

## EFET response to Terna's consultation on CCC/CCP



### EFET response – 29 May 2020

The European Federation of Energy Traders (EFET\*) welcomes the opportunity to provide our comments on Terna's consultation on CCC/CCP.

We understand that the proposal might be effective for the next yearly auction, but we seek clarification on the implementation timeline. In particular, taking into account that the implementation of new zonal set up is planned for 2021, we suggest to implement the new mechanism from the following year. This will enable the Italian power sector to manage two significant regulatory changes once per year. We also ask for the publication of the entire volumes after each session in order to increase transparency.

On financial regulation, EFET is of the view that CCC contracts should not be considered financial instruments under MiFID II, even though they are settled in cash, and would welcome a confirmation from Terna in this respect.

Delegated Regulation 2017/565 expressly excludes "transmission rights related to electricity transmission cross zonal capacities when they are, on the primary market, entered into with or by a transmission system operator or any persons acting as service providers on their behalf and in order to allocate the transmission capacity"<sup>1</sup> for the subset of derivatives contracts defined in Section C(10) of Annex I of MiFID II.

CCC contracts are transmission rights issued by Terna and consequently fall outside the scope of MIFID II and are not reportable under EMIR. On the contrary, they should fall under the scope of REMIT and be reported by Terna as part of primary market.

Below you will find our detailed responses to consultation questions.

*Q1. Si ritiene opportuno applicare per l'assegnazione annuale la formula (1) del calcolo del limite di CCC/CCP aggregando tutti gli impianti afferenti a operatori che presentino rapporti di controllo e/o collegamento fra loro?*

We encourage a level playing field for the amount of CCC / CCP awarded for each area to the corporate group as this can be divided among the operators belonging to the group, qualified for the yearly auction, in proportion to the zonal production capacity of each operator. This in turn might disadvantage smaller market participants by providing group parties to undertake intragroup arbitrage.

<sup>1</sup> Article 8.c, Delegated Regulation 2017/565: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0565&from=EN>

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Therefore, we seek further clarification on the reference to the Italian Civil Code for the yearly auction and the REMIT registry to give a proper judgment on the proposal made by Terna.

As a matter of fact, in order to correctly identify the annual allocation limits of the CCCs which can be attributed to a given dispatching user (BRP), we believe that controls should be applied to all the BRP affiliate to companies that are controlled by, or associated with, the concerned BRP, without tracing back the relations of control / connection with the mother company of the concerned BRP if the former is not an BRP itself in the Italian market.

*Q2. Si ritiene che l'attuale meccanismo d'asta fornisca oggi segnali di prezzo adeguati per gli operatori? Si invitano gli operatori ad esprimere osservazioni riguardo le due ipotesi presentate.  
Q3. Si invitano gli operatori ad esprimere osservazioni in merito alle proposte di modifica del meccanismo d'asta.*

We suggest having at least five CCC auctions. Therefore, we do not support the first proposal of having only one session.

Besides, EFET suggests keeping the current maximum limit of 15 auction sessions or reducing them to five, in order to avoid an excessive duration of the auction procedure for the assignment of CCC / CCP instruments. This situation materialised in the past in the absence of a cap to the number of sessions.

Regarding the proposed auction corrections, we are against:

- The cap elimination of the current regulation relaunch price set at € 0.5. Without caps, the market could become extremely volatile and this is not desirable given the nature of CCCs as hedging financial instruments.
- The introduction of the relaunch obligation in the X + 1 session beyond the marginal price when an offer is not accepted in the X session. In our opinion, there should be an obligation to relaunch and consequent freezing, but there should be no price floor between session X and X+1

As a second best, if Terna considers it an essential change, it may be considered introducing a relaunch obligation for bids not accepted (not necessarily at a price higher than the marginal price) after the obligatory auction sessions whose number could be set equal to 5. This number of sessions is in our view necessary for the formation of significant price signals.

We highlight that the platform does not allow to offer at 0 €/MWh as it forces to bid from -0,1 €/MWh to 0,1€/MWh). We ask to fix this issue on the digital platform, in order to bid at 0 €/MWh.

*Q4. In caso di adozione delle modifiche proposte da Terna per l'ipotesi 1: qual è numero minimo di sessioni che si ritiene opportuno svolgere in ogni caso? si ritiene opportuno effettuare un'ultima sessione aggiuntiva dopo il raggiungimento della condizione terminante l'asta previa comunicazione agli operatori?*

We do not support the full first proposal for the reasons outlined above and we suggest having a minimum of five sessions instead of only one and a maximum of 15 sessions.