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ENTSO-E consultation on collateral solution for long-term flow-based LTTR auctions

A Eurelectric consultation response paper

April 2026

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

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ENTSO-E LTTR HAR amendment proposal: collaterals in long-term flow-based auctions

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KEY MESSAGES

- Eurelectric welcomes ENTSO-E's consultation on a new solution to collateral management under flow-based LTTR auctions. We have long highlighted the risk of spiralling collateral needs in the context of simultaneous LTTR auctions.

- The go-live date of a lasting solution to the unsustainable collateral burden under long-term flow-based auctions is of the highest importance to market participants. We regret that the current draft allows for implementation not before 2027 and up to 2028 .

- The interim solution under implementation for the November 2026 flow-based auction strongly overestimates the collateral that market participants need to post, reducing auction surplus through the unnecessary filtering of bids.

- We welcome ENTSO-E's proposal for an enhanced bid filtering approach, which strongly reduces the magnitude of filtered bids by integrating the credit limit verification step in the auction result determination.

- The possibility for market participants to prioritise bids on certain borders during flow-based auctions should be considered.

Eurelectric welcomes the opportunity to comment on ENTSO-E's amendment proposal for a better management of collateral rules in the LTTR Harmonised Allocation Rules (the amendment).

Eurelectric has repeatedly questioned the added value of applying a flow-based capacity calculation in the forward timeframe, as LTTR auctioning continues increasingly moves towards a purely financial market. In addition, the planned application of a benchmark ensuring minimum capacities in the calculation phase indicates that flow-based capacity calculation bears a high risk of low or zero capacities on certain borders, as was demonstrated by market experts.[1] The change from border-per-border sequential auctions towards a single flow-based auction also mechanically increases the collateral burden for market participants (MPs), who need to post sufficient collateral to cover all their bids at once.

The interim solution adopted during the last review of the HAR tried to address this issue by applying a price cap to the Maximum Payment Obligation (MPO) of market participants after the gate closure time, thus limiting the amount of collateral they may have to post. However, this price cap, which is based on exogenous reference prices (historical day-ahead prices scaled to mimic forward prices), continues to overestimate MPs' final payment obligation and will lead to the unnecessary filtering of bids which are fully compliant with MPs' credit limit when considering auction results. This is highlighted in results presented by the TSOs, which show that the ratio of final payment obligation to maximum payment obligation is below 35% for a large majority of MPs. At the same time, this approach might still expose TSOs to settlement risks.

Eurelectric appreciates that ENTSO-E is now proposing an improved bid filtering process which integrates the credit verification step in the auction result determination, thereby rejecting only bids which would exceed MPs' credit limit when considering these same results. The proof of concept (PoC) supporting this approach indeed suggests positive results across investigated KPIs, substantially improving auction surplus and traded volumes compared to the ex-ante bid filtering process.

Considering the benefits of this approach, we regret that the solution will not be implemented for the first flow-based auction in November 2026. While TSOs and the Single Allocation Platform have committed to enabling a go-live of the enhanced collateral solution by November 2027, the current proposal would also allow for a go-live in 2028, meaning that MPs will be exposed to excessive collateral burden and unncessary bid filtering for a protracted period. **Eurelectric stresses that the November 2027 deadline is of the utmost importance to market participants and that the enhanced collateral solution should be implemented as early as possible**.

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[1] N-Side study commissioned by Energy Traders Europe and Eurelectric: Minimum offered volumes in flow-based allocation of long-term transmission rights, 12 June 2024, Link: https://www.n-side.com/en/insights/minimum-offered-volumes-in-flow-based-allocation-of-long-term-transmission-rights/ .

We would like to note that the initially published consultation documents and presentation did not allow market participants to fully understand the functioning of the enhanced collateral solution. **We appreciate that the full PoC was eventually made available on the consultation website and recommend such levels of transparency in the future**.

Finally, some questions remain regarding the concrete management of collaterals and bids:

- **Reserved collateral (art. 23a)**: we welcome the possibility for market participants to define a specific amount of reserved collaterals for the flow-based auction. Our understanding is that a single amount of collateral would be blocked for all borders of a given auction (e.g. CAL) to ensure that the remaining amount of the credit limit remains available for market participants to use elsewhere.
    - What is the expected benefit of this solution?
    - How would it be exactly implemented?

- **Bids prioritisation**: while the reservation of collateral may prove useful to MPs, we would like to suggest the implementation of a priority listing of bids in flow-based auctions. This method would allow MPs to prioritise bids on borders that are more important to their risk management strategy.

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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