

## **Public summary of confidential responses given to the consultation on auctioning**

The Commission received 8 replies to the requests for confidential information, 7 from electricity generators of different sizes, one from an aircraft operator. For confidentiality reasons, no details can be given on the reply from the aircraft operator. The remainder therefore concerns the replies from electricity generators only.

The main findings include:

- All the replies confirm the practice of hedging in line with forward electricity sales.
  - One respondent starts hedging its exposure already four years ahead with a limited share in year n-4 and larger shares in the later years.
  - Two respondents start hedging their exposure three years ahead, with a limited share in year n-3 and larger shares in the later years.
  - One respondent starts hedging its exposure two years ahead with a significant share in year n-2 and in subsequent two years.
  - Two respondents start hedging in year n-1, one with a large share, the other with only a small share in year n-1.
  - Finally, one respondent's hedging strategy seems to be confined to only a limited share in year n.
- The respondents that indicated limited hedging are relatively small companies in the sector. Significant hedging is, however, not confined to only larger companies.
- Currently, respondents mainly hedge by buying futures or forwards. Therefore, most respondents prefer auctioning of futures. One respondent favoured 'forwards' as this would reduce capital needs related to margining. For year n respondents have, however, diverging preferences which cover the spectrum in a balanced manner: some wish to continue buying futures, others would be satisfied with buying spot and yet others would prefer a mixture of spot and futures.
- Some respondents point out that expected future emissions and the rate at which electricity sales are hedged vary according to a number of parameters such as the profitability of future electricity sales for the production units in question, the demand for such sales in the relevant markets, cash management procedures and the cost of capital.

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