-type: none"> • Article 22: This is no change to current HAR • Article 66: This is no change to current HAR <p>To change the validity of the collaterals is not possible, because they should be valid if a Payment Incident occurs during the Invoicing Process, to allow JAO to use the Bank Guarantee provided as a collateral. Since process of the Payment Incident takes longer, than the Invoicing Process itself, the validity date of the collaterals cannot be decreased.</p>
<p>Please provide your views on contestation of auction results and fallback procedures and articles affected by these</p>	<p>Transparency (article 29): Article 29.2 states that in the event of FB, “final offered capacity” shall be published. It is also clarified that in the event of Flow based allocation, the “final Offered Capacity” shall consist of: “a) Max Exchanges (MaxBex) and; c)b)Max Net Positions” Feedback: First we want to point out that there is no definition of “Max Exchange” or “Max Net Positions”, neither a reference to the relevant capacity calculation methodologies. Second, we consider that publishing only “Max exchange and max net position” is not sufficient for “final offered capacity” in case of Flow Based Allocation. Indeed, the full list of required data (e.g. as published in the CORE LT CCM, annex 1, article 20.1, referring to article 3f of FCA regulation) shall be published prior to the auction; How will this be ensured ? where will this data be published ? Article 31: While article 31.3 and 31.4 refer exclusively to ATC allocation, article 31.6 mentions that all previous provisions refer to both ATC and Flow based. Could EntsoE clarify this ? Decoupling and cap on LTTR remuneration (article 49): TSOs once again exhibit a large need to stress the importance of the possibility to curtail the remuneration in case of the de-coupling in the DA, in our view beyond the magnitude of the actual issue. This is reflected in article 49 of the revised Harmonised Allocation Rules. Eurelectric feedback on article 49: As a first point, we would like to remind that we are strongly opposed to the approach that the remuneration of LTTR in case of decoupling is equal to the shadow capacity price, as explained in our answer to ACER consultation on EU HAR update in 2021 (1, see below), and as stated in our letter dated 6th April 2021 to the European Commission and ACER after this idea of altering the firmness of LTTR during decoupling events was presented by ENTSO-E at the MESC of 11th March 2021. This idea has already been proposed by ENTSOE in 2021 and rejected by ACER since it wouldn’t be compliant with FCA Article 35. We therefore strongly disagree that it is brought again for discussion, without any new arguments that would justify the reopening of the issue.</p>	<p>Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).</p> <p>Also for TSOs transparency is very important. Further on based on REMIT regulation TSOs have to fulfil very accurate requirements. All relevant data shall be published in time by auction specification.</p> <p>Article 29.3: TSOs will consider which is the right place to give this information to the market participants. However, it would be too detailed for a description in HAR. All TSOs will publish data items in direct relation to the auction in the auction specifications. In parallel, based on Core LTCCM Art 20.1, Core CCC will publish additional relevant data after each capacity calculation and generally prior to the allocation process. Although not defined explicitly, MaxBex and Max Net Positions concepts are present in the DA CCM or in JAO’s Core Publication Tool handbook.</p> <p>Article 31.3 and 31.4: Matter of final formatting of HAR. General part (paragraph 6) is related to products and timeframes, not to ATC or FB allocation.</p> <p>Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).</p>

The letter clearly described the flaws in the rationale presented by ENTSO-E to reduce the firmness of LTTR in case of decoupling. Furthermore, the letter outlines a way forward and requests ENTSO-E to focus on the management of decoupling events and improving the competition in the shadow auctions. We request ENTSO-E to refer to this letter for more details on our concerns, and we reiterate a few major points presented in the letter below.

The proposal of ENTSO-E that the remuneration of LTTR could be capped in the case of decoupling is claimed to be introduced to ensure fairness and a level playing field both for market participants and for tariff payers. However, challenging the firmness of LTTR could not only be detrimental to the holders of LTTR for the period of the decoupling, but could even be detrimental to network tariff payers, as the risk of a revenue loss in case of decoupling event would eventually be accounted for by bidders when they auction to buy the LTTRs. In other words, TSOs would permanently get less revenues from LTTR auctions if they make LTTR a less reliable – and thus less valuable – hedging solution.

Moreover, we consider that the proposal is not appropriate to address the problem of limited competition in the shadow auctions, which induces a loss of congestion rents for TSOs during decoupling events. Penalizing only the LTTR holders in terms of LTTR remuneration will not solve this concern. Eurelectric supports the ambition to increase competition in shadow auctions, but consider that the facilitating measures should target all market participants and not only the LTTR holders.

Finally, if a decoupling event has significant consequences in terms of congestion rents or price formation, Eurelectric considers that the economical compensation measures should rather be paid by the party that is responsible for the failure that caused the decoupling. As LTTR holders could by no means be considered responsible of the past decoupling events, their penalization provides incorrect incentives for minimizing decoupling events. It is the responsibility and operational performance of other stakeholders of the market coupling process that should rather be correctly incentivized.

Therefore, we are strongly opposed to the idea that the remuneration of LTTR could be altered in the case of decoupling. This goes against the key principle that LTTR is a hedging product for market participants, who would then bear a risk that they have no means to mitigate. Last but not least, we would like to point out that the Market Coupling Steering Committee recently decided to increase the price threshold triggering a book reopening, with the argument that this would drastically reduce the risk of decoupling. As a second point, we are also strongly opposed to the modification to cap the remuneration to monthly revenues, instead of yearly revenues. TSOs are well protected for the remuneration of LTTR with a yearly approach, and there has been no justification of the reason for such change. We do not see what is justifying such limitation which seems disproportionate.

(1)
https://cdn.eurelectric.org/media/5278/letter_to_acer_remuneration_of_lttrs-2021-030-0157-01-e-h-14527037.pdf

