

Energy Regulatory Office

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Communication President Energy Regulatory office No. 7 /2017 regarding the consultations on the needs for cross-zonal risk hedging opportunities on Polish bidding zone borders

Acting on the basis of art. 30(3) of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation the President of Energy Regulatory Office invites to participate in public consultations on the needs for cross-zonal risk hedging opportunities on the Polish bidding zone borders.

Pursuant to art. 30(1) of Regulation (EU) 2016/1719 TSOs *“on a bidding zone border shall issue long-term transmission rights unless the competent regulatory authorities of the bidding zone border have adopted coordinated decisions not to issue long-term transmission rights on the bidding zone border. When adopting their decisions, the competent regulatory authorities of the bidding zone border shall consult the regulatory authorities of the relevant capacity calculation region and take due account of their opinions”*.

Art. 30 (2) of Regulation (EU) 2016/1719 states, that *“where long-term transmission rights do not exist on a bidding zone border at the entry into force of this Regulation, the competent regulatory authorities of the bidding zone border shall adopt coordinated decisions on the introduction of long-term transmission rights no later than six months after the entry into force of this Regulation.”*

Regulation (EU) 2016/1719 came into force on 17th October 2016.

According to art. 30(3) of Regulation (EU) 2016/1719 *“the decisions pursuant to paragraphs 1 and 2 shall be based on an assessment, which shall identify whether the electricity forward market provides sufficient hedging opportunities in the concerned bidding zones.*

The assessment shall be carried out in a coordinated manner by the competent regulatory authorities of the bidding zone border and shall include at least:

(a) a consultation with market participants about their needs for cross-zonal risk hedging opportunities on the concerned bidding zone borders;

(b) an evaluation.”

In terms of the quoted provisions, the President of Energy Regulatory Office is obliged to consult market participants regarding their needs for cross-zonal risk hedging opportunities on the concerned bidding zone borders prior to issuing the above-mentioned decisions.

All the entities interested in participating in the public consultations are invited to submit written answers to the following questions by e-mail on the address ltr@ure.gov.pl until 5th February 2017:

1. Are there needs for cross-zonal risk hedging between Poland and Sweden and between Poland and Lithuania?
2. Does the electricity forward market provide sufficient hedging opportunities in the Polish bidding zone? Please justify your answer.
3. Are there products or combination of products offered on forward markets that represent a hedge against the volatility of the day-ahead price of the Polish bidding zone?

If the answer to question 3 is “yes”:

4. Are those products or combination of products an appropriate hedge against the risk of change of the day-ahead price of the Polish bidding zone? Please justify your answer.
5. Are those products or combination of products efficient with respect to (i) trading horizon; (ii) bid-ask spread; (iii) traded volumes in relation to physical consumption; (iv) open interest in relation to physical consumption. Please justify your answer.

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