

13 July 2022

Long term flow-based bid prioritisation

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide comments to the the JAO public survey on credit limit and bid prioritization in the process of designing the future long-term flow-based auction setup.

We welcomed that JAO accommodated our request for the deadline postponement because ten days were not enough to engage with market participants. Such a practice for a topic that has such a strong impact on the forward market must be avoided.

However, this issue should have been discussed during the ENTSO-E workshop on LTFBA on 24 May. More importantly, it should have been part of ACER consultation last summer and of ACER assessment before making the decision to go for a central flow-based auction. Moreover, the audience of the consultation's announcement appeared to be quite narrow as many market participants did not see it, further reducing the initial time to answer.

1. Having reviewed the presentation with the proposals which of the options would you like to see implemented for the long-term flow-based allocation?

We would like to raise our strong concerns regarding this consultation. JAO is warning on very serious issues regarding collateral impact that this FB central auction will have.

In terms of content, we consider that none of the options proposed (i.e., priority as bid component, priority as a parameter, priority as a bid flag) is satisfactory.

« Bid rejection for credit limit » should not happen. This would be a clear step back compared to today's situation where there is no such rejection because the auctions are spread over time (not concomitant).

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

2. Which criteria for the rejection of optional bids would you like to see implemented?

Neither the random nor the prioritized bid rejection criteria are acceptable. Bids are submitted because they are the results of a bidding strategy. Rejecting them on a random manner is just ignoring this.

Also, asking market participants to prioritize bids would suppose that market participants can prioritize them. A bidding strategy on so many borders has to be considered as a whole and bids resulting from it cannot be split up in priority groups as the consistency withing a bidding exercise would be directly torn apart.

3. Do you have any comments or suggestions?

We urge ACER, TSOs and JAO, in cooperation with market participants, to find an alternative solution to this bid rejection principle. Therefore, we call for an urgent meeting with ACER, ENTSO-E and JAO in order to discuss it with market participants.

We recommend an updated analysis of ACER Decision on the additional benefits of LTFBA is needed, considering the recent issue of collateral raised by JAO. There should be a simulation of bid restrictions in order to assess the impact on the auction results.

As a consequence of a negative results, we propose an amendment of the forward CCM methodology and maintain FB CC and remove FB allocation.

Should no solutions of bid restrictions be found than a reconsideration of FB auction becomes necessary so that there are no restrictions for market participants.

Other solutions for collateral management other than bid rejections should be considered.