

Market ESC  
Brussels, 3/12/2015



European Federation of Energy Traders

## Introduction of Financial Transmission Rights



# Panorama of the situation in Europe

---

- Most European TSOs issue PTRs at their borders. FTRs are issued at the ES-PT border.
- UIOSI PTRs are hedging instruments with a possibility to nominate in DA. The nomination option is an additional hedge against high imbalance prices.
- The introduction of FTRs at the BE-FR and BE-NL borders has been approved in October 2015.
- FTRs are being considered for the DE-DK1, DE-DK2 and DK1-DK2 borders (on hold until 2017) and the GB-IE cables (possibly with FTR obligations).

# Market participants requests

---

- Market participants fully understand that FTRs are an option in the target model and may facilitate the implementation of FBMC on TSOs' side.
- But if introduced, **we need real FTRs, not PTRs without nomination**, i.e.:
  - volumes of FTRs allocated should be maximised, no reservation of capacity can be justified by system security elements with FTRs in the calculation of capacity
  - FTRs should be fully financially firm from the moment of their allocation
  - price regulations and other mechanisms that would expose market participants to risks they cannot cover using FTRs should be reformed (cf. CREG recommendation on the applicability of the strategic reserve price)
  - FTR obligations should in no case be considered: transmission rights are a hedging tool for market participants; TSOs are remunerated through congestion rents, they do not need a hedge against DA prices. FTR obligations issued by the TSOs would mean that the TSOs would be taking 'trading position' in the market.

## Further policy consideration

---

- The use of FTRs ties market participants to **power exchanges** for physical transactions. This restricts market participants' ability to choose between OTC and PX-based trading. This reduces competition of market places and has practical and financial consequences for market participants.
  - Reduced possibility to physically hedge forward positions drives trading in financial instruments. All this will impact liquidity and increase risks in the market, to the detriment of the end-consumer.
  - Increased cost of trading
- EFET view with regards to **MiFID**: the proposed FTRs are in fact physical rights which market participants give back to the TSOs and PXs for market coupling algorithm. As such those rights are used physically.

# Thanks for your attention

---



**European Federation of Energy Traders**

**Amstelveenseweg 998  
1081 JS Amsterdam**

**Tel: +31 (0)20 5207970  
Email: [secretariat@efet.org](mailto:secretariat@efet.org)  
[www.efet.org](http://www.efet.org)**