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Date	27 august 2015.
Subject	Long term contracts for the transportation of electricity (publication d.d. 20 July 2015, case nr. 15.0730.52)

Dear Sir,

With this letter Energie-Nederland wishes to express its opinion on Tennet's proposal to change the auction rules of long term contracts for the transportation of electricity (publication date 20th of July 2015, case number: 15.0730.52).

Tennet has requested the ACM to approve the EU HAR (publication date 17 June, 2015) including Annex 1 and 2. Energie-Nederland has the following remarks:

Curtailment rules

Regarding the EU HAR chapter 9, there should be no Long Term Firmness Deadline (LTFD) as this is cumbersome and unnecessary in addition to the Day Ahead Firmness Deadline (DAFD). The LTFD is introduced to prioritize compensation payments in case of curtailments for system security or an Emergency Situation. Also, the compensation cap of curtailed volumes before the LTFD is lower than the compensation cap after the LTFD but before the DAFD. As firmness is of crucial importance to market participants, TSO's should be incentivized to keep maximum availability of the transmission lines. The LTFD is in our opinion not effective to achieve this. The risk is that congestion is pushed to the border as other measures, such as redispatch, are more costly for a TSO.

With the same reasoning, caps on compensation for curtailment due to ensure System Security or Emergency Situation (art. 59.2) should not be limited to monthly congestion income and 1/12th of yearly congestion income. The risk that the compensation costs for a TSO outweigh the congestion income in a particular month is low, and when this happens, this will be offset by other months. We therefore argue to remove, or at least significantly increase the cap on compensation payments.

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FTRs on the Dutch-Belgian border

In Annex 1 of the EU HAR, the introduction of FTRs on the Dutch-Belgian border is proposed. We are against a full introduction at this time, and therefore ask the regulator to preserve the current situation where PTRs are auctioned to provide hedging possibilities for power suppliers.
Whilst under adequate supply circumstances a PTR with UIOSI and an FTR can be regarded as equivalent products, this is no longer the case when there is not enough supply in the system. It is not unlikely that there will be moments in Belgium with shortages, given the current nuclear situation. Owning nomination rights is then a requirement to fulfill customer obligations. This is illustrated as follows:

Consider that a Belgian customer is served by a supplier in the Netherlands who hedges the price risk (the difference in settlement prices between Belgium and the Netherlands) with an FTR. When a supply shortage occurs in Belgium, the Day Ahead clearing price can rise up to a maximum of 3000 EUR/MWh. This will trigger the strategic reserve to come into play. When the strategic reserve is also insufficient to cover demand, buying bids are being partially rejected (pro rata). From this an imbalance position originates which can face a maximum price of 4500 EUR/MWh. As a consequence, a financial loss will be incurred equal to the volume that is rejected by the exchange times 1500 EUR (the difference between the DA price cap and the imbalance price in Belgium). At the same time, owning a PTR would have been a good hedge with no financial consequences, as the desired power flow to the Belgian customer would have been nominated independent of the exchanges.

In addition to that, we would like to mention that the introduction of FTRs will lead to higher trading costs. This follows from the situation where one has two opposite positions in two countries which can be netted via the nomination of the PTR (and nominate nothing on the exchange), while in case of an FTR, this needs to be closed individually on the exchange of each country (against two times exchange fees).

To conclude, it is a requirement for power suppliers that there is security of delivery to a power customer on the other side of the border with a high level of financial firmness. Currently this is adequately achieved under the PTR methodology, but not with FTRs due to a potential difference in prices between day-ahead and the imbalance market. We therefore argue to reject the full introduction of FTR's at this stage.
That said, Energie-Nederland would like to mention that we support measures aiming at a correct price formation and the optimal use of cross-border capacity. As FTRs can play a role in this, we are in principle not against this product, and could see benefits when implemented consistently throughout Europe subject to the above-mentioned constraints.

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Transmission Rights for the intraday

Our final comment is more general of nature and is related to the reduced possibilities to conduct cross-border intraday trading. We would welcome a discussion with the ACM around this topic in the near future.

The flow-based (FB) market coupling implementation has strongly impacted the intraday market timeframe. A general analysis shows that the market coupling algorithm finds an optimal solution in a "corner" of the flow based (capacity) domain during more than 20% of the time. As a consequence, possible cross-border exchanges during the intraday are being blocked. As interim short term solution, we ask to require the TSOs to recalculate FB domain after DA clearing and to review the possible intraday domain based on this outcome.

Sincerely Yours,

Mira Huussen
Director