Organization

CEZ

<p>Any views on the proposals are welcomed together with more specific questions related to each topic of the proposal</p>	<p>Many thanks for putting together a well-detailed proposal. However, we rather question the added value of Flow Based allocation which has not been sufficiently demonstrated and hence we do not find it compliant to FCA guideline article 10. Most importantly, it has not been proved that FB allocation will lead to more cross-zonal capacities being allocated, which should be the ultimate goal given the need for long-term hedging under current circumstances. Total amount of capacities decreased after full implementation of FB CORE (for M+1 and Y+1), we are worried implementation of FB for LTTRs would lead to further decrease in capacities.</p> <p>The maturities of LTTRs should be aligned with the maturities of forward products in the market. It would allow MP to hedge their cross-border risk together with other risks in the market.</p>	<p>Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.</p> <p>All TSOs acknowledge the interest from market participants for more advanced forward capacity allocation timeframes. This is not directly related to HAR, however the topic is being discussed under the market reform debate for updating general rules for LT-market (FCA-update).</p>
<p>Please provide your views on contestation of auction results and fallback procedures and articles affected by these</p>	<p>We are strongly opposed the approach that the remuneration of LTTR in case of decoupling is equal to the shadow capacity price, which has already been rejected by ACER in the past. Challenging the firmness of LTTR could not only be detrimental to the holders of LTTR for the period of the decoupling, but could even be detrimental to network tariff payers, as the risk of a revenue loss in case of decoupling event would eventually be accounted for by bidders when they auction to buy the LTTRs. In other words, TSOs would permanently get less revenues from LTTR auctions if they make LTTR a less reliable – and thus less valuable – hedging solution. Moreover, we consider that the proposal is not appropriate to address the problem of limited competition in the shadow auctions, which induces a loss of congestion rents for TSOs during decoupling events. Penalizing only the LTTR holders in terms of LTTR remuneration will not solve this concern. LTTR holders could by no means be considered responsible of the past decoupling events, their penalization provides incorrect incentives for minimizing decoupling events. It is the responsibility and operational performance of other stakeholders of the market coupling process that should rather be correctly incentivized.</p>	<p>Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).</p>
<p>Organization</p>	<p>TIWAG</p>	
<p>Any views on the proposals are welcomed together with more specific questions related to each topic of the proposal</p>	<p>We do not support the introduction of flow-based long-term transmission right (LTTR) allocation, since it introduces a lot of complexity and does not support the goal of improving the quality of the LTTR as a hedge. We argue that the LTTR need further improvement to fit better to how the forward market works (see next point).</p> <p>We call for a stronger alignment of the LTTR auctions and products with the habits of the forward market. That means direct support of a secondary market for LTTR making it easier to exchange LTTR between market participants, possibly on a platform that is already used in the forward market. To better fit to the forward market also means the introduction of Year+2/Year+3/quarterly products and eventually distributing the capacity to more frequent auction dates. The current rules, that is auctioning only one yearly product and just monthly product close before the delivery starts, are insufficient.</p> <p>Article 49: We do not understand why TSOs need to cap remunerations in the case of decoupling. TSOs, being part of SDAC process, can improve the reliability of the process such that decouplings are less likely to occur. TSOs can also manage the SDAC fallback process such that capacities are allocated purposefully and that extreme price events are avoided. To cap remuneration means a deterioration of the quality of FTRs as hedging products and stands in contrast to the objectives of the FCA Article 3 a). Deterioration of the quality of FTRs would also mean that the auction participants would price in the event of decoupling into their auction bids or even be shielded away and not place bids at all and thus lead to less auction income.</p> <p>Article 70 Liability: We would like to know why the obligations of the Single Allocation Platform are restricted to “best efforts”. The Single Allocation Platform manages very important and critical processes. We think it would be in the common interest, if the entity responsible for these</p>	<ol style="list-style-type: none"> 1) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations. 2) All TSOs acknowledge the interest from market participants for more advanced forward capacity allocation timeframes. This is not directly related to HAR, however the topic is being discussed under the market reform debate for updating general rules for LT-market (FCA-update). 3) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).

	<p>processes has a strong mandate to perform and not a “weak” mandate. If the obligations are only at “best efforts”, we argue that the quality of the services/obligations have to be specified in more detail, and in such a way that there are enough resources dedicated and that quality management systems for every proces are in place etc.</p>	<p>Article 70: The “best efforts” term is a common legal phrasing, interpreted in this case under the critical role played by the SAP.</p> <p>JAO is regularly requesting customer feedback and the scoring of the surveys is usually high, and the outcome is positive.</p>
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VI. Annex 2 - Public consultation responses received for 1 August submission

Organization	ERO (Czech NRA)	All TSOs response
Please provide your view on the penalty mechanism	<p>The consulted proposal allows market participants (MPs) to terminate their contract (i.e., MPs will lose all rights on awarded capacity after payment incident), if MPs deem the contract to be to the MPs detriment (e.g., MP has “overpaid” for the awarded capacity in the long-term flow-based auction). This creates a financial risk for TSOs and leads to unequal treatment of ATC LTTRs and flow-based LTTRs holders in terms of their payment obligations after the payment incident and subsequent suspension. Therefore, the consulted proposal for amendments of the methodology does not address financial risk for TSOs properly, but rather aggravates it further.</p> <p>For this reason, ERO asks all TSOs’ to revert back to wording of Articles 67 and 71 (Articles on Late payment and payment incident and Suspension of Participation Agreement) of the currently applicable HAR as of 2022, when MPs have payment obligations arising from the contract (i.e., payment obligations related to allocated yearly LTTRs) even after the date when the payment incident is registered and their subsequent suspension. This effectively means, that MPs must pay for allocated yearly LTTRs during the entire year (from January to December) in monthly instalments even after the date when the payment incident is registered, and their subsequent suspension takes effect. In the current proposal of the methodology, MPs would have to pay only for allocated yearly LTTRs prior to the payment incident (i.e., pay for all open invoices).</p>	<p>All TSOs agree to this proposal and reverted back to the wording of Articles on Late payment and payment incident and Suspension of Participation Agreement as in a version of Harmonised allocation rules for long-term transmission rights submitted to ACER on 1st of March 2023.</p> <p>The 1st of March submission differs from the currently applicable Harmonised allocation rules for long-term transmission rights in terms of treatment of a Registered Participant, which is under economic and trade sanctions which may have a significant impact on the Single Allocation Platform. In addition to the abovementioned, it also introduces new requirement for Registered Participants related to recurring payment incident. Specifically, in case of the recurring payment incident the Single Allocation Platform may require from the Registered Participant to change its Bank Guarantee collateral to a cash deposit collateral.</p> <p>All TSOs are of the opinion that the changes provided in the version of the HAR are compatible with the ERO request.</p>
Organization	Eurelectric	

