

CONSULTATION RESPONSE

Energy Traders Europe response to the Baltic CCR TSOs' proposal for Long Term Capacity Calculation Methodology

Brussels, 4 April 2024

We fully support the Baltic countries synchronization with Continental Europe Synchronous Area (CESA) in the first quarter of 2025. We welcomed the fact that Baltic CCR TSOs have set up financial transmission rights on EE-FI and EE-LV cross-borders.

However, FTRs at the EE->LV and FI->EE borders are only allocated in the general direction of the flow. We would like them to see allocated in both directions EE<->LV and FI<->EE. The justification is that even if the hedging need is lower in the opposite direction to the most common positive DA spread, it is nonetheless present. There are hours during which that positive DA spread is reversed, and market participants would benefit from covering that risk – as big or small as it may be. This is also a good source of income for TSOs.

On CNEC definition and transparency, we note that the PTDF threshold percentage is not defined in art.4.2. We advise establishing a minimum PTDF threshold of 5% in the methodology, so that at the very least no (internal) CNEC can be included in the capacity calculation below that. We also advise including in art. 4.1 the rule from the Core LT CCM whereby only cross-zonal interconnectors are included de facto in the CNEC list, and the list of internal CNECs must be reviewed at least every 2 years and conformed with the pre-defined PTDF threshold. Appropriate transparency on CNECs should also be foreseen in art. 21.

We also encourage the Lithuanian TSO and NRA on the bidding zone borders of Lithuania and Poland, Lithuania and Latvia and Lithuania and Sweden to consider this opportunity further.

Since the start of the liberalisation of the electricity sector, Energy Traders Europe has supported the issuance by TSOs of forward transmission rights at all bidding zone borders in Europe and in all directions, to the full amount that the underlying infrastructure can offer for each timeframe as calculated in advance of delivery.

This activity is an essential part of the TSOs' "public service" activities, as regulated entities. The issuance of forward transmission rights at all borders in all directions allows to:

- guarantee that a certain minimum volume of products will always be available and offered on a transparent and non-discriminatory manner through organised auctions;
- provide substantial congestion income to TSOs by allowing them to extract the maximum value out of the network infrastructure they manage in advance of delivery;
- provide better and more reliable visibility for market participants as to the total volumes of cross-border transmission hedging products;
- ensure that the capacity that is offered to the market is maximised at all points in time and that any variations of these volumes is published in a timely and effective manner;
- provide valuable signals as to the structural value of cross-border capacity, from a "congestion" point of view. This is useful for all market participants and for TSOs and regulators, whereas the daily price signals are much more volatile. For example, forward allocation provides clear market-based price signals as to the need for additional infrastructure investments.

Therefore, we encourage to use FTR options in the Baltic CCR at all borders in both directions.

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