POSITION

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# Restoring confidence in electricity markets

## *Amendment suggestions to the EMD proposal for Members of the European Parliament*

Brussels, 30 June 2023 - EFET draws the attention of Members of the European Parliament on three important points in the reform of electricity market design, as the ITRE Committee is finalising its position on the European Commission proposal:

**The declaration of energy crisis, as a trigger for possible future emergency measures, must be the exception to rebuild trust**

- it needs to be defined based on clear, objective and quantifiable criteria, using those proposed by the European Commission as a basis
- it should not put an obligation on Member States to apply a cap on market revenues
- it needs to be strictly time-bound to avoid everlasting effects of emergency measures

**The existing forward market's ability to provide price stabilisation for consumers and revenue predictability for investors must be improved**

- enhancements to existing forward markets are possible, including at least three-year ahead transmission rights and widening collateral options
- regional virtual hubs should only be introduced if a thorough impact assessment turns out positive – a true alternative should remain otherwise

**The market's ability to provide efficient short-term dispatch and to optimise across technologies must be preserved**

- portfolio bidding is an important feature of the market that allows continuous optimisation
- moving to unit bidding poses risk to the efficiency of spot markets, the integration of distributed resources and ultimately our security of supply

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## 1. Emergency measures need to be the exception to rebuild trust

### *Strengthening Art. 66a of the Electricity Directive*

The review of the Electricity Regulation and Directive is the opportunity to strengthen the European model and regain the regulatory stability needed to deploy the investments required for decarbonisation. This means moving away from haphazard interventions and ensuring that an energy crisis is only declared in times of true emergency.

- ➔ **We support the 3 strict cumulative conditions proposed by the Commission for the declaration of an energy crisis** – to ensure that a declared "energy crisis" truly is a crisis, and we propose to further detail criterion #1 to that effect
- ➔ **We support a strict limitation of the duration of an energy crisis declaration to one year** – with no possibility to extend this period without taking a new decision or for related emergency measures to apply beyond the period set in the declaration
- ➔ **We argue against the temptation to introduce the inframarginal revenue cap from Regulation 2022/1854 in the Electricity Regulation** – as the European Commission report of 5 June recommended not to prolong such measures due to their inefficiency

## 2. The existing forward market can be improved irrespective of tentative try-outs around regional virtual hubs

### *Completing Art.9 of the Electricity Regulation*

We appreciate the attention of the European legislators to forward markets: they provide a hedge against price volatility for consumers and contribute to underpinning new investments. Existing forward markets can continue to be improved, and they should remain a priority.

- ➔ **We insist that regional virtual hubs may only be introduced if a thorough impact assessment turns out positive** – this concept remains to be tested, and a true alternative should remain in case of negative outcome of the impact assessment
- ➔ **We seek to keep the spirit of maximising forward transmission capacity from zone to zone in the Regulation** – to preserve cross-zonal optimisation and to keep improving forward markets until any decision on regional virtual hubs is made
- ➔ **We support the development of longer-term transmission rights (3-5 years before delivery)** – to ensure that instruments proposed by TSOs to cover transmission risk match hedging practices of market participants

## 3. Portfolio bidding on day-ahead and intraday market ensures greater optimisation and efficiency

### *Preserving efficiency in Art.7, para 2, of the Electricity Regulation*

Short term markets have proved resilient throughout the crisis. Portfolio bidding allows to properly reflect assets and their combined capabilities within electricity production and consumption portfolios. This is not possible in unit-based bidding and mandating the latter will impede different technologies from responding to the needs of the electricity system efficiently.

- ➔ **We argue against the introduction of mandatory unit-based bidding in day-ahead and intraday markets** – this would add unnecessary complexity to well-functioning short-term markets and create inefficiency in the bidding process

- ➔ **We warn against forbidding portfolio bidding and the risks it would pose to security of supply and decarbonisation efforts** – the integration of all the resources needed for our current supply of electricity and the energy transition would be threatened