<p>Please provide your views on the method for calculating the cap</p>	<p>Eurelectric thanks ENTSO-E for the opportunity to respond to the consultation “All TSOs’ proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights”.</p> <p>Eurelectric wants to highlight once more that the move to Flow Based Allocation implies a significant impact for collateral requirements. We understand that the collateral requirement has not been adapted/modified to the allocation of more than 20 borders at the same time: therefore, Market Participants will have to provide at once the full amount of collateral corresponding to the “sum” of all the individual borders they are bidding. This will drastically increase the cost of hedging and trading in general.</p> <p>To partially mitigate the issue, we take note of the proposal to cap the price based on which the collateral will be computed. The proposed cap equals the average observed realized spread during a certain period. Since the FTR auctions concern forward maturities (and not day-ahead), we suggest using the average observed forward spread instead during a certain period. It is important to make sure that the reference price used to compute the cap is in line with the maturities of the FTRs. We suggest Entso-E to engage into discussions with data providers in order to obtain the necessary data.</p> <p>That being said, we want to reiterate our concern that performing an auction with only a limited set of buying orders challenges the potential merit of such an auction. In order to properly assess the situation, we suggest performing an analysis to test to which extent the set of buying orders would be limited by collateral.</p> <p>In addition, we think that the constraint related to collateral (ie the limitation in terms of bidding a market participant will have to respect) should be integrated into the optimization algorithm, in order to make sure that the best combination of bids is selected (instead of an ex ante arbitrary selection). Last but not least, we want to remind a comment we shared at last consultation. We consider that the required collateral (for both Flow Based and ATC) seems disproportionate compared to the risks TSOs are bearing. Indeed:</p> <ul style="list-style-type: none"> - article 22 mentions that the validity of the collateral requirements should be 30 days after the end of the Product Period; - Article 66 says that the payment for long term rights shall be settled before the start of the Product Period; We suggest that the validity of the collateral should end right after the payment of the acquired rights. Could ENTSO-E clarify this point ? <p>Finally, Eurelectric wants to once more challenge the added value of Flow Based allocation which has not been sufficiently demonstrated by ACER and is hence not compliant to FCA guideline article 10. Most importantly, it has not been proved that FB allocation will lead to more cross-zonal capacities being allocated, which should be the ultimate goal given the need for long-term hedging under current circumstances. More worrying, the recent simulations performed by TSOs show that some bidding zone will have very low/zero volumes allocated at their borders. We suggest TSOs to investigate possible mitigation measures, such as imposing a minimum volume at each borders, ensuring that no bidding zone becomes isolated in the forward market.</p>	<p>Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.</p> <p>Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9).</p> <p>In addition, please note that:</p> <ol style="list-style-type: none"> 1) The forward spread is not available for all borders and there is not sufficient liquidity on all bidding zone borders, therefore this forward spread cannot be used as a solution for all borders. TSOs propose an option that can be applied for all borders. In addition forward prices change every day and it is therefore difficult to set a date for which forward prices should be used. 2) During the development phase it is planned to perform testing of the auction tool with different sets of orders prepared in coordination with market participants. 3) TSOs are open to investigate further options and improve this process as part of the post-Go-Live developments. 4) Also: <ul style="list-style-type: none"> • Article 22: This is no change to current HAR • Article 66: This is no change to current HAR <p>To change the validity of the collaterals is not possible, because they should be valid if a Payment Incident occurs during the Invoicing Process, to allow JAO to use the Bank Guarantee provided as a collateral. Since process of the Payment Incident takes longer, than the Invoicing Process itself, the validity date of the collaterals cannot be decreased.</p>
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<p>Please provide your view on the penalty mechanism</p>	<p>In the consultation text, the proposal “If such dunning process is again not successful, the MP will lose all rights on awarded capacity from the day after the dunning process ended. JAO will collect collaterals from MPs, given in form of bank guarantee or cash deposit all open amounts, to balance open invoices.” can be interpreted as: should a MP be in default (ie not paying the needed amount), there would be a call made to others MP to “fill the gap”.</p> <p>To avoid misunderstandings, we recommend specifying in the EU HAR text that JAO will collect collaterals from the concerned MP.</p>	<p>All TSOs are aware of the mistake in the consultation text. All TSOs would like to clarify that should the market participants be in a default (i.e. not fulfilling its payment obligations), there will not be a call made to other market participants to “fill the gap”.</p> <p>The penalty mechanism remains the same as in the current version of Harmonised allocation rules for long-term transmission rights. This effectively means, that when the market participants s collateral is exhausted, the Single Allocation Platform will still issue invoices to the defaulting market participant for the rest of its yearly LTTRs. If the concerned market participant will not fully settle its payment obligations for allocated LTTRs, the Single Allocation Platform will try to obtain by all legal means an amount owed by the market participant for all of its allocated yearly LTTRs in auctions. Moreover, the defaulting market participant will be suspended, and the market participant may no longer participate in an auctions or in the transfer or return of Long Term Transmission Rights. All TSOs have reverted to previous penalty payment mechanism to fulfil a request from NRA.</p>
<p>Organization</p>	<p>EFET - European Federation of Energy Traders</p>	
<p>Please provide your view on setting collaterals according to a cap</p>	<p>EFET response to the ENTSO-E consultation on the TSOs’ proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights</p> <p>Brussels, 8 July 2023 – The EU Harmonised Allocation rules are going through a series of amendment proposals in the context of their adaptation to future flow-based capacity allocation. We thank ENTSO-E for this new consultation, though, as emphasised in our previous communications, the flow-based approach to capacity allocation in the forward timeframe comes with substantial drawbacks.</p> <p>Key messages</p> <ol style="list-style-type: none"> 1. We continue to challenge the added value of flow-based allocation of transmission capacity in the forward timeframe. This substantial shift requires a proper assessment of benefits, which still has not been made publicly available. 2. We welcome the willingness of TSOs to find a solution to decrease the burden of collateral in pan-regional auctions. Nevertheless, the proposed amendments to the EU HAR, while providing a cap on collateral, do not fully address the issue. 3. We consider that that the backward-looking approach to day-ahead prices for the collateral price cap calculation does not reflect the reality of bidding in the forward market. This may render the price cap useless and result in deoptimized bidding. We consider the use of use of forward prices is a more adequate measure to set the cap on collateral. 4. We consider the approach of filtering the lower-priced bids, in case the credit limit is lower than the maximum payment obligation, as sub-optimal and discriminatory. Effectively, bids on interconnections with lower anticipated spreads will be filtered out, without differentiation of their intrinsic and extrinsic values. 5. We reiterate that the review of the EU HAR should not be the occasion for TSOs to default on their obligation to guarantee the financial firmness of transmission rights according to the FCA Regulation. Caps on the remuneration of long-term transmission rights (LTTRs) are reserved to cases of curtailment. No specific cap to the remuneration of LTTRs can be legally added for cases of day-ahead market decoupling with the existing legal framework. We also believe this would not make sense economically. <p>The implementation of flow-based capacity calculation and allocation creates a major change in forward market design and deserves a thorough assessment of benefits.</p>	<ol style="list-style-type: none"> 1) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodology, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations. 2) Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9). 3) Please note that the forward spread is not available for all borders and there is not sufficient liquidity on all bidding zone borders, therefore this forward spread cannot be used as a solution for all borders. TSOs propose an option that can be applied for all borders. In addition forward prices change every day and it is therefore difficult to set a date for which forward prices should be used. Also, there are no contributions by the other market participants to recover the unpaid gap of the market participant with default in payment. 4) Regarding the concerns on filtering, please see the TSOs’ response to EDF on page (9). 5) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).

We have expressed this view on several occasions, pointing out to the downsides of the flow-based approach – some of which we repeat in our detailed comments below.

Should flow-based capacity allocation nonetheless be implemented in the forward timeframe, we support the objective of easing the increased collateral requirements. This is one of the operational drawbacks that, in addition to complexity, substantially adds to costs of hedging.

Detailed comments:

A review of the flow-based approach to LTTRs allocation is a must

EFET understand that the TSOs are to amend the EU HAR in order to respond to the ACER requirement to implement flow-based capacity allocation in the forward timeframe. We remind that the objective of EU legislation is to enable efficient forward markets with sufficient hedging instruments made available to market participants. We deplore that ACER, in its original decision to apply this calculation and allocation method to the forward timeframe in the Core and Nordic regions, has not demonstrated that “the flow-based approach leads to an increase of economic efficiency in the capacity calculation region with the same level of system security”, as per article 10.5a) of Regulation 2016/1719 (FCA Regulation).

We have continuously outlined the many drawbacks associated with the implementation of flow-based allocation in the forward timeframe. As flow-based allocation brings complexity, additional cost and high uncertainty over available capacity on certain interconnections without clearly proven benefits in terms of social welfare it should not be pursued at all costs only to meet deadlines.

We draw your attention to the EFET response to the ACER consultation on the SAP, CID and FRC amendments for long-term flow-based allocation submitted to ACER on 23 November 2022, which summarises our reservations related to the implementation of flow-based capacity allocation.

Better optimisation in filtering bids is necessary (Article 34)

We understand that bid filtering, when the payment obligation (considering the price cap) is higher than the credit limit, is applied for the NTC-based allocation in the one auction per border/direction setting. With flow-based allocation, the approach proposed by the TSOs results in an arbitrary filtering of lower-priced bids on different borders/directions that are part of the single flow-based auction for each region. This bid filtering would discriminate bids at borders with lower spread. The allocation algorithm assumes that the highest bids are more important for market participants, disregarding the lowest priced bids which, even though are valued at the forward spread, are filtered out from the auction.

