CONSULTATION RESPONSE

Response to public consultation concerning the possibility of protecting from a risk in cross-zonal transmission across the borders of the Polish market area

Brussels, 24 July 2025

General Comment

Energy Traders Europe welcomes the chance to comment on the need for hedging products between the Polish market area and the Swedish and Lithuanian market areas. As an association of energy traders, we support open and integrated electricity markets across Europe. Long-term transmission rights (LTTRs) serve as hedging tools to manage market participants' cross-border risks over the forward timeframe, fostering cross-border electricity trade and supporting liquidity in forward and futures markets.

Questions

Is there a need to protect from a risk in the cross-zonal transmission between the Polish market area and the Swedish and Lithuanian market areas?

Yes, we believe that LTTRs in the form of FTR options or PTRs with UIOSI provided by TSOs to the market through transparent and non-discriminatory auctions are essential hedging tools to safeguard market participants from cross-border risks, particularly in the absence of other hedging products. They allow market participants to hedge in the forward timeframe, thereby adding additional liquidity. to the market and ultimately contributing to stabilising prices for end-consumers.

We further advocate:

1. Issuing LTTRs at a maximum available capacity at each bidding zone border and in both directions.
2. Offering LTTRs with longer time maturities (3-5 years) with full financial firmness to promote liquidity and hedging in forward markets.
3. Issuing quarterly LTTRs could be considered, in addition to yearly and monthly products.

Are there sufficient capacities for protection against the risk in the Polish market area, in the electricity derivatives market? Please justify your answer.

According to the information provided on the URE website, about 82 TWh was negotiated on the Polish forward market in 2024. In comparison, ACER data shows traded volumes in 2024 total approximately 110 TWh on the neighbouring Hungarian market, and nearly 4000 TWh traded on the reference German/Luxembourg market.

The churn rate in the Polish forward market – a key indicator of liquidity – is 0.32, placing Poland between half and a third of the EU average.

By contrast, the forward market churn rate was 2.11 in Hungary and 8.43 in Germany/Luxembourg for 2024, based on the same ACER data.

These indicators suggest a rather poor health of the Polish forward market in the current environment. This restricts market participants' opportunities to hedge price risks directly in the Polish forward market.

Are there any products or product combinations in the Polish market area, in derivatives markets, that form a protection against price variability on the day-ahead market?

We assume that products traded in the Polish market area are well known to URE.

It is worth noting that hedging the Polish day-ahead price risk can also be performed by proxy hedging in forward electricity markets of other price areas, which are more liquid, such as the above-mentioned Hungarian and German/Luxembourg price areas. The combination of a forward/future contract in these markets and LTTRs can help circumvent lower liquidity in the home market. This underlines the importance of TSOs issuing LTTRs at all interconnected borders of the country.

We would again like to thank you for the opportunity to express our opinion. If you have any questions, we remain at your disposal.

Best regards,
Andrej Stancik