

## EU Emissions Trading Scheme (ETS) – Consultation on design and organisation of emissions allowance auctions

This document contains the responses for the survey. The survey contains **4** initial questions (A-D) to identify respondents and **86** questions for which responses will be made public. Contact details provided in Question C, are not made public and therefore are not in this document.

### **Period of consultation**

From 3 June 2009 to 3 August 2009 inclusive

### **Specific privacy statement**

"Received contributions, together with the identity of the contributor, will be published on the Internet, unless the contributor objects to publication of his or her personal data on the grounds that such publication would harm his or her legitimate interests. In such cases the contribution may be published in an anonymous form. Otherwise, the contribution will not be published nor will, in principle, its content be taken into account. Responses for questions deemed confidential in the consultation will not be available for view on the website irrespective of contributor objecting or not."

### **Thank you**

***Note:** Zero's on the right hand side of page reflect Non-Applicable questions in the survey response.*

## **Section 1: Questions to categorize participants**

### **Question A**

Name of Company/Organization: IBERDROLA S.A.

Principal nature of activities: Production, transmission, and distribution or retailing of electric power, engineering, gas retailing services, and other gas storage, regasification, transmission or distribution activities.

#### **Number of employees in 2008:**

World-wide: 33000

Europe-wide:

#### **Turnover in 2008:**

World-wide: 2196000000

Europe-wide:

### **Question B**

#### **Type of respondent:**

Company operating one or more installations covered by the EU ETS  
Electricity generators

Approx Annual Emissions: 26827180 tCO<sub>2</sub>

### **Question C**

***Contact details will not be made public.***

### **Question D**

**Do you object to publication of your personal data because it would harm your legitimate interests?**

No

**If so, please provide an explanation of the legitimate interests that you think will be harmed:**

Ans:

**Are any of your responses confidential?**

No

**If so, please indicate which ones and provide an explanation:**

Ans:

## Section 2: Survey questions (86)

### Question 1

***As a general rule throughout the trading period, in your opinion, are early auctions necessary?***

Yes

***If so, what should the profile of EUA auctions be?***

Ans: 20-30% in year n-2, 30-35% in year n-1, remainder in year n

### Question 2

***Do you think there is a need to auction futures?***

Yes

***If so, why?***

Ans: Yes, absolutely.

Our (real) experience tells us that auctions need to be in place early as electricity companies need to hedge their positions several years in advance. Otherwise risk exposure will lead to unnecessary, higher costs and loss of liquidity in connected markets.

The biggest advantage of Futures is that they enable emitters to hedge their risks. As it is essential for electricity companies; EUAs need to be hedgable.

Another very important reason why we favour futures auctions is because they require a much less initial outlay of cash than spot auctions. This is important since it will increase the number of entities participating in the auction

IBERDROLA is strongly in favour of futures auctions.

If futures auctions are not in place the consequences are as follows:

? Producers cannot manage commodity risk thereby resulting in higher risk premiums and higher costs

? Less liquidity in market due to lower risk-taking on part of participants, thereby leading to inefficiency and higher costs.

### Question 3

***What share of allowances should be auctioned spot and what share should be auctioned as futures for each year?***

	SPOT	FUTURES
Year n		
Year n-1		
Year n-2		

***Please provide evidence to support your case.***

Ans: See answer to question 1 (above) for amounts auctioned in 2011 and 2012. Going forward, we believe that as many EUAs as possible should be sold as futures, provided that Member States are able to properly arrange and solve the requirements for providing futures. This would be facilitated by a streamlined and fully harmonised approach in auctioning aiming at centralised or interoperable bidding platform(s) and avoiding the use of multiple auctioning places within the EU (in particular avoiding 27 separate auctioning places).

In the initial period, and in the lead-up to the upgrade of the CITL, then auctioning ahead of 50% or more is best. Also noted above, the Commission may want to raise the option of EUA auctions for year n-3.

