Ørsted consultation response: Long-Term Hedging opportunities (FCA Regulation)

Company details

1. This consultation response is sent on behalf of Ørsted, Headquartered in Gentofte (Denmark), with a Dutch office in the Hague. We develop and operate offshore windfarms, onshore wind and solar projects, electrolysis projects and have Danish Combined Heat and Power assets (bioenergy).

Current use of hedging instruments

2. in essence we use all hedging instruments at our disposal for monthly, quarterly, and yearly timeframes. The instruments are used (in NL) to hedge upwards market price exposure from the SDE+ base price.

Need for hedging instruments

3. Ørsted does both asset-backed trading and speculative trading.

4. Given the relative illiquidity of the Dutch market for hedging products cross-zonal hedging opportunities can aid in increasing the liquidity. This is also the case for hedging across the NO2-NL border.

Are there sufficient hedging opportunities

5/6. Currently large collateral requirements hamper sufficient hedging. A government guarantee system could decrease the required collateral and as such increase market liquidity. Both new hedging opportunities in an organized market and opportunities in a bilateral (brokered) market help increase liquidity.

View on long-term transmission rights

7. long-term transmission rights are a useful instrument towards hedging the cross-border market spread between two bidding zones. In this Ørsted prefers financial over physical LTR's and firm over non-firm LTR's.

8. Ørsted uses long term transmission rights (in NL) to hedge upwards market price exposure from the SDE+ base price.