Market participants risk of losing opportunities to secure cross-zonal risk hedging instruments on the borders with lower forwards spreads but high(er) volatility.

Price cap calculation for the purpose of collateral requirement should be forward looking (Article 34)

While the idea of a cap on collateral is positive, it all boils down to whether the cap actually decreases the collateral burden for market participants. As a reminder, the risk here is that, with a single pan-regional auction, bidding is de-optimised because of collateral constraints.

The proposal to use the day-ahead spreads does not make much sense. The cap should be set according to forward spreads observed as close to the auction as possible, yearly spread for year-ahead auction and quarterly/monthly/weekly spread for quarter/month/week-ahead auction.

Provisions related to default and potential contribution in payment should be clarified

Detailed comments:

- 1) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.
- 2) Regarding the concerns on filtering, please see the TSOs’ response to EDF on page (9).
- 3) Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9). In addition, please note that there are no contributions by the other market participants to recover the unpaid gap of the market participant with default in payment.
- 4) Regarding the deadline for the publication of the price cap on collaterals defined in the HAR represents the last moment for publication.
- 5) Regarding the detailed timeline of performing auctions, it is defined in the yearly updated auction calendar by JAO. Specification of timings of the auction processes are given in the HAR as exact as possible considering current knowledge of such processes. TSOs will try to improve that by further HAR updates as soon as processes are exactly known by practical experiences also. In addition, payment condition do not change. In general, there should be no overlapping between payment of auctions of (M-1) and subsequent M-auction for LTFB-.
- 6) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).

The provisions of the EU HAR should be clear on how the potential gap between the maximum payment obligation and the credit limit on the one hand, and the potential default in payments on the other hand, is recovered.

The proposed amendments to the EU HAR are not clear in this important issue. Hence we request full clarity on the calculation of potential contributions by market participants to recover the unpaid gap.

Publication of the price cap ahead of the start of bidding period is needed (Article 29)

According to the EU HAR, the price caps on collateral applied for a specific auction is published one hour before the start of the bidding period together with the final auction specification.

We consider that this information should be published well before, at least 2 days ahead of the auction. This will ensure that market participants can alter their credit limit and increase it should the cap be higher than expected or vice versa.

Auction dates and invoicing/payments periods to enable reuse of credit limit (Title 10)

The timeline of the yearly, monthly and other auction periods is not clear in the proposed amendments to the EU HAR. With increased collateral requirement, it is becoming even more important to enable the re-use of the credit limit for subsequent allocations.

Auction participants should have the invoices and sufficient time for payment of capacity allocated in previous auctions before the subsequent auction is opened. This way, their credit limit would be reset and reused for the following allocation. This had less importance in the NTC allocation where auctions per individual borders were set on different dates and the re-use was possible. With one single pan-regional auction, this will have a substantial impact on the value of collateral. Hence, the timing of auctions, invoicing and payments should allow for an optimal use of the credit limit.

The financial firmness of LTTRs should be maintained even in case of day-ahead market decoupling

We consider this matter of crucial importance. Amending the financial firmness of transmission rights in the EU HAR would require a legal basis in the FCA Regulation. However, article 35 FCA Regulation is crystal clear: LTTRs are remunerated at the DA market spread when day-ahead market coupling is in place at a given border, whether the allocation actually occurred implicitly or via a fallback process. The sole exemption to this principle of financial firmness is in article 54 FCA Regulation, which allows caps on LTTR compensation – not remuneration – only applies to curtailed LTTRs.)

The case of decoupling being explicitly foreseen in the FCA Regulation, and still providing remuneration of LTTRs at DA market spread, the new article 49 proposed by ENTSO-E is not compliant with the FCA Regulation.

Aside from its unlawfulness, we also believe that this measure makes no economic sense, as mentioned at previous occasions. For such a significant departure from the well-established principle of financial firmness of LTTRs, we would expect the TSOs to properly assess and demonstrate:

- a) the necessity of the proposed measure: i.e. that the existing remuneration rules put an unsustainable financial burden on the TSOs even with a few rare days of decoupling;
- b) the proportionality of the proposed measure: i.e. that a modification of the remuneration rules does not have a detrimental impact on the allocation of LTTRs and their value, and eventually improves social welfare.

Regarding point (a) on the necessity of the measure, the TSOs changed their narrative on the remuneration of LTTR at the DA market spread in case of decoupling from a question of “overcompensation” (2022) to a question of “fairness and level-playing field between market participants and tariff payers”. A few thoughts around that:

- “Tariff payers” are consumers, which do not only pay tariffs, but also energy. The question of fairness should hence not only look at what could be saved on the tariffs part of an electricity bill from lower remuneration of transmission rights, but what could be lost on the energy part of the electricity bill from higher cost of trading linked to lower firmness of transmission rights (see point b).

- The discussion of tariffs themselves fundamentally boils down to the original argument of the TSOs claiming that full financial firmness of transmission rights even in case of decoupling leads to an unbearable financial burden for TSOs, that is then passed through tariffs onto consumers. As we are lacking information on TSOs congestion rent (either aggregated or per border) as well as on payouts to LTTR holders, the only numbers that we had at hand to perform some type of analysis – despite repeated requests – are those presented by the TSOs at the MESC and Florence Forum meetings of the spring of 2021. When reverse-engineering these numbers, we can observe that the LTTR payout on the decoupling event represented:

- o on 07/06/2019: 2,8% of aggregated 2019 EU congestion rent (yearly and monthly LTTRs allocation, excl. DA)
- o on 04/02/2020: 0,9% of aggregated 2020 EU congestion rent (yearly and monthly LTTRs allocation, excl. DA)
- o on 13/01/2021: 2% of aggregated 2021 EU congestion rent (annual LTTRs allocation only, excl. monthly LTTRs and DA)

The data presented by the TSOs shows that LTTR remuneration during days of decoupling was far from reaching the congestion rent they collect in each concerned year, even if looking only at forward allocation revenues (i.e. not taking account of additional transmission revenues from DA).

Regarding point (b) on the proportionality of the measure, we miss an assessment by the TSOs of the effect that their proposed measure may have on the allocation of LTTRs and their value, as well as on social welfare in general:

- The idea that firmness would only be affected in in case of decoupling is also misleading: indeed, changing the rules of LTTR remuneration in case of decoupling effectively diminishes the firmness of all LTTRs at the time of allocation, whether or not they are redeemed on a day of decoupling at a later stage, since it cannot be known a year or a month in advance whether decoupling will happen in DA.

- Any change in the LTTR remuneration rules will be accounted for by market participants when they bid in long-term auctions. Hence, any reduction of firmness, in particular for events such as decoupling that market participants are unable to forecast or mitigate, will reduce the overall value they place in LTTRs, and are willing to pay for. This could significantly affect the revenues that TSOs capture from the sale of LTTRs all year round.

- In addition, lower firmness of LTTRs will translate into less ideal hedging opportunities for market participants. All things equal, a lower risk coverage would translate into directly higher costs to hedge a specific risk on the market, costs which will ultimately be passed on to consumers.

Since the start of this discussion in 2021, the TSOs failed to forecast the magnitude of both the loss of revenue from the allocation of diminished LTTRs for all delivery periods, and the increase in the cost of hedging for the market. Whether these side-effects could counteract the objective of the TSOs to reduce pay-outs to LTTR holders during days of decoupling for the benefit of consumers should have been properly analysed by the TSOs as part of their proportionality assessment.