*NB: The answer to this question will be published as part of the public consultation. Please do not submit confidential information as part of your answer to this question.*

**Question 4**

***Should the common maturity date used in futures auctions be in December (so the maturity date would be December in year n, both when auctioning in year n-2 as when auctioning in year n-1)?***

Yes

***If not, please suggest alternative maturity dates and provide evidence to support your view.***

Ans:

**Question 5**

***For spot auctions:***

***What should be the optimum frequency of auctions?***

Ans: Weekly

0

***What should be the minimum frequency of auctions?***

Ans: Weekly

0

***What should be the maximum frequency of auctions?***

Ans: Weekly

0

***Please provide arguments to support your case.***

Ans: Reaching an optimum solution requires balancing the twin goals of predictability and liquidity. Frequent auctions would increase predictability of price by reinforcing the secondary market (i.e. steady stream of EUAs issued), reduces risk if any one auction is delayed, and a common platform would allow for simplicity. Therefore, the optimum arrangement is for the auctions to be held on a weekly basis on a common platform. A common platform would also be liquid, something which probably cannot be said of holding weekly auctions in smaller Member States.

Where there are a number of platforms operating under the same rules - then less-frequent auctions would be more practical from a simplicity point of view.

IBERDROLA strongly favours more frequent auctions wherein participation costs are low. Frequent auctions would limit the impact of any individual auction on market prices, thereby increasing price stability, would ensure participation of smaller operators.

### **Question 6**

***For spot auctions, what should be the:***

***If deemed appropriate, please indicate a range and/or distribution over different sizes.***

***Optimum auction size?***

Ans:

***Minimum auction size?***

Ans:

***Maximum auction size?***

Ans:

***Please provide evidence to support your case.***

Ans: When a centralised (or hybrid) approach for auctioning is adopted, auction size is less important (compared with smaller national auctions). Therefore, EURELECTRIC believes that a simple division of the number of auctions to be held per year and allowances available for that year would suffice. In the vast majority of cases, all auctions should have the same volumes give-or-take 2 or 3 percent. Under such an approach, each member state could be required to bring a preset certain percentage of its annual volume to auction. This would provide assurance to all MSs that revenues from auctions are equalised. For instance if 500 million EUAs are to be auctioned on a common platform in one year, this should equate to approximately 10 million per week.

### **Question 7**

***For futures auctions:***

***What should be the optimum frequency of auctions?***

Ans: Weekly

0

***What should be the minimum frequency of auctions?***

Ans: Weekly

0

***What should be the maximum frequency of auctions?***

Ans: Weekly

0

***Please provide arguments to support your case.***

Ans: Same as answer to question 5. The optimum arrangement is for the auctions to be held on a weekly basis on a common platform

### **Question 8**

***For futures auctions, what should be the:***

***If deemed appropriate, please indicate a range and/or distribution over different sizes.***

***Optimum auction size?***

Ans:

***Minimum auction size?***

Ans:

***Maximum auction size?***

Ans:

***Please provide evidence to support your case.***

Ans: Same as answer to question 6. In the vast majority of cases, all auctions should have the same volumes. For instance if 500 million EUAs are to be auctioned on a common platform in one year, this should equate to approximately 10 million per week.

### **Question 9**

***Should volumes of spot allowances be auctioned evenly throughout the year?***

Yes

***If not, how should volumes be distributed? (more than one answer possible) Please specify:***

- A larger proportion in the first 4 months of the year
- A larger proportion in December
- A smaller proportion in July and August
- Other.

### **Question 10**

***In case futures are auctioned, should the volumes for spot and futures auctions be spread over the year in the same manner?***

Yes

***If not, how should they differ? (more than one answer possible)***

- No futures auctions less than six months before the maturity date.
- A larger proportion in December.
- A smaller proportion in July and August.
- Otherwise?

**Question 11**

***Does the Regulation need to have provisions to avoid holding auctions during a short period of time before the surrendering date (30 April each year)?***

No

***If yes, how long should this period be:***

Ans: No Response

***In case futures are auctioned, should there be similar provisions with respect to the period immediately prior to the maturity date?***

No

***If yes, how long should this period be:***

Ans: No Response

**Question 12**

***Which dates should be avoided?***

***Please specify the dates you have in mind in your answers.***

Public holidays common in most Member States?

