

ENTSO-E consultation on Harmonised Allocation Rules for long-term transmission rights

A EURELECTRIC response paper

February 2017

EURELECTRIC is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

Carbon-neutral electricity by 2050

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

Competitive electricity for our customers

We support well-functioning, distortion-free **energy and carbon markets** as the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

Continent-wide electricity through a coherent European approach

Europe's energy and climate challenges can only be solved by **European – or even global – policies**, not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment** to ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

EURELECTRIC. Electricity for Europe.

Comments on the main HAR document, and on the list of bidding zones borders

1. General comment

EURELECTRIC wishes to acknowledge some positive evolutions of the revised EU HAR compared to the previous version, such as for example:

- the improvement of the level of firmness of Long Term Rights , to further align with the FCA provisions;
- the introduction of new invoicing and payment conditions in Article 65(6) and (7), to not wait until the following year to settle the compensations due to curtailments of the current year;
- and the possibility to nominate PTRs for balancing services, as clearly mentioned in Article 45.5 (see below our detailed comments).

EURELECTRIC believes it is important to limit, as much as possible, the number of annexes to having different sets of rules across European markets. We would like to emphasise that to achieve a real harmonisation between all borders the objective should be to phase-out the regional annexes (in order to avoid too many specific rules). In this respect, EURELECTRIC would welcome a stronger governance on the existence and phase out of annexes. For instance, we believe that TSOs should provide the NRAs and the market players with a view on the timeline for the phase-out together with a justification for having specific rules at their borders. NRAs could then request TSOs to provide a justification every year for maintaining the existence of annexes. We consider that some other specific points need further clarifications and explanations, as mentioned below in further details.

Furthermore, our position still remains in accordance with in our comments to ENTSO-E's consultation on the updated version of the Harmonised Allocation Rules for Forward Capacity Allocation (in May 2016).

2. Please specify on which Article you will comment:

Comment on Article 2:

FTRs Options and FTRs Obligations (Article 2)

EURELECTRIC understands TSOs' proposal to include FTR Options and FTR Obligations in Article 2 of EU HAR as far as these products are now foreseen in the FCA Regulation. However, these products do not derive from an explicit need of the market, nor from an explicit request from market participants.

In the case of FTR obligations, TSOs will namely collect congestion revenues if the request for capacity (with the price > 0) is higher than the available capacity at each allocation. In case the spread is in the opposite direction, we do not see the rationale for paying a negative spread to the TSOs, which do not support any financial risk in allocating cross-border capacity. FTRs as obligation would only make sense if market participants would trade between themselves such or similar contracts. In such case, payment for the negative spread would be the consequence of risk premiums. This is however not the case when TSOs allocate capacity. For the time being, we do not see any reason justifying FTRs Obligations and we welcome the proposed Annex 1 of EU HAR clarifying that none of the TSOs will offer at this stage FTR Obligations. Should in the future any set of TSOs consider applying FTR Obligations at one border, we insist that market participants should be consulted well in advance to discuss the possible reform.

Concerning FTR Options, we believe that their introduction would not bring substantial improvements in terms of efficiency of capacity allocation while reducing the flexibility granted to market participants to nominate the capacity allocated on the forward markets.

As long as the FTRs options come with full firmness and do not negatively affect holders of such products, the potential implementation of FTRs Options on any new bidding zone borders could be considered, and any proposal in this sense should be subject to a public consultation of market participants.

Comment on Article 45:

PTRs for balancing services (Article 45.5)

EURELECTRIC remains opposed to the reservation by TSOs of cross-border capacity for balancing purpose.

In that respect, the possibility to reserve PTRs for balancing services as introduced in Article 45.5 of EU HAR should be seen as a possible way to grasp effectively the economic benefits of exchanging reserves instead of energy through interconnectors. Therefore, we welcome in particular the fact that the HAR leaves the possibility for Market Participants to make efficient trade-offs on the best way to use cross-border capacity for DA, ID or BAL.

Comment on Article 57:

Curtailment and firmness (Article 57 and Annexes)

EURELECTRIC welcomes the introduction of some improvements of the firmness conditions under which LTRs are issued by TSOs and TSOs' effort to further align with FCA Guidelines firmness regime.

EURELECTRIC however regrets that some specific borders (in particular FR-GB, FR-ES or FR-CH borders) still apply a different regime of firmness which derogates from the main body of HAR rules, and in particular from Articles 59.2 and 59.3. We therefore recommend aligning all specific annexes with the firmness regime of the main body of HAR. This is a good example to illustrate the importance of phasing out the annexes as soon as possible to offer the same level of firmness across Europe (i.e. the application of a cap on the compensation for curtailment is to be considered as an exception and should be duly justified).

Apart from the progressive evolution of EU HAR to align with FCA firmness regime, we would like to recall that one of the TSOs tasks should be to optimise the available capacity on forward timeframes. In this respect, TSOs should use curtailment as a last resort measure after having activated all other available remedial actions (such as re-dispatching and countertrading) and regulators should have a monitoring role in this respect.

To ensure the monitoring of curtailment's events, we should ensure that "the factual reasons that lead to the curtailments" are published in due time and reported to the respective regulatory authorities, as imposed by Article 53(1) of FCA Regulation, to avoid any preventive curtailment and ensure that curtailment is really the last resort measure. We therefore recommend to explicitly include the obligation to publish "factual reasons that lead to curtailment" in the notification mentioned in Article 57.2 "process and notification of curtailment" of the EU HAR.

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