## See our detailed amendment suggestions and justifications in attachment

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# EFET amendment suggestions to the European Parliament on Electricity Market Design reform – Brussels, 30 June 2023

| Article | Draft Parliament compromise (highlights and strikethroughs compared to the Commission proposal) | Proposed EFET amendments to the draft Parliament compromise (deletions proposals in ~~strikethrough red~~; additions proposals in **bold green**) | EFET reasoning |
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| **Art. 66a Directive 2019/944)** | Article 66a - Access to affordable energy during an electricity price crisis<br><br>1. The Commission ***shall*** ***~~may by decision~~*** declare a regional or Union-wide electricity price crisis, if **one of** the following conditions **is** **~~are~~** met ***(EPP 1273, ECR 1266)***:<br><br>(a) very high prices in wholesale electricity markets at least two and a half times the average price during the previous 5 years, ***[and at least 180 €/MWh (EPP 1279, SD 1278)]*** which is expected to continue for at least ***3*** ***~~6~~*** months.<br><br>***(b)*** sharp increases in electricity retail prices of at least 70% ***of the previous two years average (EPP 1290, RE 1291)*** occur which are expected to continue for at least ***3*** ***~~6~~*** months; ***or*** ***~~and~~***<br><br>(c) the wider economy is being negatively affected by the increases in electricity prices. | "Article 66a - Access to affordable energy during an electricity price crisis<br><br>1. The Commission ~~shall~~ **may by decision** declare a regional or Union-wide electricity price crisis, if ~~one of~~ the following conditions ~~is~~ **are** met:<br><br>(a) very high prices **over the past 6 months** in wholesale electricity markets of at least **two and a half** times the average price during the previous 5 years~~, *[and at least 180 €/MWh (EPP 1279, SD 1278)]*~~ which **forward prices show** is expected to continue for at least ~~3~~ **6** months, **and;**<br><br>(b) sharp increases in electricity retail prices of at least 70% ***of the previous two years average (EPP 1290, RE 1291)*** occur which are expected to continue for at least ~~3~~ **6** months; ~~*or*~~ ***and***<br><br>(c) the wider economy is being negatively affected by the increases in electricity prices. | **We welcome this new provision in European legislation proposal**, aiming to secure the internal energy market from national intervention in normal times, and provide visibility in exceptional times.<br><br>**In paragraph 1: We believe that the declaration of energy crisis, possibly triggering emergency measures, should only be an option for the European Commission, not an obligation.** We argue against an automatic declaration, as the circumstances should always be assessed carefully.<br><br>**We welcome the three clear criteria for declaring an energy crisis** in paragraphs 1. However, we insist that **these criteria must be cumulative**.<br><br>**Criterion #1 needs to be further specified:**<br><br>- **The period for which prices are looked at: we propose to look at the past 6** |

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| | 2. The Commission shall specify in its decision declaring a regional or Union-wide electricity price crisis the period of validity of that decision which may be for a period of up to one year. ***If conditions mentioned under paragraph 1 are still met, the Commission shall issue a decision extending the duration of the electricity price crisis no later than two months before the end of the validity of the initial decision. If an extension is not foreseen, the Commission shall propose recommendations on a gradual phase-out of public interventions. (S&D 1302)***<br><br>***2a. The declaration of a regional or Union-wide electricity price crisis shall ensure a level playing field across all Member States affected by the decision so that the internal market is not unduly distorted. (Rapp 183)***<br><br>3. Where the Commission has adopted a decision pursuant to paragraph 1, Member States may for the duration of the validity of that decision apply targeted public interventions in price setting for the supply of electricity to small and medium sized enterprises ***[and electro-intensive industrial consumers (EPP 1311, 1313, 1314; SD 1318; Left 1316)]***. Such public interventions shall:<br><br>(a) be limited to at most 70% of the beneficiary's consumption during the same period of the previous year and retain an incentive for demand reduction; | ~~2.~~ The Commission shall specify in its decision declaring a regional or Union-wide electricity price crisis the period of validity of that decision which may be for a period of up to one year. ~~***If conditions mentioned under paragraph 1 are still met, the Commission shall issue a decision extending the duration of the electricity price crisis no later than two months before the end of the validity of the initial decision. If an extension is not foreseen, the Commission shall propose recommendations on a gradual phase-out of public interventions. (S&D 1302)***~~<br><br>***2a. The declaration of a regional or Union-wide electricity price crisis shall ensure a level playing field across all Member States affected by the decision so that the internal market is not unduly distorted. (Rapp 183)***<br><br>3. Where the Commission has adopted a decision pursuant to paragraph 1, Member States may for the duration of the validity of that decision apply targeted public interventions in price setting for the supply of electricity to small and medium sized enterprises ***[and electro-intensive industrial consumers (EPP 1311, 1313, 1314; SD 1318; Left 1316)]***. Such public interventions shall:<br><br>(a) be limited to at most 70% of the beneficiary's consumption during the same period of the previous year and retain an incentive for demand reduction; | **months, complemented by the forward-looking analysis of the expectations for the next 6 months already in the text.** This is to prevent that a single price spike of a specific day or hour triggers a potential declaration of energy crisis. It is important to have clarity not only on how long we expect prices to stay at a certain level in the future, but also how long they have been at that level in the past.<br>- **The timeframe which should be looked at when analysing expectations of wholesale energy prices for the next 6 months: we propose to specify that this be the forward timeframe**. For avoidance of doubt, we refer to our suggestion in the review of REMIT that ACER develops a forward price index based on the transaction data collected from market participants.<br><br>**In paragraph 2: The declaration of energy crisis needs to be clearly time-bound and not go beyond one year. Should a situation of crisis prolong itself, a new declaration should be issued.** This is to avoid that the same type of severe uncertainty to that experienced in 2022 happens again. Investors and market participants hedging risks for consumers need to be sure that there is no open door to drag emergency measures for longer than they deserve, and surely |

