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Consultation on all TSOs' proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights

A Eurelectric response paper

January 2025

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

WG Market Integration & Network Codes
DT Forward Markets

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1. What is your name?
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3. What is your organisation?
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4. In which countries are you active?
N/A

5. Please give us your views on the proposal.
See below Eurelectric feedback on the proposed changes.

5.1 MTU-related changes

Regarding art. 48.1, we would like to stress that having different MTUs for long term (hourly) and day-ahead market (quarter hourly from June 2025) reduces the readability of the methodology and represents an additional complexity. Eurelectric asks ENTSO-E to clarify the reasons behind this difference of MTU. While, in our understanding, it is expected to lead to the same results, this clarification is particularly needed since the MCCG Q&A from the 08/11/2024 seems to indicate that the FTR compensation will be based on each quarter and not on the hourly level.

On the specific mathematical rule to compute the settlement of transmission rights and handle the difference of MTU, we would like to make sure that the interpretation of the rule is correct and provide an illustrative example below. Eurelectric asks ENTSO-E to provide several illustrative examples to avoid any misinterpretation.

	DA price		DA spread per MTU	Interpretation article 48.1 -> to confirm	
	A	B	B-A		
QH1	50	55	5	5	
QH2	70	52	-18	0	
QH3	60	50	-10	0	
QH4	30	40	10	10	
			Average	Average	
			-3,25	3,75	= remuneration FTR
			Interpretation 2: The average spread is negative => remuneration is put to 0		

5.2 Registration

No comments.

5.3 Refusal of application, suspension, termination

No comments.

5.4 Clarfication on prices

Eurelectric agrees with the proposal.

5.5 Price cap

Eurelectric would like to remind that it has voiced several concerns regarding the application of the flow-based methodology in the forward market timeframe, notably (i) the question of collateral requirements, which is insufficiently tackled through the application of a cap, and (ii) the question of low or even zero capacity volumes for some borders. Eurelectric believes that it is crucial to prioritise finding the most appropriate approach for establishing Flow Based Allocation of LTTR, rather than focusing solely on meeting this deadline.

Should flow based implementation move forward, we support relieving the collateral burden through the introduction of a cap. We reiterate however that, since the FTR auctions concern forward maturities (and not day-ahead), the collateral cap should be based on the average observed forward spread during a certain period instead of historical spot prices as this would reflect forward market fundamentals upon which market participants base their bidding strategies. In parallel, Eurelectric urges ENTSO-E and competent authorities to explore more efficient options to decrease the collateral burden, namely bid filtering performed ex post on the basis of market results.

Finally, Eurelectric appreciates and agrees with the publication of the calculated price cap for bid collaterals before the auctions. However, the deadline of at least one hour before the start of the bidding period of the auction is too short. Eurelectric requests that such publication be done at least one working day before the start of the bidding period of the auction.

5.6 Financial-related changes

No comments.

5.7 Additional clarifications, corrections

We note that in article 48 and 59, ENTSO-E mentions that in case "*a bidding zone is fully decoupled, meaning no SDAC price is available for this bidding zone, the single allocation platform shall use the local reference price provided by the concerned TSO(s) in accordance with the relevant national legislation*". Eurelectric would welcome a clarification on this article notably regarding the mention to the concerned TSO(s) and not to the concerned NEMO(s). More precisely, we would like to understand whether the local reference price refers to the price of the NEMO(s) local auction(s) or to the explicit capacity shadow auction price.

6. General remarks

Eurelectric would like to provide the following feedback regarding the consultation process:

- The deadline of 1 month to respond to the consultation is considered too short, especially given the highly technical nature of the consultation, and the proximity to the holiday period. In the future, a consultation period of at least 6 weeks or ideally 2 months would be highly desirable.
- The explanatory document was only made available 2 weeks into the consultation period. This document should be made available at the start of the consultation. Especially in light of the short consultation period, this prevents stakeholders from having an informed reading and evaluation of the proposal.
- A track change version of the proposed document was similarly made available only well into the provided consultation period. This makes an informed evaluation of the proposed changes difficult and prone to omissions.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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