

EFET

European Federation
of Energy Traders



Long Term Flow Based Auction

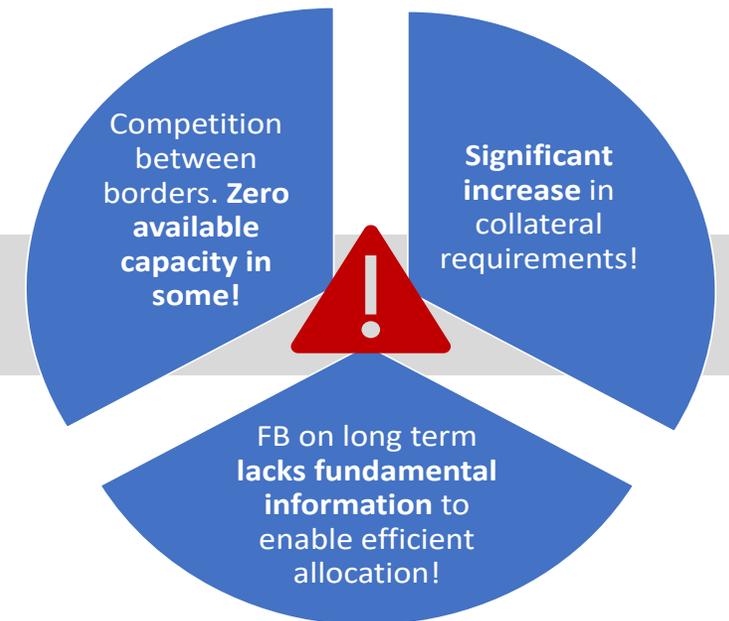
MESC meeting – 18 October 2023

Flow-based allocation of LTTRs premature

- FB LTTR allocation introduce border-based **competition driven by bid prices**
- **Insufficient fundamental data** on LT auctions hampers efficient allocation
- Ongoing simulations have **not yet demonstrated the benefits of the approach**, as stipulated by Article 10.5a) of the FCA Regulation.



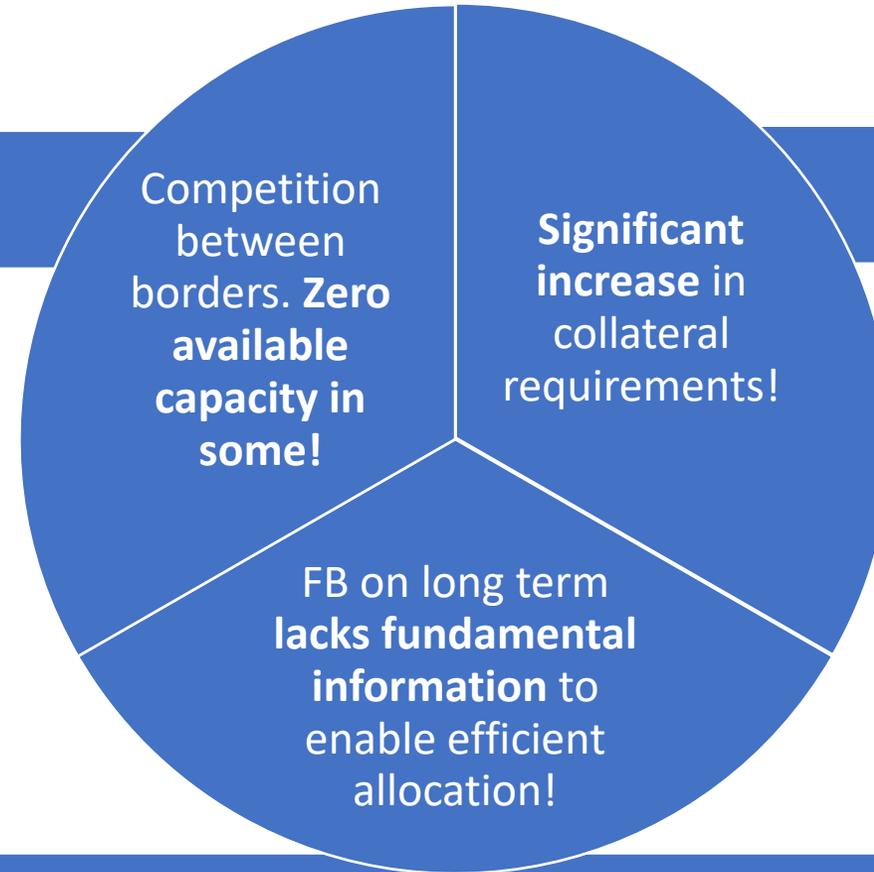
- Up to this point, **significant drawbacks have been observed**
- The decision on implementation should be contingent on the **efficient adoption of measures aimed at mitigating these drawbacks**



Addressing the drawbacks should be a priority

Capacity calculation mitigation measures:

- **Set minimum capacity (ATC)** for each border/direction
- **Full transparency** on FB parameters and domain



Capacity allocation mitigation measures:

- **Cap on collateral set using forward spread** to adequately reflect the value of LTTRs
- **Bid filtering based on market results** (not before the auction) to optimise utilisation of collateral

Fundamental concern:

FB approach is not suitable for allocating LTTRs. It fails to offer adequate and efficient hedging opportunities to market participants