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| | (b) comply with the conditions set out in Article 5(4) and (7);<br><br>(c) where relevant, comply with the conditions set out in Paragraph 4.<br><br>***(d) be designed to minimise any negative fragmentation of competition in the Union;***<br><br>4. Where the Commission has adopted a decision pursuant to paragraph 1, Member States may for the duration of the validity of that decision, by way of derogation from Article 5(7), point (c), when applying targeted public interventions in price setting for the supply of electricity pursuant to Article 5(6) or paragraph 3 of this Article, exceptionally and temporarily set a price for the supply of electricity which is below cost provided that the following conditions are fulfilled: | (b) comply with the conditions set out in Article 5(4) and (7);<br><br>(c) where relevant, comply with the conditions set out in Paragraph 4.<br><br>***(d) be designed to minimise any negative fragmentation of competition in the Union;***<br><br>4. Where the Commission has adopted a decision pursuant to paragraph 1, Member States may for the duration of the validity of that decision, by way of derogation from Article 5(7), point (c), when applying targeted public interventions in price setting for the supply of electricity ***to vulnerable household customers affected by or at risk of energy poverty*** pursuant to Article 5(6) or paragraph 3 of this Article, ***and as a measure of last resort when all other measures to contain end-user prices, including at fiscal level, have been exhausted,*** exceptionally and temporarily set a price for the supply of electricity which is below cost provided that the following conditions are fulfilled: | not for longer than an energy crisis has been declared.<br><br>**In paragraph 2a and 4(d): We support the inclusion of a new paragraph 2a to avoid discrimination between Member States in the declaration of an energy crisis. Similarly, we also support the inclusion in paragraph 4 (d) of a provision that the measures adopted on the basis of this energy crisis declaration should not distort the market**. Avoid undue distortions of the internal electricity market, both in the energy crisis declaration and its consequences, is indeed vital, notably to avoid an inconsistent application of crisis measures between Member States. We have experienced such inconsistency since the summer of 2021: 439 national measures identified by ACER in 18 months have fragmented the internal electricity market, drastically reduced liquidity in some Member States (making hedging far more expensive, or impossible), and damage investments in new (especially renewable) capacity, as documented in the European Commission report of 5 June 2023. In this document, the European Commission does not recommend prolonging measures such as inframarginal revenue caps.<br><br>**Paragraph 4: We warn against the possibility for Member States to set a price of electricity below costs for all consumers, as it would deter demand response and could send** |
| | (a) the price set for households only applies to at most 80% of median ***[general]*** household consumption and retains an incentive for demand reduction, ***and applies to 100% for vulnerable household customers affected by or at risk of energy poverty (Rapp 184; EPP 1338; Greens 1337)***; | (a) the price set for households only applies to at most 80% of median ***[general]*** household consumption and retains an incentive for demand reduction ~~***and applies to 100% for vulnerable household customers affected by or at risk of energy poverty (Rapp 184; EPP 1338; Greens 1337);***~~ | |