In conclusion, and in addition to the unlawfulness of the proposal, the TSOs have still not demonstrated that their proposal is either justified or proportionate to the aim they pursue. We request the deletion of this proposed new article 49.

	<p>Conclusion EFET considers that the progress towards flow-based allocation of the LTTRs is rushed and premature. We invite TSOs to address the important operational issues, such as but not limited to available capacity on borders with lower spreads and increased collateral requirement. This should be the objective before the decision on implementation.</p> <p>Further, in addition to the unlawfulness of the proposal related to financial firmness of LT transmission rights, the TSOs have still not demonstrated that their proposal is either justified or proportionate to the aim they pursue. We request the deletion of this proposed new article 49.</p> <p>Contact Arben Kllokoqi Director of Electricity Market Design a.kllokoqi@efet.org</p>	
<p>Please provide your views on the method for calculating the cap</p>	<p>Price cap calculation for the purpose of collateral requirement should be forward looking (Article 34)</p> <p>While the idea of a cap on collateral is positive, it all boils down to whether the cap actually decreases the collateral burden for market participants. As a reminder, the risk here is that, with a single pan-regional auction, bidding is de-optimised because of collateral constraints.</p> <p>The proposal to use the day-ahead spreads does not make much sense. The cap should be set according to forward spreads observed as close to the auction as possible, yearly spread for year-ahead auction and quarterly/monthly/weekly spread for quarter/month/week-ahead auction.</p>	<p>The forward spread is not available for all borders and there is not sufficient liquidity on all bidding zone borders, therefore this forward spread cannot be used as a solution for all borders. TSOs propose an option that can be applied for all borders. In addition, forward prices change every day and it is therefore difficult to set a date for which forward prices should be used.</p>
<p>Please provide your view on the penalty mechanism</p>	<p>Provisions related to default and potential contribution in payment should be clarified</p> <p>The provisions of the EU HAR should be clear on how the potential gap between the maximum payment obligation and the credit limit on the one hand, and the potential default in payments on the other hand, is recovered.</p> <p>The proposed amendments to the EU HAR are not clear in this important issue. Hence we request full clarity on the calculation of potential contributions by market participants to recover the unpaid gap.</p>	<p>The penalty mechanism remains the same as in the current version of HAR. TSOs have reverted to previous penalty payment mechanism to fulfil regulator request .</p> <p>All TSOs acknowledge that in the current proposal for Harmonised allocation rules for long-term transmission rights there could be a gap between Maximum Payment Obligation and the credit limit on the one hand and the potential default in payments and its recovery on the other hand. However, all TSOs have decided that the penalty mechanism remains the same as in the currently applicable version of Harmonised allocation rules for long-term transmission rights as of 2022. This effectively means, that when the MP's collateral is exhausted, the Single Allocation Platform will still issue invoices to the defaulting market participant for the rest of its yearly LTTRs. If the concerned market participant will not fully settle its payment obligations for allocated LTTRs, the Single Allocation Platform will try to obtain by all legal means an amount owed by the market participant for all of its allocated yearly LTTRs in auctions. Moreover, the defaulting market participant will be suspended, and the market participant may no longer participate in an auctions or in the transfer or return of Long Term Transmission Rights.</p>

<p>Please provide your view on the altered auction timing</p>	<p>Publication of the price cap ahead of the start of bidding period is needed (Article 29)</p> <p>According to the EU HAR, the price caps on collateral applied for a specific auction is published one hour before the start of the bidding period together with the final auction specification.</p> <p>We consider that this information should be published well before, at least 2 days ahead of the auction. This will ensure that market participants can alter their credit limit and increase it should the cap be higher than expected or vice versa.</p> <p>Auction dates and invoicing/payments periods to enable reuse of credit limit (Tittle 10)</p> <p>The timeline of the yearly, monthly and other auction periods is not clear in the proposed amendments to the EU HAR. With increased collateral requirement, it is becoming even more important to enable the re-use of the credit limit for subsequent allocations.</p> <p>Auction participants should have the invoices and sufficient time for payment of capacity allocated in previous auctions before the subsequent auction is opened. This way, their credit limit would be reset and reused for the following allocation. This had less importance in the NTC allocation where auctions per individual borders were set on different dates and the re-use was possible. With one single pan-regional auction, this will have a substantial impact on the value of collateral. Hence, the timing of auctions, invoicing and payments should allow for an optimal use of the credit limit.</p>	<p>The deadline for the publication of the price cap on collaterals defined in HAR represents the last moment for publication.</p> <p>Detailed timeline of performing auctions is defined in the yearly updated auction calendar by JAO. Specification of timings of the auction processes are given in the HAR as exact as possible considering current knowledge of such processes. TSOs will try to improve that by further HAR updates as soon as processes are exactly known by practical experiences also.</p>
<p>Organization</p>	<p>EDF trading</p>	
<p>Please provide your view on setting collaterals according to a cap</p>	<p>We thank ENTSO-E for this consultation.</p> <p>However, once again, we repeat our absolute opposition to the Flow Base allocation on the Long Term Auctions.</p> <p>From a legal point of view:</p> <ul style="list-style-type: none"> • There is no legal binding deadline to implement the FBLTA in such short period of time • The ACER decision doesn't respect the FCA Regulation Article 10 as the LTFBA added value has never been demonstrated <p>As until now, market participants have not been heard, we request at least a delay in its implementation as in current state of the project, this would represent a massive drawback (like having a lot of borders with 0 capacity) for the market and its participants.</p> <p>Feedback/concerns raised by market participants and professional associations in the last workshops have been totally ignored.</p> <p>Furthermore:</p> <ul style="list-style-type: none"> - we have the impression that TSOs are discovering impacts over time on the operation and for market players - we think that it would be good to have a global picture to put into perspective the gain versus all these "other impact" implications - we miss a clear and serious explanatory material to understand the changes and their implications <p>While we can welcome this intention (cap on collateral) of ENTSO-E, we await a full assessment of the effects of such a cap on collateral requirements before submitting this new methodology to ACER. This will be necessary for us to provide a clear view on the proposal – and for ENTSO-E to truly comply with their consultation obligations under the FCA Regulation.</p>	<ol style="list-style-type: none"> 1) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER's request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER's decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER's Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations. 2) Regarding the concerns on collateral requirements, please see the TSOs' response to EDF on page (9). 3) Please note that the forward spread is not available for all borders and there is not sufficient liquidity on all bidding zone borders, therefore this forward spread cannot be used as a solution for all borders. TSOs propose an option that can be applied for all borders. In addition forward prices change every day and it is therefore difficult to set a date for which forward prices should be used. Also, please note that there are no contributions by the other market participants to recover the unpaid gap of the market participant with default in payment. TSOs are open to investigate further options and improve this process as part of the post-Go-Live developments.

