

EFET response to the JAO consultation of the Daily Allocation Rules for the explicit daily auctions at the Ukrainian Borders

Brussels, 6 October 2023 - The European Federation of Energy Traders (EFET) supports the initiative of the respective transmission system operators (TSOs) and national regulatory authorities (NRAs) to launch joint daily allocation of transmission capacity at the Ukrainian borders, marking a significant milestone toward market integration for the benefit of Ukrainian and EU consumers.

Key messages

1. Strong support to the TSOs and NRAs from Ukraine, Poland, Slovakia and Hungary to launch joint cross-zonal capacity allocation on Ukrainian borders.
 - Calling Romanian and Moldovan TSOs and NRAs to join this process.
2. Perform daily capacity allocation actions in D-1 on all Ukrainian and Moldovan borders.
3. Avoid curtailment of transmission rights after the cross-border nomination deadline.

Comments

EFET welcomes implementation of joint allocation

EFET welcomes the implementation of joint cross-zonal capacity allocation at the following interconnections: Ukraine-Poland, Ukraine-Slovakia and Ukraine-Hungary. Despite the difficulties posed by the war in Ukraine, coordinated capacity allocation performed by Joint Allocation Office (JAO) is a great step towards integration of the Ukrainian electricity market with the Internal Energy Market in the EU.

We invite the Romanian and Moldovan TSOs and NRAs to work towards integrating their allocation processes on JAO for their respective borders with Ukraine, including the Romanian-Moldovan border.

Enable D-1 allocation of daily rights on all borders

The specific Annexes per border indicate that capacity allocation on the Ukraine-Poland and the Ukraine-Slovakia borders occurs two days ahead of delivery day (D-2). The value

of daily transmission rights may be significantly compromised by D-2 auctions, given that all daily cross-border allocations and electricity markets on the EU side are settled in D-1.

We encourage the TSOs to collaborate to address the limitations of D-2 capacity allocation and move to allocation in D-1.

Curtailment after the nomination deadline should be avoided

Leaving the door open to curtailment of transmission rights after the nomination deadline poses a significant risk to market participants, as it increases the likelihood of them having imbalanced positions in the day-ahead market. In the absence of an intraday capacity allocation process, possible curtailments after the day-ahead exposes market participants to imbalance risks they cannot manage in subsequent market timeframes.

In addition, compensation for curtailment is set based on the original price paid for the daily rights, regardless of when the curtailment occurs.

To minimize exposure, the relevant TSOs and NRAs should steer clear of curtailments after the nomination deadline and guarantee that compensation for curtailments, except in cases of Force Majeure, is based on the day-ahead market spread in order to guarantee the financial firmness of the transmission rights. This would align the curtailment and remuneration rules at these borders on the standard of the CACM Regulation in the rest of the EU.

Conclusion

EFET appreciates the efforts of the TSOs and NRAs in Ukraine, Poland, Slovakia, and Hungary to coordinate the joint allocation of cross-zonal capacity through JAO. This marks a significant milestone in the integration of the Ukrainian market into the EU electricity market. We encourage the TSOs and NRAs to continue improving the allocation process – in terms of geographical coverage, allocation timing, financial firmness of the transmission rights – in order to promote efficient cross-zonal trading.

Contact

Arben Kllokoqi
Director of Electricity Market Design
a.kllokoqi@efet.org