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| | (b) there is no discrimination between suppliers;<br><br>(c) suppliers are compensated for supplying below cost, ***in a transparent and non-discriminatory way (EPP 1345; ECR 1346), [including through the revenues collected by the revenue cap set out in Article 10a of Regulation ... [revised EMD Regulation] (Rapp 185)]***; and<br><br>(d) all suppliers are eligible to provide offers for the price for the supply of electricity which is below cost on the same basis.<br><br>***(e) measures proposed do not distort the internal electricity market (EPP 1349)***<br><br>***4b. The Commission shall continuously assess and publish on a regular basis the results of such assessments in order to monitor the impacts resulting from the measures adopted under the declared electricity price crisis. (EPP 1353)*** | (b) there is no discrimination between suppliers;<br><br>(c) suppliers are compensated for supplying below cost ***in a transparent and non-discriminatory way (EPP 1345; ECR 1346),*** ~~[including through the revenues collected by the revenue cap set out in Article 10a of Regulation ... [revised EMD Regulation] (Rapp 185)]~~, and<br><br>(d) all suppliers are eligible to provide offers for the price for the supply of electricity which is below cost on the same basis**; and**<br><br>***(e) measures proposed do not distort the internal electricity market (EPP 1349)***<br><br>***4b. The Commission shall continuously assess and publish on a regular basis the results of such assessments in order to monitor the impacts resulting from the measures adopted under the declared electricity price crisis. (EPP 1353)*** | **counter-productive investment signals**. Hence, we propose restricting this measure to vulnerable consumers only, so as to maintain demand response signals for those consumers who are not under threat of energy poverty. We also include for that purpose an amendment proposal suggesting to exhaust other, including fiscal, measures to contain end-user prices.<br><br>**Paragraph 4b: We support the continuous assessment and regular reporting by the European Commission of any emergency measure taken on the basis of an energy crisis declaration.** |

**In connection to our proposals on art. 66a of the Directive, we oppose the introduction of the inframarginal revenue cap in the Electricity Regulation or Directive**

Experience from inframarginal revenue caps, albeit limited by the lack of data provided by Member States, has been assessed as non-efficient by the European Commission in its report of 5 June 2023. In practice, we have seen a significant drop of investments in clean energy and in the conclusion of PPAs over the period of application of these caps. The most them – as their implementation showed a patchwork of very different caps – have also reduced the liquidity of local forward markets close to zero, impeding market participants from shielding consumers from price volatility. All in all, based on this negative experience, the European Commission rightly recommended not to prolong such caps. Accordingly, they should not be embedded permanently in European legislation.

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| **Art. 9 Regulation 2019/943** | Article 9 - Forward Markets<br><br>-1. ***Within 6 months after the entry into force of this Regulation, in accordance with Regulation (EU) 2016/1719, transmission system operators shall issue long-term transmission rights or have equivalent measures in place to allow for market participants, including owners of power-generating facilities using renewable energy sources, to hedge price risks across bidding zone borders. Long-term transmission rights shall be allocated on a regular basis, in a transparent, market based and non-discriminatory manner, with a range of maturities of up to at least three years ahead. The frequency of allocation of the long-term cross-zonal capacity shall support the efficient functioning of the forward market. All TSOs shall develop an approach aimed to increase the volume of cross-zonal capacities in forward markets and liquidity.***<br><br>1. ***Within 12 months after the entry into force of this Regulation, the Commission in consultation with ENTSO for Electricity and relevant market stakeholders, shall conduct an assessment of the possible implementation of practical solutions*** | Article 9 - Forward Markets<br><br>**-1.** ***Within 6 months after the entry into force of this Regulation, in accordance with Regulation (EU) 2016/1719, transmission system operators shall issue long-term transmission rights or have equivalent measures in place to allow ~~for~~ market participants, including owners of power-generating facilities using renewable energy sources, to hedge price risks across bidding zone borders. Long-term transmission rights shall be allocated on a regular basis, in a transparent, market based and non-discriminatory manner, with a range of maturities of up to at least three years ahead. The frequency of allocation of the long-term cross-zonal capacity shall support the efficient functioning of the forward market. All TSOs shall develop an approach aimed to increase the volume of cross-zonal capacities in forward markets and liquidity.***<br><br>*1.* ***Within 12 months after the entry into force of this Regulation, the Commission in consultation with ENTSO for Electricity and relevant market stakeholders and market participants, shall conduct an assessment of the possible implementation of practical*** | **Forward markets are key to allow market participants to hedge positions against price volatility for the benefit of consumers. They are also, alongside PPAs, the market-based tools that contribute to underpinning new investments.**<br><br>**Paragraph -1: We wholeheartedly welcome the proposal to introduce a paragraph -1 reinstating the spirit of maximisation of cross-zonal capacity by way of TSOs issuing long-term transmission rights or equivalent instruments.** It is important that the basics of the existing forward electricity market and cross-border risk hedging, as they can currently be found in article 9 of the Regulation, remains in place until any possible redesign.<br><br>**We also welcome the inclusion of the reference to three-year ahead transmission rights in this** |