Ans:

Days where important relevant economic data is released?

Ans:

Days where emissions data are released?

Ans:

Other?

Ans: Weekends

**Question 13**

***Is a harmonised 10-12 hrs CET auction slot desirable?***

Yes

***If not, what alternative(s) would you suggest?***

Ans:

**Question 14**

***How long in advance should each element of the calendar be determined?***

***Please provide arguments to support your case.***

***Annual volumes to be auctioned:***

more years in advance

Ans: As a general rule, we consider that the sooner the details are known and set, better for the market. It is very important to give clear and stable signals for the agents to make decisions for the medium /long term.

***Distribution of annual volumes over spot and futures (if applicable):***

more years in advance

Ans: The key issue here is to get frequency and amounts pre-determined and set. This will provide sufficient certainty so that setting a calendar one year ahead is ok. Everything other than dates should ideally be set more than four years in advance (amounts, etc). Finally, there is no need to have to wait for a final confirmed emissions amount before auctioning can take place (e.g. 20% or 30% etc). The calendar should be binding to avoid political events.

***Dates of individual auctions:***

No response

Ans: In order to maximise predictability and allow agents to plan their activity, all relevant information (i.e. the calendar, the distribution of spot and futures, the dates of individual auctions, volume and product type for individual auctions and the auctioneers carrying out the auction process) should be known as much as possible in advance. This basic principle must apply to all the above mentioned elements and, in particular – to the type of auctions to be held, the nature of products to be sold, the auctioneers that will exist – to minimise possible interferences with the process by Member States.

***Volume and product type for individual auctions:***

more years in advance

Ans:

***Each auctioneer carrying out auction process (if more than one):***

more years in advance

Ans:

**Question 15**

***What should be the volume of allowances to be auctioned in 2011 and 2012?***

in 2011: 25% of the 2013 volume and 5% of the 2014 volume

in 2012: 15% of the 2013 volume and 20% of the 2014 volume

***Please provide evidence to support your case.***



Ans: See answers to question 1, 2 and 3 for our views on this. Over Phase 1 of the EU ETS, the combustion sector, which largely consists of electricity generators, emitted in the order of 1,400Mt of CO<sub>2</sub> p.a.

Assuming only half of EU generators follow a hedging strategy where they typically sell forward up to 80% of their electricity production one year in advance, up to 50% two years in advance and up to 10% three years in advance, then this leads to the following auctioning volume requirements ahead of 2013.

Consequently, around 1 billion allowances need to be auctioned ahead of 2013 to satisfy electricity generator hedging strategies and maintain liquidity in European power markets.

***What percentage of these shares should be auctioned as futures?***

in 2011: \_\_\_% of the 2013 share and \_\_\_% of the 2014 share

in 2012: \_\_\_% of the 2013 share and \_\_\_% of the 2014 share

***Please provide evidence to support your case.***

Ans:

**Question 16**

***What should be the rule with respect to allowances not auctioned due to force majeure?***

Ans: They should automatically be added to the next auction on the calendar, irrespective of the auction process.

0

**Question 17**

***Is 1,000 allowances the most appropriate lot size?***

Yes

***If not, why not?***

Ans:

**Question 18**

***Is a single-round sealed-bid auction the most appropriate auction format for auctioning EU allowances?***

Yes

***If not, please comment on your alternative proposal?***

Ans:

**Question 19**

***What is the most appropriate pricing rule for the auctioning of EU allowances?***

Ans: Uniform-pricing.

***Please provide arguments to support your case.***

Ans: Uniform-pricing is the most appropriate rule. This gives a clear price signal for the value of an EUA, thereby increasing predictability. It also ensures that every successful participant pays the same price, meaning that the auction price will be fair and minimises the risk of distorting the secondary market.

