

AEEGSI consultation document n. 110/2017 on long-term transmission rights, pursuant to the Forward Capacity Allocation Guideline (FCA Guideline)

EFET response – 3 April 2017

EFET¹ welcomes the opportunity to provide comments to the consultation document n.110/2017 on the allocation long-term transmission rights, as foreseen by the EU Regulation n. 2016/1719 (FCA Guideline).

In general terms, we support AEEGSI's proposal to maintain the current CCC and CCP instruments in accordance with Article 30.5 of the FCA Guideline and, therefore, to adopt the decision, under Article 30.1 of the Guideline, not to issue long-term transmission rights between Italian internal bidding zones.

However, we encourage the Regulator to perform a more detailed analysis of the Italian system, aimed at assessing the quality of these "alternative" instruments, as they are fundamental in allowing market participants to hedge volatility in the CCT:

- i) First, we would have expected a more in-depth analysis of the liquidity of CCCs and CCPs, as required by the rules for the derogation laid out in Art. 30.2 to 30.4 of the Guideline: a proper analysis of the functioning of these hedging instruments and of the actual hedging needs of market participants would be useful to have a better understanding of the liquidity of forward trades and hedging tools between the Italian zones.
- ii) Second, EFET expects from the Regulator stricter oversight of the market for CCCs. In particular, we highlight that the TSO's publication of transmission limits between Italian zones is critical for market players when assessing their bidding strategies on the auctions; EFET noticed that on several occasions the published transmission limits were amended just few days after the CCC auctions, meaning that the market players' expectations, on which their bidding on the auctions is based, are completely misled. Therefore, we believe that stability and predictability in the publication of transmission limits between Italian zones, before and after CCC auctions, must be preserved, not to distort price formation and the value of these hedging products.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org