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| | ***addressing market parties' hedging needs which shall consider but not be limited to the following:***<br><br>***a) frequency auctions for long-term transmission rights;***<br><br>***b) adequate product maturities for transmision rights extended up to three years;***<br><br>***c) development of a secondary market;***<br><br>***d) adoption of products such as financial transmission rights obligations;***<br><br>***e) improve investor's certaintly and price stability for consumers;***<br><br>***f) process on full cost-recovery to handle any financial risks and losses arising from these additional measures ensured by the regulatory authority;***<br><br>***g) timeline for implementation;***<br><br>2. ~~By 1 December 2024 the~~ ~~ENTSO for Electricity~~ ***Within 18 months after [the entry into force of this Regulation] (EPP 546) the Commision*** ~~shall submit to ACER~~, after having consulted ***ACER, ENTSO for Electricity and*** ESMA, ***including other relevant stakeholders shall submit to the European Parliament*** | ***solutions addressing market parties' hedging needs which shall consider but not be limited to the following:***<br><br>***a) frequency of auctions for long-term transmission rights;***<br><br>***b) adequate product maturities for transmision rights extended up to three years;***<br><br>***c) development of a secondary market for long-term transmission rights;***<br><br>~~***d) adoption of products such as financial transmission rights obligations;***~~<br><br>***e) improve investor's certaintly and price stability for consumers;***<br><br>***f) process on full cost-recovery to handle any financial risks and losses arising from these additional measures ensured by the regulatory authority;***<br><br>***g) timeline for implementation;***<br><br>**h) the appropriateness of regional coordination and decision making for alternative measures or exemptions to transmission system operators on borders where no long-term transmission rights are provided at the adoption time of this proposal;**<br><br>2. ~~By 1 December 2024 the~~ ~~ENTSO for Electricity~~ ***Within 18 months after [the entry into force of this Regulation] (EPP 546) the Commision*** ~~shall submit to ACER~~, after having consulted ***ACER, ENTSO for Electricity and*** ESMA, ***including other relevant stakeholders*** **and market participants** ***shall submit to*** | **paragraph -1 proposal**. Indeed, we believe this feature should apply to the allocation of long-term transmission rights as they exist now. It will help mirror on the transmission risk hedging side the market participants practice of hedging electricity volumes multiple years in advance of delivery.<br><br>**Paragraph 1: We welcome the rewriting proposal of article 1, requiring an assessment of the design and possible improvements to the existing forward market framework, including existing long-term transmission rights**. This is essential to assess what works well and what can be improved in the current context. We believe that all points mentioned as minimum elements to review make sense, save for the mandatory study of financial transmission right *obligations*. Considering the low support of market participants for such instruments and the expected lower income this could bring to TSOs when selling long-term transmission rights, we do not believe that financial transmission right *obligations* (rather than *options*) are |