<p>Please provide your views on the method for calculating the cap</p>	<p>While the idea of a cap on collateral seems positive, it all boils down to whether the cap actually decreases collateral burden for market participants.</p> <p>As a reminder, it is very clear that, with a single pan-Eu (or regional) long term auction, the bidding will be deoptimized because of collateral constraints, and therefore prices will not represent the market values.</p> <p>In any case, looking at the current proposal, it seems clear that looking at DA spreads as a basis for the cap does not make much sense. It might be more relevant to take into accounts forward market spreads observed as close to the auction as possible.</p> <p>We are also strongly concerned about the stricter rules dealing with the case of one market participant defaulting, and the consequences this would have for all other registered JAO users.</p> <p>It is absolutely not acceptable to have market participants paying for the defaulting market participants. This is a key issue for us.</p> <p>In any case, we reserve our opinion on the appropriateness of the methodology for now until:</p> <ol style="list-style-type: none"> 1. ENTSO-E provides an assessment of how the proposed cap and methodology would effectively decrease collateral volumes for market participants, and 2. ENTSO-E makes sure market participants collateral will not be impacted by defaulting market participants 	
<p>Please provide your view on the penalty mechanism</p>	<p>We are strongly concerned about the stricter rules dealing with the case of one market participant defaulting, and the consequences this would have for all other registered JAO users.</p> <p>It is absolutely not acceptable to have market participants paying for the defaulting market participants. This is a key issue for us.</p> <p>To avoid misunderstandings, we recommend specifying in the EU HAR text that JAO will collect collaterals from the concerned market participant.</p>	<p>All TSOs are aware of the mistake in the consultation text. All TSOs would like to clarify that should the market participant be in a default (i.e. not fulfilling its payment obligations), there will not be a call made to other market participants to “fill the gap”.</p> <p>The penalty mechanism remains the same as in the current version of Harmonised allocation rules for long-term transmission rights. This effectively means, that when the MP’s collateral is exhausted, the Single Allocation Platform will still issue invoices to the defaulting market participant for the rest of its yearly LTTRs. If the concerned market participant will not fully settle its payment obligations for allocated LTTRs, the Single Allocation Platform will try to obtain by all legal means an amount owed by the market participant for all of its allocated yearly LTTRs in auctions. Moreover, the defaulting market participant will be suspended, and the market participant may no longer participate in an auction or in the transfer or return of Long Term Transmission Rights. TSOs have reverted to previous penalty payment mechanism to fulfil a request from NRA.</p>

<p>Please provide your view on the altered auction timing</p>	<p>The addition of the altered auction timings is not very clear and more details and clarity should be provided before changing any timing.</p> <p>Other comments</p> <p>Article 49 Regarding the addition of the new article 49, we consider this matter of crucial importance. As already mentioned in previous responses to the same Article 49 consultation on HAR in 2021 and 2022, EDFT would like to recall that a cap on LTTRs remuneration is neither permitted by the FCA Regulation, nor economically justified. First, EDFT would like to remind that the main objective of financial firmness of LT capacity allocation (LTTR remuneration at day ahead market spread) is to allow the market participants to hedge position across borders. Second, even if EDFT understands TSOs concerns regarding the remuneration of LTTRs in case of decoupling (day ahead market spread VS day ahead shadow auction prices), the recent decoupling events do not corroborate this concern. Indeed, on the recent decoupling events (2019, 2020, 2021), the total amount compensated by TSOs to market participants (as LTTRs) represents a very small part of the total revenue incomes for the TSOs across the whole year (coming from the allocation of cross zonal capacity on Long Term auctions). Furthermore, caps on the remuneration of long-term transmission rights are reserved to cases of curtailment. Third, EDFT shares ACER’s Decision 15-2021 where ACER ruled out such a proposal underlining that there is no legal basis to implement a remuneration cap in case of decoupling and that a modification of EU HAR would imply a change to the FCA Regulation. Article 35 of the FCA Regulation lays down rules for the remuneration of LTTRs. It requires the remuneration to be equal to the market spread for implicit auctions or their fallback in day-ahead. We therefore do not understand why and disagree with the fact that this point is being brought again in the debate. Finally, EDFT would like to remind that market participants are not responsible when a decoupling occurs, it is not in market participant’s hands, and they are suffering from it. While there were several decoupling cases since 2019, the focus of TSOs and NEMOs should be on the robustness of the algorithm and the whole day ahead market coupling process. Instead of changing the EU HAR, the focus has to be on the reinforcement of the testing/improvements of the SDAC process to avoid any decoupling event in the future. But in case it happens, shadow auctions should be maintained, and training sessions like the ones organized in the last years should be maintained (these sessions however duly require the presence of all TSOs). By the way, communication towards market participants in case of (a risk of) decoupling should also be improved. The new article 49 proposed by ENTSO-E is not compliant with the FCA Regulation and should therefore be deleted.</p> <p>Once again, EDFT is opposed to Flow Based allocation whose added value has not been sufficiently demonstrated by ACER and is hence not compliant to FCA guideline article 10.</p> <p>-Most importantly, it has not been proved that FB allocation will lead to more cross-zonal capacities being allocated, which should be the ultimate goal given the need for long-term hedging under current circumstances.</p>	<p>Detailed timeline of performing auctions is defined in the yearly updated auction calendar by JAO. Specification of timings of the auction processes are given in the HAR as exact as possible considering current knowledge of such processes. TSOs will try to improve that by further HAR updates as soon as processes are exactly known by practical experiences also.</p> <p>Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs’ response to EDF on page (10).</p> <p>Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.</p> <p>Indeed, the experience in LTFB allocation is low, however first simulations presented showed at least similar amount of total allocated capacity and increased social welfare (especially for market participants) This was already discussed with ACER and it was agreed to keep current allocation algorithm at least for Go-Live, but TSOs do not exclude further improvements.</p>
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	<p>- More worrying, the recent simulations performed by TSOs show that some bidding zone will have very low/zero volumes allocated at their borders. This is in contradiction with the foundations of the article 30 of FCA regulation, which states that TSOs should provide enough hedging opportunities to the market. These extreme situations, where no capacity is allocated, could also lead to operational security risks as the fallback of the Day Ahead Capacity Calculation is the capacity allocated in the Long Term timeframe.</p> <p>- Should LTFBA were to be implemented anyway, it is key that TSOs investigate possible mitigation measures, such as imposing a minimum volume at each borders, ensuring that no bidding zone becomes isolated in the forward market.</p>	
<p>Organization</p>	<p>UFE (Union Française de l'Electricité)</p>	
<p>Please provide your view on setting collaterals according to a cap</p>	<p>UFE thanks ENTSO-E for the opportunity to respond to the consultation “All TSOs’ proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights”.</p> <p>While we can welcome this intention (cap on collateral) of ENTSO-E, we miss a clear and serious explanatory material to understand the changes and implications of such a cap on collateral requirements. We call for a full text proposal and an assessment of the effects of such a cap on collateral requirements before submitting this new methodology to ACER. This will be necessary for us to provide a clear view on the proposal – and for ENTSO-E to truly comply with their consultation obligations under the FCA Regulation.</p>	<p>Examples of calculation and effect of caps should be published before Go-Live on JAO Homepage.</p>
<p>Please provide your views on the method for calculating the cap</p>	<p>While the idea of a cap on collateral seems positive, it all boils down to whether the cap actually decreases collateral burden for market participants. The cap doesn’t guarantee a lower collateral requirement: sometimes the bid price could be lower than the cap (in which case the cap is not useful), it only becomes a limit of collaterals in case of skyrocketing market prices.</p> <p>In any case, looking at the current proposal, it seems clear that looking at DA spreads as a basis for the cap does not make much sense. It might be more relevant:</p> <ul style="list-style-type: none"> • To compute collaterals based on the final auction price. In other words, calculate the collateral amount within the allocation, that way there is no filter of bids prior the allocation. N-side has proposed a solution to calculate the collaterals within the allocation and based on the final auction price. • To use the average observed forward spread instead during a certain period since the FTR auctions concern forward maturities (and not day-ahead), using the average observed forward spread instead during a certain period. It is important to make sure that the reference price used to compute the cap is in line with the maturities of the FTRs. We suggest Entso-E to engage into discussions with data providers in order to obtain the necessary data. <p>We are also strongly concerned about the stricter rules dealing with the case of one market participant defaulting, and the consequences this would have for all other registered JAO users. It is absolutely not acceptable to have market participants paying for the defaulting market participants. This is a key issue for us (see our proposal question 9).</p> <p>In any case, as mentioned above, we reserve our opinion on the appropriateness of the methodology for now until:</p> <ol style="list-style-type: none"> 1. ENTSO-E provides an assessment of how the proposed cap and methodology would effectively decrease collateral volumes for market participants, 2. ENTSO-E provides an actual text proposal to market participants, according to its obligation under the FCA Regulation. 3. ENTSO-E makes sure market participants collateral will not be impacted by defaulting market participants 	<p>Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9).</p> <p>Please note that the forward spread is not available for all borders and there is not sufficient liquidity on all bidding zone borders, therefore this forward spread cannot be used as a solution for all borders. TSOs propose an option that can be applied for all borders. In addition, forward prices change every day, and it is therefore difficult to set a date for which forward prices should be used.</p> <p>Also, there are no contributions by the other market participants to recover the unpaid gap of the market participant with default in payment. TSOs are open to investigate further options and improve this process as part of the post-Go-Live developments.</p>

