

Public consultation on NL-NO hedging opportunities

Fields marked with * are mandatory.

Introduction

On 16 August 2024 the National Regulatory Authority (NRA) of the Netherlands asked the EU Agency for the Cooperation of Energy Regulators (ACER) to decide on how to address the insufficient risk hedging opportunities on the bidding zone border between the Netherlands and Norway.

Assessments performed by the NRAs of the Netherlands and Norway indicated insufficient hedging opportunities in the Dutch and Norwegian bidding zones. To improve this, NRAs can either request their Transmission System Operators to issue long-term transmission rights or to make sure the availability of other long-term cross-zonal hedging products that can support the functioning of the wholesale electricity markets.

As the NRAs could not reach an agreement, the decision was referred to ACER and the EFTA Surveillance Authority.

This consultation is addressed to all interested stakeholders in the EU and EEA, including regulatory authorities, market participants and transmission system operators.

Please respond to this survey **by 22 November 2024**, 23:59 hrs (CET).

In case you have questions related to this survey, please contact Martin Viehhauser (martin.viehhauser@acer.europa.eu).

ACER expects to take a decision by 17 February 2025.

The EFTA Surveillance Authority will take the decision for Norway based on a draft from ACER, following the procedure outlined in the EEA Agreement.

Data protection

ACER will process personal data of the respondents in accordance with [Regulation \(EU\) 2018/1725](#), taking into account that this processing is necessary for performing ACER's consultation tasks.

More information on data protection is available in ACER's [data protection notice](#) and on [ACER's website](#).

ACER will not publish personal data.

Confidentiality

Following this consultation, ACER will make public:

- the number of responses received;
- company names, unless they should be considered as confidential;
- all non-confidential responses; and
- ACER's evaluation of responses. In the evaluation, ACER may link responses to specific respondents or groups of respondents.

You may request that the name of your company or any information provided in your response is treated as confidential. To this aim, you need to explicitly indicate whether your response contains confidential information.

You will be asked this question at the end of the survey.

I have read the information provided in this section.

Respondent's data

* Country

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal

- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Norway
- United Kingdom
- Other**

* Name and surname

50 character(s) maximum

This information will not be published.

* Company

50 character(s) maximum

* Email

This information will not be published.

Related documents

[FCA Regulation](#) - Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation

[Electricity Regulation](#) - Regulation (EU) 2019/943 on the internal market for electricity

[ACER Regulation](#) - Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators

Background

The regulatory authorities have carried out a coordinated assessment and then individually concluded on insufficient hedging opportunities in the Dutch and Norwegian bidding zones. However, the standard products used by market participants in in these bidding zones have different characteristics. While in Norway market participants are mainly hedging via Nordic System Price products as a proxy and hedge their basis risk with EPADs (i.e. forward price obligations on the spread between the Nordic System Price and the price in a bidding zone), in the Dutch forward market the standard hedging products are zonal futures. As concluded in the NRAs' assessments both relevant bidding zones are having issues with limited liquidity of the products which relate to the day ahead price of the relevant bidding zone (i.e. EPAD for

NO2; Dutch zonal future for NL). While by design Norwegian market participants are expected to use the more liquid Nordic System Price forward product for proxy hedging, ACER understands that Dutch market participants are mainly using the most liquid electricity forward product of the wider region (i.e. futures for the German bidding zone) as a proxy to address their hedging needs.

ACER considers it important to provide sufficient hedging opportunities in each bidding zone. However, ACER has doubts whether LTTRs on the NL-NO2 bidding zone border would effectively address the situation of insufficient hedging opportunities in either of the bidding zones for the following reasons:

- ACER understands that improved availability of products to access the relevant proxy hedge in each zone (e.g. through EPAD to System Price or NL-DE LTTRs to Germany) would have a direct positive impact on the hedging opportunities in the relevant bidding zone. The LTTRs on the NL-NO2 bidding zone border would only allow market participants to access the hedging products of limited liquidity in the Dutch or NO2 bidding zone but would not directly provide market participants with the necessary access to a liquid product, which they could effectively use as a proxy for hedging the price in their bidding zone.
- Market participants may combine FTR options (currently applied standard for issuing LTTRs) with forward obligations for the Nordic System price and the NO2 EPAD for addressing a hedging need in the Dutch bidding zone or combine FTR options with the Dutch and possibly also German zonal future for addressing a hedging need in the Norwegian bidding zone. However, this could be considered a relatively burdensome process and especially challenging for smaller market participants with hedging needs.
- Market participants may also buy such LTTRs for speculation. On the one hand such speculative LTTR holders may support the liquidity of NO2 EPADs or Dutch Future products by trading their LTTR position on these markets, on the other hand there is no certainty that speculative LTTR holders would do that or rather hold the LTTR position until delivery without any positive effect on the liquidity in Dutch or NO2 bidding zones.

Further, in case of market participants buying LTTRs for speculation, they are expected to apply a negative risk premium, which could result in an undervaluation of the allocated LTTRs. Undervaluation of LTTRs is a phenomenon which can be observed throughout Europe. Hence, ACER is concerned that reduced TSOs' congestion income from undervalued LTTRs at the NL-NO2 bidding zone border can lead to the effect of higher grid tariffs for electricity consumers in the relevant bidding zones.

Therefore, ACER asks all interested stakeholders to share their views on the expected effectiveness of LTTRs on the NL-NO2 bidding zone border and the possibility of other measures for addressing the hedging need in the Dutch and Norwegian bidding zone by answering the following questions.

Consultation questions

1.1 Would you consider LTTRs on the NL-NO2 bidding zone border an effective measure to address the insufficient hedging opportunities in the Netherlands and Norway 2?

- Yes
- No

1.2 Please further explain your answer from 1.1 above:

2. Please provide suggestions for other measures, which could address the insufficient hedging opportunities.

3. Please provide any other comments related to ACER's decision addressing the identified insufficient hedging opportunities.

Confidentiality question

* Does your response contain confidential information?

Yes

No

If your response contains confidential information, you have to claim confidentiality according to Article 9 of [ACER's Rules of Procedure](#).

How to do it:

1. download a PDF version of your response (see upper right corner of the page);
2. redact confidential information and provide descriptions* of the deleted information (e.g. use a PDF editor or print out your response and manually replace confidential information with descriptions);
3. upload the redacted (i.e. non-confidential) version of your response;
4. upload a separate document where you:
 - clearly identify which persons/undertakings should not have access to the deleted information;
 - provide reasons why the persons/undertakings should not have access to the information;

* Your descriptions of the deleted information must enable any party concerned with access to the file to determine whether:

- the information deleted is likely to be relevant to their defence; and
- there are sufficient grounds to request ACER to grant access to the information claimed to be confidential.

Please upload a redacted (i.e. non-confidential) version of your response:

The maximum file size is 1 MB. If your file is bigger, please send it to ACER-ELE-2024-010@acer.europa.eu

Please upload a separate document with the information listed in point 4 above:

The maximum file size is 1 MB. If your file is bigger, please send it to ACER-ELE-2024-010@acer.europa.eu

ACER will assess your confidentiality claim(s) in accordance with Article 9 of [ACER's Rules of Procedure](#).

If you do not comply with the above requirements, we may:

- assume that your answers do not contain confidential information and that you have no objections to the disclosure of your response in its entirety; or
- disregard your entire response because of non-compliance with the procedural requirements for confidentiality claims.

I have read the information provided in this section and Article 9 of [ACER's Rules of Procedure](#).