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| | ***and the Council an assessment on the impact of*** ~~a proposal for~~ the establishment of regional virtual hubs for the forward market ***on the functioning of the electricity markets*** ~~The proposal shall~~ ***and where appropriate revise the Commission Regulation (EU) 2016/1719 in accordance with paragraph 1 of Article 59, (EPP 546; partially RE 558, 565). The impact assessment shall focus, inter alia, on:***<br><br>***(a) determining the impact of regional virtual hubs on at least the forward market, transmission system operators, market participants and end-consumers as well as the potential benefits and drawbacks that regional virtual hubs would bring compared to the existing zonal model; (Rapp 72; EPP 551; RE 549)***<br><br>(b) ~~define the~~ ***defining the adequate (Rapp 73)*** geographical scope of the ***regional*** virtual hubs ~~***for the forward market***~~, including the bidding zones constituting these hubs ***and specific situations of bidding zones belonging to two or more virtual hubs***, ***(RE 549; EPP 550)*** aiming to maximise the price correlation between the reference prices and the prices of the bidding zones constituting ***regional*** virtual hubs;<br><br>***(c) giving due consideration to the level of interconnectivity of Member States, in particular of those Member States below the interconnection targets set for 2020 and 2030 in Regulation (UE) 2018/1999; (Rapp 74)*** | ***the European Parliament and the Council an assessment on the impact of*** ~~a proposal for~~ the establishment of regional virtual hubs for the forward market ***on the functioning of the electricity markets*** ~~The proposal shall~~ ***and where appropriate revise the Commission Regulation (EU) 2016/1719 in accordance with paragraph 1 of Article 59, (EPP 546; partially RE 558, 565). The impact assessment shall focus, inter alia, on:***<br><br>***(a)*** ~~***determining***~~ analysing ***the impact of regional virtual hubs on at least the forward market, transmission system operators, market participants and end-consumers as well as the potential benefits and drawbacks that regional virtual hubs would bring compared to the existing zonal model; (Rapp 72; EPP 551; RE 549)***<br><br>(b) ~~define the~~ ~~***defining***~~ analysing ***the adequate (Rapp 73)*** geographical scope of the ***regional*** virtual hubs ~~***for the forward market***~~, including the bidding zones constituting these hubs ***and specific situations of bidding zones belonging to two or more virtual hubs***, ***(RE 549; EPP 550)*** ~~aiming to maximise the price correlation between the reference prices and the prices of the bidding zones constituting~~ ~~***regional***~~ ~~virtual hubs~~;<br><br>~~**(c) giving due consideration to the level of interconnectivity of Member States, in particular of those Member States below the interconnection targets set for 2020 and 2030 in Regulation (UE) 2018/1999; (Rapp 74)**~~ | the instrument of the future. Other than this, we propose only minor amendments to ensure precision of the Parliament compromise text.<br><br>Paragraph 2**: With regard to regional virtual hub, we support conditioning their implementation to a thorough – and positive – impact assessment**. As things stand, the benefits and drawbacks of the regional virtual hubs concept (and accompanying zone-to-hub long-term transmission rights) have not been evidenced. Hence, this concept deserves more discussion and a thorough impact assessment before being enacted as mandatory in a – directly applicable – European Regulation.<br><br>**Our concern is that regional virtual hubs will rather split the existing liquidity on forward markets, and hence make them less efficient and more expensive to trade on**. This would have a detrimental effect on the capacity of market participants to hedge themselves, and hence reduce exposure to price volatility for end-consumers. The concept of regional virtual hubs, the boundaries of which be regulated based on price |

