

Date: March 7<sup>th</sup>, 2019

**Subject: MPP answer to CORE TSOs' consultation on the second amendment of the regional design of long-term transmission rights in accordance with Article 31 of FCA guideline**

The MPP thanks CORE TSOs for giving the opportunity to comment on the second amendment. LTRs are important as they provide liquidity, accelerating the market integration as it facilitates cross-border trading. LTRs are important for hedging purposes: that way exposure to one single market is avoided and opportunities to diversify are created. Hedging is a condition sine qua non for competitive and thus efficient market. The main change proposed in this second amendment concerns the introduction of FTR options at all CWE borders.

While MPP recognizes that FTRs are envisaged by the FCA guideline and understand the potential benefits for the organization of the day-ahead market coupling, MPP would have appreciated to understand the motivations of TSOs as well as the foreseen benefits of such change.

MPP would like to highlight a few concerns regarding the switch to FTR options, which would need to be alleviated before such evolution can take place:

- The exclusive allocation of capacity by the mean of FTR options forces market participants to close their physical position in the power exchanges in day-ahead on both sides of the border, with the consequences that this implies (membership to the power exchange, exchange and clearing fees)
- By being obliged to close their position in the power exchange, market participant are hence exposed to the risk of partial clearing and as a natural consequence, of unserved energy. They could hence be left with an open position and bear the risk of high imbalance prices. However, the switch from PTR to FTR does not modify the physical interconnection capacity available in the market. Hence, MPP believes that the switch should also not deteriorate the hedging capacities offered by the long term rights. This risk has notably been acknowledged by CREG when the switch from PTR to FTR has been implemented at the Belgian borders<sup>1</sup>. **Therefore, a mechanism should be put in place to cover this risk in case of unserved energy.**
- Although this is not *stricto sensu* part of this consultation, we would like to remind that we have serious concerns regarding article 56.3 of EU HAR for the case of FTR options. We hence suggest reviewing it, especially given the proposed switch to FTR options in CWE

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<sup>1</sup> CREG decision B1446, paragraph 76

region. Firmness of transmission rights is of course of utmost important for market participants. MPP does not agree with the notion of curtailment for reasons of system security for the case of FTR options, as with FTR options, TSO bear no physical risks. **Therefore, we do not see any reason to apply a curtailment for system security reasons for FTR options.**

- Last but not least, for all the borders using FTR options, all the capacity available (as the output of the long-term capacity calculation process) should be allocated in forward time frames. **There should be no reservation for day-ahead.** Indeed, no enhancement of the day-ahead market liquidity can be put forward to justify such a reservation in case of FTRs, since all the physical capacity available is in any case offered in the day-ahead market coupling; besides, the uncertainty inherent in the long-term capacity calculation should be properly dealt with in capacity calculation methodologies, and not by reserving an arbitrary share of the calculated capacity for the day-ahead timeframe. MPP therefore fails to understand why 200 MW were still reserved for Day-Ahead during the allocation process of 2017 at the French-Belgian border (as mentioned in the consultation from CRE on the long-term transmission rights organized in April 2018).

Regarding the addition of text to article 8 (*“The change of the type of the long-term transmission right shall apply also to already allocated yearly transmission rights”*), MPP is strongly opposed to the possibility to modify already allocated transmission rights. **TSOs should not have the right to modify the specification of a product that is already sold to the market.**

We take the opportunity of this consultation to also comment on articles for which no modification is proposed. In particular, we think that article 6 should be clarified. MPP is of the opinion that multi-annual products should be developed. This would be compliant with article 28 of the EU HAR. Indeed, this can provide market participants with additional possibilities to hedge long-term risks. Especially in smaller, less liquid market zones this can provide a valuable link to a broader pool of liquidity. NRAs already grant some Interconnectors the right to issue multi-year products to alleviate market risks. The interest in these products shows an appetite at market side for such long-term products. Similar products could be considered for other interconnectors, providing longer-term hedging possibilities for market participants.