

Date: April 15th, 2019

Subject: MPP answer to the consultation on Channel Splitting Rules in accordance with FCA Article 16

MPP thanks the TSOs of the Channel CCR for the opportunity to comment the draft methodology.

The MPP appreciates the fact that the sale of capacity in the forward timeframe with several granularities is confirmed (seasons, quarters, weeks, weekend, on top of the requirements of the FCA GL).

We have however important concerns regarding some other provisions in the draft methodology.

The MPP would like to underline that the objective of the FCA guideline of meeting “the hedging needs of market participants” should *not* be understood as a requirement for TSOs to mirror the hedging strategy (i.e. the hedging speed) of market participants.

On the contrary, for market participants, hedging is a dynamic process of assessing and minimizing risks in the market. To provide market participants at the earliest possible stage all available tools for performing hedging, it is vital that TSOs make available to the market the maximum capacity available as soon as possible. Market participants should afterwards be able to rely on the secondary market for forward transmission rights if further needs arise or previous needs disappear. This also advocates for the development of an organized and liquid secondary market, which does not exist today, as only OTC transfers and returns to the issuing TSOs are possible. (For instance, this task could possibly be performed by the SAP, which already organizes the primary market.)

We therefore strongly disagree with the notion of capping the forward capacity allocation to a “maximum long-term quantity” in the forward timeframe. It is not in the interest of market efficiency, nor the role of TSOs, to withhold cross-zonal capacity for release at a later stage: TSOs should rather make the maximum possible capacity available to the market, as soon as their calculations allow.

This does not mean that this capacity should be made available only as yearly products: on the contrary, quarterly and monthly products should also be offered, in all cases as soon as the calculation allows.

MPP considers that uncertainties about availability of capacity should be accounted for in the capacity calculation methodology. If this is not the case (e.g. if only the best available data is used without an uncertainty channel), we invite the TSOs to explain in the long-term capacity calculation methodologies what are the assumptions and the models used calculating the capacities.

In our understanding, potential release of capacity at later time horizons (monthly, weekly) should therefore come from recalculations by updating:

- the set of data (outage planning of network elements, power plants, load and production forecast...)
- the uncertainty channel as real time is approaching

We therefore do not see the need to additionally restrict the allocation of capacity.

Our concern is exacerbated by the fact that the draft methodology does not provide enough details on how the split would be done. Some explanations on the elements considered by TSOs to calculate the split are given. We have important concerns regarding the proposal to include “*historic allocation results and prices, forward energy curves, energy and fuel price forecasts, planned market evolutions, new technologies*” in assessment for the splitting. According to the MPP, this is a fundamental breach to role of TSOs. At least when they are regulated, TSOs should not analyse market data in order to maximize their benefits from forward capacity allocation. We therefore request the deletion of Annex 1.

In terms of governance, we disagree with the principle that the capacity split for each interconnector shall “*be determined solely by the Responsible TSO(s) relating to the Interconnector in question*” (article 5.2). The determination of the capacity split – if any – should be done in coordination by all TSOs of the Region (taking into account that long-term products differ between Channel borders).