<p>Please provide your view on the penalty mechanism</p>	<p>In the consultation text, the proposal “If such dunning process is again not successful, the MP will lose all rights on awarded capacity from the day after the dunning process ended. JAO will collect collaterals from MPs, given in form of bank guarantee or cash deposit all open amounts, to balance open invoices.” can be interpreted as: should a MP be in default (ie not paying the needed amount), there would be a call made to others MP to “fill the gap”.</p> <p>We are also strongly concerned about this stricter rule dealing with the case of one market participant defaulting, and the consequences this could have for all other registered JAO users. It would absolutely not acceptable to have other market participants paying for the defaulting market participant. This is a key issue for us.</p> <p>To avoid misunderstandings, we recommend specifying in the EU HAR text that JAO will collect collaterals from the concerned MP.</p>	<p>All TSOs are aware of the mistake in the consultation text. All TSOs would like to clarify that should the market participant be in a default (i.e. not fulfilling its payment obligations), there will not be a call made to other market participants to “fill the gap”.</p> <p>The penalty mechanism remains the same as in the current version of Harmonised allocation rules for long-term transmission rights. This effectively means, that when the market participant `s collateral is exhausted, the Single Allocation Platform will still issue invoices to the defaulting market participant for the rest of its yearly LTTRs. If the concerned market participant will not fully settle its payment obligations for allocated LTTRs, the Single Allocation Platform will try to obtain by all legal means an amount owed by the market participant for all of its allocated yearly LTTRs in auctions. Moreover, the defaulting market participant will be suspended, and the market participant may no longer participate in an auction or in the transfer or return of Long Term Transmission Rights. TSOs have reverted to previous penalty payment mechanism to fulfil a request from NRA.</p>
<p>Please provide your view on the altered auction timing</p>	<p>The addition of the altered auction timings is not very clear and more details and clarity should be provided before changing any timing.</p> <p>Other comments:</p> <p>=> Long-Term Flow based allocation implies a significant impact for collateral requirements:</p> <p>UFE wants to highlight that the move to Flow Based Allocation implies a significant impact for collateral requirements. We understand that the collateral requirement has not been adapted/modified to the allocation of more than 20 borders at the same time: therefore, Market Participants will have to provide at once the full amount of collateral corresponding to the “sum” of all the indivial borders they are bidding. This leads to several side effects:</p> <ul style="list-style-type: none"> - It will increase the amount of collaterals requested from market participants, because they will need to provide collaterals on all borders on which they would like to bid. Subsequently, some market participants will have to select fewer borders on which they can bid and probably submit less bids, with a lower price. <ul style="list-style-type: none"> o We therefore want to reiterate our concern that performing an auction with only a limited set of buying orders challenges the potential merit of such an auction. In order to properly assess the situation, we suggest performing an analysis to test to which extent the set of buying orders would be limited by collateral. o In addition, we think that the constraint related to collateral (ie the limitation in terms of bidding a market participant will have to respect) should be integrated into the optimization algorithm, in order to make sure that the best combination of bids is selected (instead of an ex ante arbitrary selection). 	<ol style="list-style-type: none"> 1) Detailed timeline of performing auctions is defined in the yearly updated auction calendar by JAO. Specification of timings of the auction processes are given in the HAR as exact as possible considering current knowledge of such processes. TSOs will try to improve that by further HAR updates as soon as processes are exactly known by practical experiences also. 2) This is not correct. With implementation of price cap for bids the collaterals needed can differ from 100% as it is in current HAR. 3) There are no payments by the other market participants to recover the unpaid gap of the defaulting market participant. 4) Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9).

- The important amount of collateral requested will discriminate small market participants who will not be able to gather the necessary funds to secure their participation to the auction (market entry barrier). As a result, small market participants will not have access to hedging opportunities, which is in contradiction with the FCA regulation. Only big companies will have access to LT market CORE.

- Furthermore, under NTC allocation each border auction was performed on different period which gives the time for market participants to adapt their bidding strategy based on what was allocated at first. With the LTFB allocation, as all borders are run at the same time, market participants will not have the opportunity to have a “second chance” to get LT rights on other borders, they will have only one opportunity.

- Last but not least, we consider that the required collateral (for both Flow Based and ATC) seems disproportionate compared to the risks TSOs are bearing. Indeed:

- o Article 22 mentions that the validity of the collateral requirements should be 30 days after the end of the Product Period;
- o Article 66 says that the payment for long term rights shall be settled before the start of the Product Period; We suggest that the validity of the collateral should end right after the payment of the acquired rights.

=> UFE is opposed to the establishment of Long-Term Flow Based allocation whose added value has not been sufficiently demonstrated:

From a more general perspective on the LTFBA project, UFE is opposed to Flow Based allocation whose added value has not been sufficiently demonstrated by ACER and is hence not compliant to FCA guideline article 10.

- Most importantly, it has not been proved that FB allocation will lead to more cross-zonal capacities being allocated, which should be the ultimate goal given the need for long-term hedging under current circumstances.

- More worrying, the recent simulations performed by TSOs show that some bidding zone will have very low/zero volumes allocated at their borders. This is in contradiction with the foundations of the article 30 of FCA regulation, which states that TSOs should provide enough hedging opportunities to the market. These extreme situations, where no capacity is allocated, could also lead to operational security risks as the fallback of the Day Ahead Capacity Calculation is the capacity allocated in the Long Term timeframe.

- Should LTFBA were to be implemented anyway, it is key that TSOs investigate possible mitigation measures, such as imposing a minimum volume at each borders, ensuring that no bidding zone becomes isolated in the forward market.

=> The new article 49 proposed by ENTSO-E is not compliant with the FCA Regulation and should therefore be deleted:

Regarding the addition of the new article 49, UFE would like to highlight that a cap on LTTRs remuneration is neither permitted by the FCA Regulation, nor economically justified.