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| | (d) ***evaluating*** ~~***include***~~ a methodology for the calculation of the reference prices for the ***regional*** virtual hubs ~~***for the forward market***~~, aiming to maximise the correlations between the reference price and the prices of the bidding zones constituting a ***regional*** virtual hub~~***; such methodology shall be applicable to all virtual hubs and***~~ based on predefined objective criteria;<br><br>(e) ~~include~~ ***including (Rapp 76)*** a definition of financial long-term transmission rights from bidding zones to the ***regional*** virtual hubs ~~***for the forward market***~~ ***as financial obligations to enable market participants to hedge their exposure to positive and negative price spreads, including as regards to volumes and maturities (RE 555), and the need to offer trading of long-term transmission rights between each bidding zone and the regional virtual hub (EPP 556)***;<br><br>(f) ***how to (Rapp 77)*** maximise the trading opportunities for hedging products referencing the ***regional*** virtual hubs ~~***for the forward market***~~ as well as for long term transmission rights from bidding zones to ***regional*** virtual hubs.<br><br>***(g) specifying how the single allocation platform referred to in paragraph 3 shall offer allocation and facilitate trading of long-term transmission rights. (RE 558)*** | (d) ~~***evaluating***~~ ~~***include***~~ **analysing options and** ~~a~~ methodologies for the calculation of the reference prices for the ***regional*** virtual hubs ~~***for the forward market***~~, ~~aiming to maximise the correlations between the reference price and the prices of the bidding zones constituting a **regional** virtual hub;~~ ~~***such methodology shall be applicable to all virtual hubs and***~~ based on predefined objective criteria **and applicable to all regional virtual hubs**;<br><br>(e) ~~include~~ ~~***including (Rapp 76)***~~ **analysing options for** a definition of financial long-term transmission rights from bidding zones to the ***regional*** virtual hubs ~~***for the forward market***~~ ~~***as financial obligations***~~ ***to enable market participants to hedge their exposure to positive and negative price spreads, including as regards to volumes and maturities (RE 555), and the need to offer trading of long-term transmission rights between each bidding zone and the regional virtual hub (EPP 556)***;<br><br>(f) ***how to (Rapp 77)*** maximise the trading opportunities for hedging products referencing the ***regional*** virtual hubs ~~***for the forward market***~~ as well as for long term transmission rights from bidding zones to ***regional*** virtual hubs.<br><br>***(g) specifying how the single allocation platform referred to in paragraph 3 shall offer allocation and facilitate trading of long-term transmission rights. (RE 558)*** | correlations, also entails a **high risk of isolating regions from one another: there is so far no option for forward trading from hub to hub.**<br><br>**Regional virtual hubs should not be designated as the future of the Union's forward markets until a full and positive assessment of benefits and drawbacks is established** – and properly consulted with power exchanges and market participants.<br><br>**We also contest that the impact assessment should focus on price correlation between bidding zones**: this would look at the absolute value of price differences ("spreads") between bidding zones, while the risk for market participants lies in the evolution of these prices differences over time ("spread volatility"). |

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| | ***(h) including an indicative implementation process (Rapp 78).***<br><br>3. The single allocation platform established in accordance with Regulation (EU) 2016/1719 ***shall act as an entity offering allocation and facilitating trading of long-term transmission rights on behalf of the transmission system operators. It (Rapp 80, RE 577)*** shall have a legal form as referred to in Annex II to Directive (EU) 2017/1132 of the European Parliament and of the Council.<br><br>4. The single allocation platform shall:<br><br>(a) ~~***where relevant, (Rapp 82)***~~ offer trading of long-term transmission rights between each bidding zone and ***where relevant, regional (Rapp 82)*** virtual hub; where a bidding zone is-not part of a virtual hub it may issue financial long-term transmission rights to a virtual hub or to other bidding zones that are part of the same capacity calculation region;<br><br>(b) allocate long-term cross-zonal capacity on a regular basis and in a transparent, market-based and non-discriminatory manner; the frequency of allocation of the long-term cross-zonal capacity shall support the efficient functioning of the forward market;<br><br>(c) offer trading of financial transmission rights that shall allow holders of these financial transmission | ***(h) including an indicative implementation process (Rapp 78), should the assessment of regional virtual hubs complemented by zone-to-hubs transmission rights turn out positive.***<br><br>3. The single allocation platform established in accordance with Regulation (EU) 2016/1719 ***shall act as an entity offering allocation and facilitating trading of long-term transmission rights on behalf of the transmission system operators. It (Rapp 80, RE 577)*** shall have a legal form as referred to in Annex II to Directive (EU) 2017/1132 of the European Parliament and of the Council.<br><br>4. The single allocation platform shall:<br><br>(a) ~~***where relevant, (Rapp 82)***~~ offer trading of long-term transmission rights between each bidding zone and ***where relevant, regional (Rapp 82)*** virtual hub; where a bidding zone is not part of a virtual hub it may issue financial long-term transmission rights to a virtual hub or to other bidding zones that are part of the same capacity calculation region;<br><br>(b) allocate long-term cross-zonal capacity on a regular basis and in a transparent, market-based and non-discriminatory manner; the frequency of allocation of the long-term cross-zonal capacity shall support the efficient functioning of the forward market;<br><br>(c) offer trading of financial transmission rights that shall allow holders of these financial transmission rights to remove exposure to positive and | |

