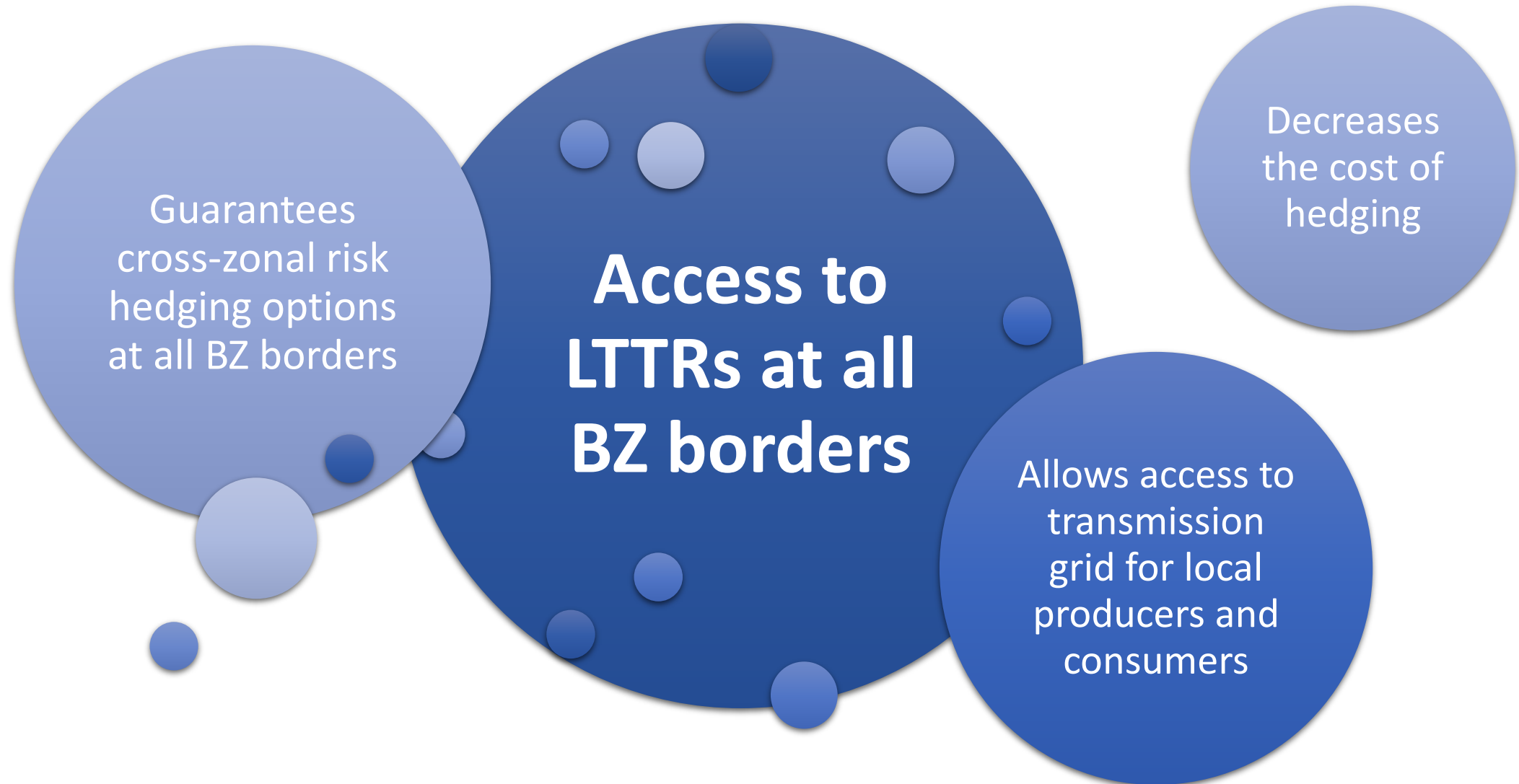




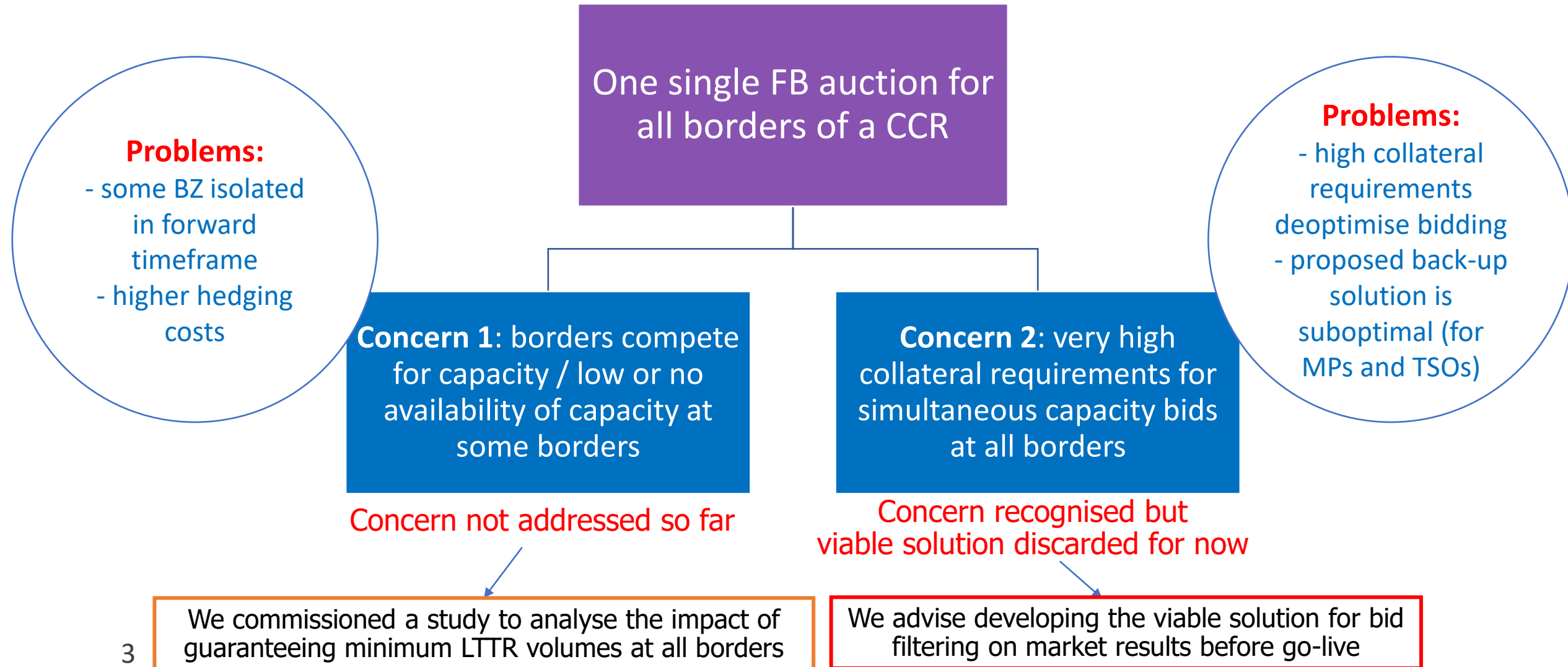
# The way forward for the allocation of LTTRs – reflections from the market