First, UFE would like to remind that the main objective of financial firmness of LT capacity allocation (LTTR remuneration at day ahead market spread) is to allow the market participants to hedge position across borders.

Second, even if UFE understands TSOs concerns regarding the remuneration of LTTRs in case of decoupling (day ahead market spread VS day ahead shadow auction prices), the recent decoupling events do not corroborate this concern. Indeed, on the recent decoupling events (2019, 2020, 2021), the total amount compensated by TSOs to market participants (as LTTRs) represents a very small part of the total revenue incomes for the TSOs across

- 5) Concerning Articles 22 and 66 there are no changes compared to the current HAR

To change the validity of the collaterals is not possible, because they should be valid if a Payment Incident occurs during the Invoicing Process, to allow JAO to use the Bank Guarantee provided as a collateral. Since process of the Payment Incident takes longer, than the Invoicing Process itself, the validity date of the collaterals cannot be decreased.

- 6) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER's request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER's decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER's Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.

- 7) Regarding the concerns on contestation of auction results and fallback procedures, please see the TSOs' response to EDF on page (x).

	<p>the whole year (coming from the allocation of cross zonal capacity on Long Term auctions). Furthermore, caps on the remuneration of long-term transmission rights are reserved to cases of curtailment.</p> <p>Third, UFE shares ACER’s Decision 15-2021 where ACER ruled out such a proposal underlining that there is no legal basis to implement a remuneration cap in case of decoupling and that a modification of EU HAR would imply a change to the FCA Regulation.</p> <p>Article 35 of the FCA Regulation lays down rules for the remuneration of LTTRs. It requires the remuneration to be equal to the market spread for implicit auctions or their fallback in day-ahead. We therefore do not understand why and disagree with the fact that this point is being brought again in the debate.</p> <p>Finally, UFE would like to remind that market participants are not responsible when a decoupling occurs, it is not in market participant’s hands, and they are suffering from it. While there were several decoupling cases since 2019, the focus of TSOs and NEMOs should be on the robustness of the algorithm and the whole day ahead market coupling process. Instead of changing the EU HAR, the focus has to be on the reinforcement of the testing/improvements of the SDAC process to avoid any decoupling event in the future.</p> <p>In case it happens, shadow auctions should be maintained, and training sessions like the ones organized in the last years should be maintained (these sessions however duly require the presence of all TSOs). Communication towards market participants in case of (a risk of) decoupling should also be improved.</p> <p>The new article 49 proposed by ENTSO-E is not compliant with the FCA Regulation and should therefore be deleted.</p>	
<p>Organization</p>	<p>EEX</p>	
<p>Please provide your view on setting collaterals according to a cap</p>	<p>Before answering the question above, we would like put it into perspective. According to Article 30 of the Forward Capacity Allocation (FCA) Guideline, National Regulatory Authorities shall decide whether TSOs shall issue Long-term Transmission Rights (LTTRs). For taking this decision, an evaluation “whether the electricity forward market provides sufficient hedging opportunities in the concerned bidding zones” shall be conducted, also considering the market participants’ “needs for cross-zonal risk hedging opportunities on the concerned bidding zone borders”.</p> <p>Thus, the FCA recognizes that market-based tools (e.g. Nasdaq’s EPADs or EEX’s locational spread contracts) can provide sufficient cross-border hedging possibilities for market participants.</p> <p>Different from market-based tools for hedging cross-border risk, LTTRs can only be issued up to the calculated capacity and hence support cross-border hedging only to a certain extent. This is the case regardless which capacity calculation method is used: the current (NTC) capacity calculation method or the flow-based method. This is a weakness, that market based cross-border hedging tools do not have.</p> <p>Furthermore, we would like to voice our doubts about the need to introduce the flow-based capacity calculation method for long-term markets (LTFB). It is highly questionable whether the introduction of the flow-based capacity calculation method for the issuance of long-term transmission rights will improve hedging possibilities for market participants. The simulations ACER presented indicate that the capacity different borders receive under the LTFB differ greatly, some of them even being allocated 0 capacity, even at time of large price spreads. There is no plausible reason, why the hedging possibilities of market participants should be limited by physical capacity in the first place (see above), and equally there is no rational reason at all why the hedging possibilities should differ so greatly between borders (as it would be the case with the introduction of LTFB). Also, it is questionable if overall the capacities allocated under LTFB will be larger than under the current NTC methodology, as due to the flow-based optimisation inherent competition for capacity between borders and the very long lead time of the auctions (one year ahead, potentially more after the EMD reform) the uncertainty increases, which likely leads to higher contingency in the Flow</p>	<p>1) Regarding the reservations related to the implementation of LTFBA and on its added value, TSOs follow ACER’s request to adapt the relevant FCA methodologies, such as this HAR review, to allow LTFBA implementation, given ACER’s decisions on both Core and Nordic CCRs on Long-Term Capacity Calculation Methodologies. TSOs therefore refer to ACER’s Decisions No 14/2021 (for Core LT CCM) and No 16/2019 (for Nordic LT CCM) for such demonstrations.</p> <p>2) Regarding the concerns on collateral requirements, please see the TSOs’ response to EDF on page (9).</p>

	<p>Reliability Margins. Hedging activities should not be limited by such restrictions.</p> <p>The planned introduction of long-term flow-based capacity calculation also leads to significantly higher collateral requirements for market participants. This is due to the fact that LTFB requires simultaneous auctions for all borders. While EEX recognizes the concern of market participants, facing a steep increase in collateral requirements, we are critical of the proposed “solution” – namely to simply cap the prices used for collateral calculation. This “solution” simply transfers risk from market participants to TSOs, and eventually grid tariff payers. Compared to the current situation though, grid tariff payers do not receive any additional value for this additional cost. Additionally, this measure further increases the issue of a level-playing field between LTTRs and market-based cross-border hedging instruments like EPADs or locational spread contracts. While exchanges are forced to assess and secure the real risk of all exchange-traded products, the risk of LTTR trading would partly be borne by society as a whole. Since LTTRs do not offer any benefit that market-based products don’t offer, it is highly questionable why part of the costs for LTTR trading should be socialized.</p> <p>The fact that LTTRs for all borders are auctioned at the same time, leads to an additional risk for market participants, namely the risk of being awarded a transmission right for one border, but not for another, when a combination of two (or more) LTTRs might have been needed.</p> <p>We can conclude that while flow-based capacity calculation makes sense in spot markets, EEX sees no reason to implement it in long-term markets. If it is implemented nevertheless, we call for a full collateralization of the risk.</p>	
<p>Please provide your views on the method for calculating the cap</p>	<p>As explained in the previous question, EEX opposes the cap for calculating collaterals for LTTRs. If such a cap is implemented nevertheless, EEX is not convinced of the use of historic day-ahead market spreads to calculate the collateral cap. Historic price spreads might be a good approximation in times of stable prices, but it would be more accurate to use the actual observed forward market spread for calculation of the cap, meaning using current and not historic prices.</p>	<p>The forward spread is not available for all borders and there is not sufficient liquidity on all bidding zone borders, therefore it is questionable if forward spreads can be used as a solution for all borders. TSOs propose an option that can be applied for all borders. In addition, forward prices change every day, and it is therefore difficult to set a date for which forward prices should be used.</p>