



Public consultation

Long-Term Hedging opportunities (FCA Regulation)



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1 Introduction

The Netherlands Authority for Consumers and Markets (ACM) invites market participants to take part in a consultation on the basis of the Forward Capacity Allocation Regulation (FCA Regulation) about their needs for instruments with which they are able to hedge against price fluctuations on the electricity market. ACM would like to hear what the needs of market participants are so that it can take these into account in its decision-making process as much as possible.

The consultation questions are about the need for hedging opportunities for (i) cross-zonal risks for the bidding zone border between the Netherlands and Norway (for example by transmission rights) and (ii) the Dutch bidding zone.

Using long-term hedging opportunities such as forwards and futures, market participants are able to hedge against price fluctuations in a bidding zone. Transmission rights offer market participants an opportunity to hedge against price differences between different bidding zones.

In 2021, the FCA Regulation went into force in Norway after it had been included in the Agreement on the European Economic Area (EEA Agreement). Recently, the bidding zone border NO2-NL was also included in the Hansa capacity calculation region. As a result, ACM and its Norwegian counterpart NVE-RME must, on the basis of Article 30 of the FCA Regulation, adopt coordinated decisions for the bidding zone border NO2-NL on whether or not to introduce long-term transmission rights or other products for cross-zonal long-term hedging.

In the next chapter, you will find consultation questions that concern the Dutch bidding zone.

Confidential data?

ACM plans to publish the responses to its consultation on its website, provided that you agree to such publication.

If you consent to publication of your response to the consultation on ACM's website, and you believe that your response to the consultation contains data that ACM should treat as confidential, ACM would like to receive two versions of your response: a confidential one and a public one.

What is the deadline for responses to the consultation?

We would like to receive your response to the consultation no later than 3 October 2023.

How can you submit your response to the consultation?

Please include in your response to the consultation case number ACM/16/031317 as a reference. You can submit your response by regular mail and/or email.

By regular mail:

The Netherlands Authority for Consumers and Markets (ACM)
c/o Energy Department (DE)
P.O. Box 16326
2500 BH The Hague
The Netherlands

By email:

Please send your reaction to: ACM-Post@acm.nl.

2 Consultation questions

Please answer the following questions for the NL bidding zone

Company details

1. Please specify the name of your company, the country in which your company is located, as well as your business activities.

Current use of hedging instruments

2. Do you currently use any long-term hedging instruments, e.g. for monthly, quarterly and yearly timeframes? If so, please specify:
 - a) what instruments you use for hedging (i) for the Netherlands bidding zone and (ii) across bidding zone borders;
 - b) for what specific goal you use these instruments;
 - c) how you trade these instruments (via an exchange, broker and/or bilaterally); and
 - d) please give a rough estimate of the percentage of your total volume of instruments traded via (i) an exchange, (ii) broker and/or (iii) bilaterally.

Need for hedging instruments

3. Do you trade as part of asset-backed trading, speculative trading, or both? If you trade asset-backed: please specify the asset classes/portfolios you are trading for.
4. Is your need for hedging also across bidding zone borders (i.e. cross-zonal risk hedging on bidding zone borders)?
 - a) If so, why do you have a need for cross-zonal risk hedging on bidding zone borders?
 - b) Is there a need for hedging across the bidding zone border NO2-NL? If so, please elaborate on that.

Are there sufficient hedging opportunities?

5. Do the electricity forward markets provide sufficient hedging opportunities for hedging for the NL bidding zone? Please indicate in your answer what criterion you have used to determine whether there are "sufficient" hedging opportunities.
 - a) If not, please explain why the need is not met.
 - b) Are there measures that can improve the situation? Please specify.
 - What type of hedging contracts are needed?
 - Is there a need for hedging in an organized market versus a bilateral market or through a broker/other? Please explain your answer.
6. Do the electricity forward markets provide sufficient hedging opportunities for hedging across Dutch bidding zone borders (i.e. cross-zonal risk hedging on bidding zone borders)? Please indicate in your answer what criterion you have used to determine whether there are "sufficient" hedging opportunities.
 - a) If not, please explain why the need is not met.
 - b) Are there measures than can improve the situation? Please specify.
 - What type of hedging contracts are needed?
 - Is there a need for hedging in an organized market versus a bilateral market or through a broker/other?

View on long-term transmission rights

7. What is your company's view on the use of long-term transmission rights as an instrument for hedging the cross-border market spread between two bidding zones?

8. Do you already use long-term transmission rights? If so, could you tell us about the purpose of your use of transmission rights, and whether and how these transmission rights satisfy your need for hedging?