**Question 20**

***Should the rules for solving ties in the Regulation be:***

Ans: pro-rata re-scaling of bids

***Please comment on your choice.***

Ans: Ties should be resolved on a pro-rata basis to ensure that those bidding at the clearing price are awarded some allowances. Random selection is not a fair methodology as some participants, who bid the clearing price, will not be allocated any allowances

**Question 21**

***Should a reserve price apply?***

No

**Question 22**

***In case a reserve price would apply, should the methodology/formula for calculating it be kept secret?***

No

***Please comment on your choice.***

Ans: Firstly, auctioning serves as an alternative to distribute allowances in the ETS market instead of grandfathering or benchmarking. That is the main goal of auctioning. Setting reserve prices may introduce the risk of ensuring government income or other policy goals. As any ad hoc intervention would reduce predictability and distort investment signals, there should be no intervention in the EUA market. The greater the likelihood that intervention will occur, the greater the negative effect there will be on participants, and the higher the costs caused by subsequent risks created. Therefore, to preserve predictability, Member States and other relevant authorities should refrain from unduly intervening in the auction process ex post if the result is politically undesirable. As such, no price floor or cap should be put in place. Secondly, if market design is good, then there would be no need for a reserve price. Prices seen at auction would reflect fair market value as observed in the secondary market.

**Question 23**

***Is a maximum bid-size per single entity desirable in a Uniform-price auction?***

No

***Please comment on your choice.***

Ans: Since there is a liquid, open secondary market in place, there is no need to set restrictions on participants in the primary market. If there are adequate market abuse rules in place, then there is no need for a maximum bid size.

***Is a maximum bid-size per single entity desirable in a discriminatory-price auction?***

No Response

***Please comment on your choice.***

Ans:

**Question 24**

***If so, what is the desirable bid-size limit (as a percentage of the volume of allowances auctioned per auction):***

Ans: No Response

***Please comment on your choice.***

Ans:

**Question 25**

***In case only one of the two following options would be chosen, to limit the risk of market manipulation or collusion, which one would be preferable?***

Ans: No Response

***Please comment on your choice.***

Ans: Neither. Intervention is not necessary if secondary EUA markets function properly, as is currently the case. Only if there is market failure should a maximum bid-size be imposed. Otherwise, the monitoring provisions contained in the regulation should be the main means used to ensure that manipulation does not take place.

**Question 26**

***Are the following pre-registration requirements appropriate and adequate?***

***Identity:***

- Natural or legal person;
- Name, address, whether publicly listed, whether licensed and supervised under the AML rules; membership of a professional association; membership of a chamber of commerce; VAT and/or tax number;
- Contact details of authorised representatives and proof of authorisation; and
- CITL-Registry account details.
- Anything else?

Please specify: Validly existing bank account

***Declarations with respect to the past 5 years on absence of:***

- Indictment or conviction of serious crimes: check corporate officers, directors, principals, members or partners;
- Infringement of the rules of any regulated or unregulated market;
- Permits to conduct business being revoked or suspended;
- Infringement of procurement rules; and
- Infringement of disclosure of confidential information.
- Anything else?

Please specify: Requirements should be in line with the known rules of the exchanges. the requirement for '5-year declarations' timetables may need to be harmonised at Member State level before application.

***Declarations and submission of documentation relating to:***

- Proof of identity;
- Type of business;
- Participation in EU ETS or not;
- EU ETS registered installations, if any;
- Bank account contact details;
- Intended auctioning activity;
- Whether bidding on own account or on behalf of another beneficial owner;
- Corporate and business affiliations;
- Creditworthiness;
- Collateral; and
- Whether it carries out transactions subject to VAT or transactions exempted from VAT.
- Anything else?

0

**Question 27**

***Do you agree that the pre-registration requirements for admittance to EU auctions should be harmonised throughout the EU?***

Yes

***Please comment on your choice.***

Ans: We strongly support that the pre-registration requirements are harmonised so that all players have equal opportunities. There should be no barriers to entry at Member State level.

**Question 28**

***Should the amount of information to be supplied in order to satisfy the pre-registration requirements for admittance to EU auctions depend on the:***

- means of establishing the trading relationship;
- identity of bidder;
- whether auctioning spot or futures;
- size of bid;
- means of payment and delivery;
- anything else?

