Via Email

Date: 3rd October 2023

**RE: Long-Term hedging Opportunities (FCA Regulation)**

SEFE Marketing & Trading Limited ("**SM&T**") is a wholly owned subsidiary of SEFE Securing Energy for Europe GmbH ("**SEFE**"), responsible for the optimisation of SEFE's energy commodity assets through SM&T's marketing and trading network. SM&T is active as a trader and marketer of power within the Europe and the UK. SM&T appreciates the opportunity to respond to the public consultation on long-term hedging opportunities ("**Consultation**"). Please find our responses to the specific questions below.

**Company details**

1) *Please specify the name of your company, the country in which your company is located, as well as your business activities.*

SEFE Marketing & Trading Limited is registered and located within the UK. SM&T operates within the UK and across Europe as a trader and marketer of both power and gas.

**Current use of hedging instruments**

2) *Do you currently use any long-term hedging instruments, e.g. for monthly, quarterly and yearly timeframes?*

SM&T utilises all available long-term instruments for hedging (such as annual, quarterly, and monthly) as well as shorter-term instruments both within the NL bidding zone and across bidding zone borders (where products are available). SM&T hedges on behalf of our NL retail business and to balance cross-border flows (e.g. for our assets within the German and UK market). SM&T trades via exchange (~50%), broker (~45%) and bilaterally (~5%).

**Need for hedging instruments**

3) *Do you trade as part of asset-backed trading, speculative trading, or both? If you trade asset-backed: please specify the asset classes/portfolios you are trading for.*

SM&T participates in both speculative and asset backed trading. The asset backed trading is on behalf of (but not limited to) Netherlands retail, French retail, German retail, UK retail and UK power generation.

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4) *Is your need for hedging also across bidding zone borders (i.e. cross-zonal risk hedging on bidding zone borders)?*

SM&T asset portfolio extends across the EU and UK and therefore requires hedging across bidding zone borders. A number of these are long-term (i.e. annual or longer) contracts and having the ability to hedge forward exposure across bidding zone borders provides predictability and stability, which ultimately benefits end consumers (retail or generating). SM&T believes there is a need for hedging across the NO2-NL bidding zone as it provides the opportunity to bring power from generating assets in NO2 to the NL market, which facilitates competition and provides consumer and security of supply benefits to NL.

**Are there sufficient hedging opportunities?**

5) *Do the electricity forward markets provide sufficient hedging opportunities for hedging for the NL bidding zone? Please indicate in your answer what criterion you have used to determine whether there are "sufficient" hedging opportunities.*

The electricity forward market currently provides adequate hedging opportunities for the NL bidding zone. There is an orderly market for both baseline and peak power which is consistent with neighbouring markets and allows for hedging within the NL bidding zone. An overnight hedging contract would be useful and provide further hedging opportunities. Hedging through organised markets (i.e. exchanges), bilateral contracts and brokers are all required to ensure users can utilise the most efficient route to market.

6) *Do the electricity forward markets provide sufficient hedging opportunities for hedging across Dutch bidding zone borders (i.e. cross-zonal risk hedging on bidding zone borders)? Please indicate in your answer what criterion you have used to determine whether there are "sufficient" hedging opportunities.*

As above, the electricity markets provide sufficient hedging opportunities across bidding zone borders, however, this could be further enhanced if capacity was marketed further in advance at cross-border points. Several cross-border points market capacities late in a period (e.g. the final week at a month-ahead auction) whereas other points are available at flexible intervals (e.g. monthly auctions available several months in advance). For example, users can already bid on cal-25 capacity from UK to NL (via BritNed) but the same period will not be available for DE to NL until December-2024[1]. Marketing capacity in further out and in a more flexible manner increases hedging opportunities, facilitates competition, and leads to better market design.

**View on long-term transmission rights**

7) What is your company's view on the use of long-term transmission rights as an instrument for hedging the cross-border market spread between two bidding zones?

SM&T supports the use of long-term transmission rights as they facilitate competition and improve hedging opportunities (as described above). Given the increased connectivity between markets this is important to manage cross-market asset portfolios and provide stability to end consumers.

[1] The auction is not yet published on the JAO platform

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8) Do you already use long-term transmission rights? If so, could you tell us about the purpose of your use of transmission rights, and whether and how these transmission rights satisfy your need for hedging?

SM&T uses long-term transmission rights to hedge and balance its portfolio, which allows for diversification of risk across the different businesses and markets it operates in. SM&T would welcome the implementation of long-term capacity rights and additional flexibility in capacity auctions at cross-border points which connect the Netherlands to neighbouring markets as this allows SM&T to improve its ability to hedge, which provides stability to our assets and customers.

We hope this response is of assistance. Should you wish to discuss further or have any questions please contact [redacted] at [redacted]@sefe-mt.com or +[redacted].

Yours sincerely,

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