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| | rights to remove exposure to positive and negative price spreads, and with frequent maturities of up to at least three years ahead.<br><br>5. Where a regulatory authority ***~~or the~~ [based on the] assessment refered to in paragraph 1 of this Article (EPP 582)*** considers that there are insufficient hedging opportunities available for market participants, and after consultation of relevant financial market competent authorities in case the forward markets concern financial instruments as defined under Article 4(1)(15), ***national regulatory authorities (EPP 582)*** may require power exchanges or transmission system operators to implement additional measures, such as market-making activities, to improve the liquidity of the forward market. Subject to compliance with Union competition law and with Directive (EU) 2014/65 and Regulations (EU) 648/2012 and 600/2014, market operators shall be free to develop forward hedging products, including long-term forward hedging products, to provide market participants, including owners of power-generating facilities using renewable energy sources, with appropriate possibilities for hedging financial risks against price fluctuations. Member States shall not require that such hedging activity may be limited to trades within a Member State or bidding zone. | negative price spreads, and with frequent maturities of up to at least three years ahead.<br><br>5. Where ~~a~~ **the** regulatory **authorities of a capacity calculation region** ~~**or the** ***[based on the] assessment refered to in paragraph 1 of this Article (EPP 582)***~~ consider~~s~~ that there are insufficient hedging opportunities available for market participants, and after consultation of **market participants and** relevant financial market competent authorities in case the forward markets concern financial instruments as defined under Article 4(1)(15), **they** ~~***national regulatory authorities (EPP 582)***~~ may require power exchanges or transmission system operators **of the capacity calculation region** to implement additional measures, such as market-making activities, to improve the liquidity of the forward market. **Such measures shall be implemented in a transparent, voluntary, and non-discriminatory manner.** Subject to compliance with Union competition law and with Directive (EU) 2014/65 and Regulations (EU) 648/2012 and 600/2014, market operators shall be free to develop forward hedging products, including long-term forward hedging products, to provide market participants, including owners of power-generating facilities using renewable energy sources, with appropriate possibilities for hedging financial risks against price fluctuations. Member States shall not require that such hedging activity may be limited to trades within a Member State or bidding zone. | |

| Article | Draft Parliament compromise (highlights and strikethroughs compared to the Commission proposal) | Proposed EFET amendments to the draft Parliament compromise (deletions proposals in ~~strikethrough red~~; additions proposals in **bold green**) | EFET reasoning |
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| **Art. 7, para 2f Regulation 2019/943** | Article 7, para 2, subparagraph f – Day-ahead and intraday market<br><br>2. Day-ahead and intraday markets shall:<br><br>[…]<br><br>(f) be transparent ***and ~~when~~ providing information by generation units (Rapp 55)*** while at the same time protecting the confidentiality of commercially sensitive information and ensuring trading occurs in an anonymous manner; | Article 7, para 2, subparagraph f – Day-ahead and intraday market<br><br>2. Day-ahead and intraday markets shall:<br><br>[…]<br><br>(f) be transparent ~~***and when providing information by generation units (Rapp 55)***~~ while at the same time protecting the confidentiality of commercially sensitive information and ensuring trading occurs in an anonymous manner; | **We oppose the introduction of unit-based bidding in the Electricity Regulation, as proposed in the Parliament compromise.** This is a significant departure from existing market design in the vast majority of the EU, where portfolio bidding in day-ahead and intraday market is possible and widely used to optimise the use of electricity generation resources, but also consumption.<br><br>**Portfolio bidding allows to properly reflect assets and their combined capabilities within a portfolio of assets (generation, storage) and contracts (including demand).** Short term markets are dynamic and fast-paced. They continual adjustment in the positions of different market participants to react to the variations in fundamentals close to delivery. Unit-based bidding would not allow this fast reaction close to real time, therefore impeding different technologies from responding to the needs of the electricity system:<br><br>- It would not allow quick, reactive trading as it would require the immediate declaration of the production or consumption unit in question;<br>- It would be extremely complex and cumbersome for market participants, as it would prevent the simultaneous management of the production or consumption of several units in a portfolio; |

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| | | | - It would not attract liquidity and could even deter agents to participate in the continuous trading.<br><br>**The proposed compromise would add inefficiency and unnecessary complexity to well-functioning short-term markets with no added value in terms of transparency for network management.** Indeed, transparency per individual generation unit is already provided to the Transmission System Operators (TSOs) during the nomination process. Hence, TSOs have all the necessary information to manage the system appropriately. It is worth noting that the markets currently operating with very short gate closures – hence less time for TSOs to conduct operation – all allow portfolio bidding, without damaging effects on network management. |