

# Forward capacity allocation rules

## IFIEC position on market design and forward capacity allocation

- **Industry needs long-term price visibility and competitive prices**
  - PTRs/FTRs have limited value as hedging tool for electro-intensive industry
- **IFIEC supports fast implementation of the internal energy market**
- **The processes implementing the 3rd energy package are interrelated and must be coordinated**
  - Market coupling and flow based capacity calculation will be implemented on several borders
  - Insufficient grid development may result in splitting of day ahead zones and reduce forward liquidity
  - Future zone price design needs to be adapted to flow based capacity calculation
  - Flow based capacity calculations is difficult to combine with PTRs/FTRs
- **The most efficient solution would be to increase competition and liquidity for forward contracts by creating larger forward market areas**
  - The forward market area includes several day ahead market areas
  - Financial forward price calculated as an unconstrained market price in addition to day ahead prices
  - Enable hedging of price difference between financial forward price and physical day-ahead price

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## IFIEC position on harmonisation

- **Transparent, objective and efficient calculation procedures for allocation of capacity**
- **The TSO obligation on to sell long term transmission rights must not distort incentives**
  - Capacity allocation must not be influenced by TSOs financial exposure
  - Socializing allocation costs must not increase consumer cost
- **Industry should not be asked to bear the risk of TSO's potential loss from selling FTRs**
  - Experience show that speculators might profit from auctions
  - Issuing FTRs to regions with weak competition may be particularly risky
- **Barriers to participate in auctions must be properly addressed**
  - Easy participation for smaller players
  - Effective and fair fee-structure and escrow requirements
  - Choice of technology vs. speed of implementation
  - Approval processes at EU, regional and national levels
- **Capacity calculation implementation rules should be coordinated with CACM and Balancing codes**