MESC – 25 February 2023

# 1. Getting the allocation of LTTRs right is important

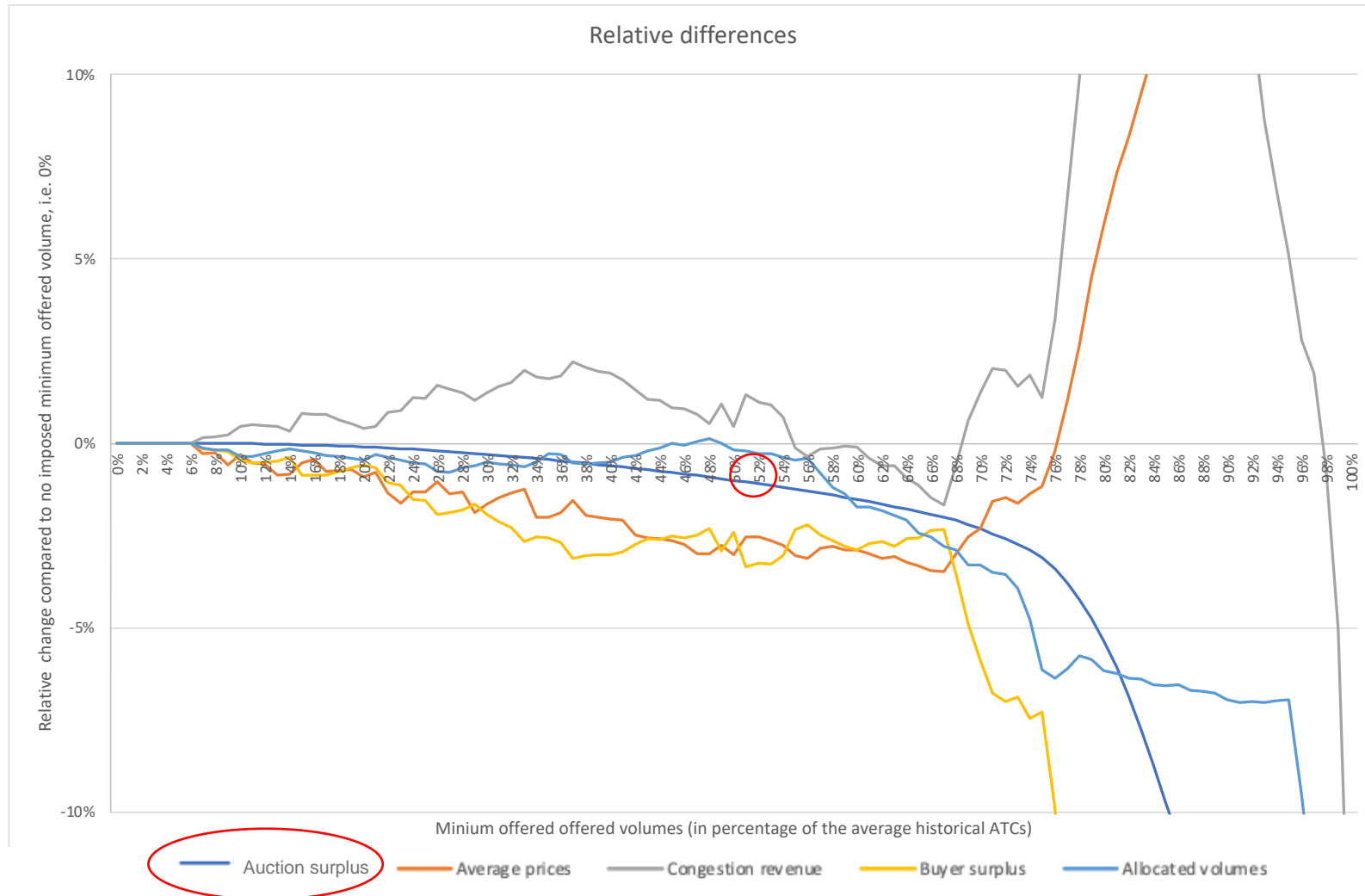


## 2. Flow-based allocation of LTRs presents significant drawbacks that have not been properly tackled so far



# 3. MPs are investigating the impact of minATC on FB results

Applying even sizeable Min ATC values has little impact on auction surplus and other indicators



**When at least 50% of historical ATCs are guaranteed at all Core borders:**

- The average prices decrease by 3%
- The congestion revenue tends to increase by 1%
- The total allocated volume decreases by less than 1%
- **The auction surplus decreases by 1%**

## 4. Next steps

### How does the Commission's upcoming impact assessment on the LT target model feed the discussion?

- EC assessment should put reliable numbers on the added-value of flow-based (all things equal)
- EC assessment should look into the compatibility of flow-based with different market evolutions (e.g. 3-year LTRs allocated on statistical approach?)

### What needs to happen in the meantime, before considering LT FBA go-live?

- Develop a solution to remedy the problem of 0 or low capacity volumes at certain border (agree on a minRAM metric – or another solution)
- Make sure the target solution for a collateral cap is finalised (bid filtering on market results + cap calculated on forward spreads)

**What is realistically feasible by November 2024?**

**Can we - right now - agree on a new deadline to get the work started toward a durable and value-creating solution ?**