

## 2018 Regional Specific Annex for CCR South West Europe to the Harmonised Allocation Rules for long-term transmission rights



### EFET comments – 18 October 2018

The European Federation of Energy Traders (EFET<sup>1</sup>) welcomes the opportunity to provide comments on the consultation on the Regional Specific Annex for CCR South West Europe to the Harmonised Allocation Rules (HAR) for forward capacity allocation. As highlighted at many occasions, forward capacity allocation is vital for market participants to hedge their long-term positions and make sure that they are not exposed to short-term price volatility and imbalance costs.

The Annex is broadly in line with the Forward Capacity Allocation Guideline (FCA GL) and matches market participants' expectations in terms of improvement of the firmness conditions under which forward transmission rights are issued by TSOs. However, we have concerns mainly on Art. 4, which introduces a compensation cap for the ES-PT border. Even though this is in line with the FCA GL and the main body of the EU HAR, we highlight that Financial Transmission Rights (FTRs) are in place on the ES-PT border: that said, we believe that only Force Majeure should justify FTRs curtailments. Reasons of operational security/emergency situations should only be valid to curtail Physical Transmission Rights (PTRs).

#### **Comments on Article 4:**

We believe a clear distinction should be made between PTRs on the one side, and FTRs on the other side. We do not challenge the provisions of Art.56 EU HAR as far as PTRs are concerned. However, we believe that TSOs should only be allowed to curtail FTRs in case of Force Majeure (such as an unforeseen and inevitable technical failure). Indeed, FTRs being only linked to the physical underlying capacity for capacity calculation purposes, no physical event linked to operational security or emergency situations may affect them. The 2016 version of the HAR Annex for the Spanish-Portuguese border (back then Annex 13, Art. 2.9) followed this approach and foresaw a specific curtailment regime for FTRs at the PT-ES border only in case of Force Majeure: *"The events for curtailment on Long Term Transmission Rights are only due to Force Majeure according with the rules previously in force for this border before the entry into force of these HAR. Therefore, for articles 56 to 61 only the applicable provisions are those related to Force Majeure situation."* While we regret that this provision is not part of Art. 56 EU HAR itself, we valued that the Spanish and Portuguese TSOs corrected this mistake of the main body of the EU HAR. However, this provision has disappeared from the Portugal Spain annex since the 2017 version, and is still absent from this 2018 version of the SWE Annex. We believe that this principle that FTRs could only be curtailed in case of Force Majeure should be included in the main body of the EU HAR and apply to all borders at which FTRs are issued. In the meantime, we advise the SWE TSOs to re-integrate the provisions 2016 PT-ES Annex on this subject.

#### **Comments on articles 5 and 6:**

We welcome the substantial simplifications introduced in this new version of the Annex.

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org)