

The background of the slide features a low-angle shot of a high-voltage power line tower against a sky with soft, pinkish-orange clouds, suggesting a sunset or sunrise. The tower is a lattice structure with multiple cross-arms. The text is overlaid on a white semi-transparent box on the left side of the image.

EFET European Federation
of Energy Traders

Reaction to ENTSO-E presentation on long-term rights

7 December 2022, MESC

Our understanding of the ENTSO-E presentation



LTTRs auctions cleared far below 2022 DA prices



As a result, congestion income for TSOs is negative

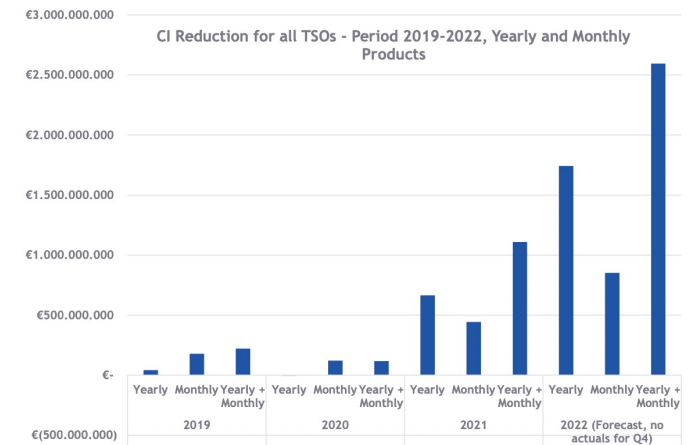


Presentation seems to question the very existence of LTTRs

3. Main Results

CI Loss for All TSOs over the period 2019-2022

- On a helicopter view over all borders, undervaluation was present for the whole period (i.e. positive value)
- Cumulated CI loss over the period is 4.04 b€
 - 2021 (1.1 b€) and 2022 (2.6 b€) being the main bulk
 - For 2021 the LT CI Loss represented around 21% of the overall Congestion Income (Day-Ahead and Long Term)
- Split between Yearly/Monthly is heterogeneous
 - For 2019 and 2020, monthly values are higher than the yearly ones
 - For 2021 and 2022 monthly values are lower than the yearly ones



How LTTRs are valued when they are auctioned



LTTRs are valued against market spreads at the time of the auction



Proper analysis should have compared LTTRs auction results with forward spreads then



This is complemented by best estimates forecasts of the DA spread evolution



What we cannot know cannot be valued at the time of the auction!

> e.g. war in Ukraine, unforeseen outages of nuclear plants

What the ENTSO-E analysis should have looked at

2021 auction for delivery year 2022

	DE>FR	BE>FR	NL>DE	BE>DE	BE>NL
auction €/MWh	80.01	98.00	19.27	27.40	13.24
mkt at auction date	81.51	105.16	14.92	23.66	8.74
Min spread last year	-1.40	7.60	-1.00	8.00	-1.55
max spread last year	167.53	430.87	244.99	265.00	30.44
st dev spread	46.47	76.79	36.03	40.10	8.80



Factual at the time of the auction

vs.



Unforeseeable evolutions

Why LTTRs are vital especially in current times



LTTRs provide a view of spreads between two markets



LTTRs offer a liquidity bridge/boost for smaller BZs

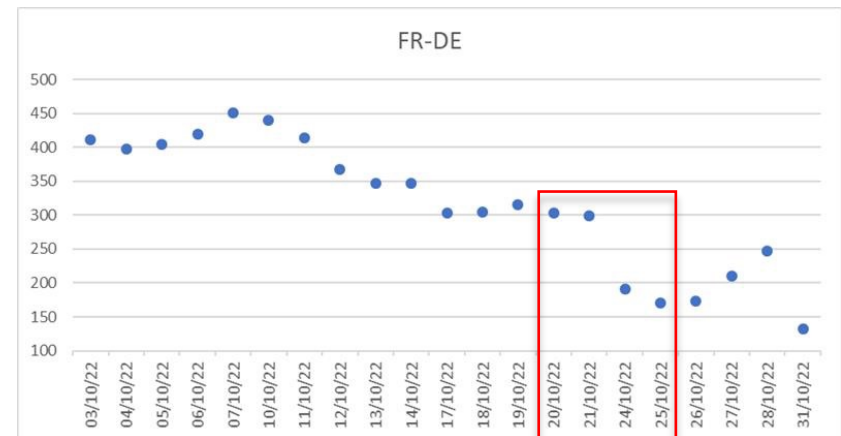


LTTRs serve as a hedge for physical supply position



Access to LT capacity is beneficial for consumers

- > contributes to smoothing spreads volatility for consumers
- > avoids isolation of small BZ (or BZs under stress)



Wider reflections on the ENTSO-E presentation



Has the maximisation of congestion income become a TSO objective?



Already largely guiding the future LTFBA optimisation

Nowhere to find in legislation

Rather an indicator flagging the need for inefficiency or infrastructure investment



Is ENTSO-E reconsidering the very existence of LTTRs?



Effect on capacity of market participants to hedge across borders

Effect on end-user prices

EFET conclusions & recommendations



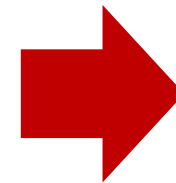
We find the ENTSO-E analysis fundamentally flawed



LTTRs are vital for market functioning and bring benefits to the system



Maximisation of congestion income should not become a TSO objective



Market design debates deserve better