0

***If so, what should the differences be?***

Ans: Identity of bidders for proper invoicing and Source of funds (Bank account details) to draw on existing anti money laundering practices in the banking sector.

**Question 29**

***Should the bidder pre-registration requirements under the Regulation apply in the same manner irrespective of whether or not the auctioneer is covered by the MiFID or AML rules?***

Yes

0  
0

***Please provide arguments to support your case.***

Ans:

**Question 30**

***Do you agree that the auctioneer(s) should be allowed to rely on pre-registration checks carried out by reliable third parties including:***

Yes

- Other auctioneers?
- Credit and/or financial institutions?
- Other

0

***Please comment on your choice.***

Ans: Given that these third parties comply with requirements as strict as those for auctioneers in order to guarantee harmonisation and coherence and equal treatment among different countries.

The names of the 3rd parties should also be made public.

**Question 31**

***In order to facilitate bidder pre-registration in their home country, should the auctioneer(s) be allowed to provide for pre-registration by potential bidders in other (or all) Member States than the auctioneer's home country e.g. by outsourcing this to a reliable third party?***

Yes

***Please comment on your choice:***

Ans: Yes, because the rules need to be harmonised. Ultimately, except for those restrictions highlighted in question 26, there should be no barriers to entry at Member State level. Ideally, there needs to be mutual recognition of pre-qualification agents. Where Member States do not trust or recognise one another's pre-qualification processes, the Commission should step-in to offer an EU-wide level prequalification option, thereby transcending any inter-member state trust issues.

***If so, should such entities be:***

- Covered by the AML rules?
- Covered by MiFID?
- Covered by both?
- Other

0

***Please comment on your choice:***

Ans: The regulation should not deal with these matters since they are already covered in existing legislation.

**Question 32**

***Should the Regulation prohibit the multiplicity of pre-registration checks in the case of Member States auctioning jointly?***

Yes

***Please comment on your choice.***

Ans: Yes. See answer to question 31 above for reasoning.

**Question 33**

***Do you agree that the level of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions?***

Yes

***If so, how should they be harmonised?***

Ans: in line with rules which apply in the secondary market. This is required to avoid distorting the electricity market

***If not, why not?***

Ans:

**Question 34**

***Do you agree that the type of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions?***

Yes

***If so, how should they be harmonised?***

Ans: Collateral needs to be easily-tradable, liquid etc

***If not, why not?***

Ans:

**Question 35**

***Do you agree that 100% collateral in electronic money transfer ought to be deposited up-front at a central counterparty or credit institution designated by the auctioneer to access spot auctions?***

No

***If not, why not?***

Ans: Yes. However, the amount of collateral required to be posted should be minimized where possible i.e. a 100% requirement may present some participants with cash exposure issues, thus limiting participation in the spot auctions. The time period between posting collateral and settlement should also be as minimal as possible, again to reduced cash exposure risk for participants.

***What alternative(s) would you suggest? Please provide arguments to support your case:***

Ans:

**Question 36**

***In case futures are auctioned, should a clearing house be involved to mitigate credit and market risks?***

Yes

***If so, should specific rules – other than those currently used in exchange clearing houses – apply to:***

- the level of the initial margin;
- the level of variation margin calls;
- the daily frequency of variation margin call payments?

***If you have answered yes, please justify and elaborate on the rules that should apply and the mechanisms to implement them:***

Ans: All the above are standard requirements so there is no need for further elaboration

**Question 37**

***What are the most preferable payment and delivery procedures that should be implemented for auctioning EUAs?***

- Payment before delivery.
- Delivery versus payment.
- Both.

***Please comment on your choice.***

Ans: As per the prevailing 'norms' in the secondary market : payment after delivery, payment is made within a week/10 days

**Question 38**

***Irrespective of the payment procedure, should the Regulation fix a maximum delay of time for payment and delivery to take place?***

No Response

***If yes; what should it be?***

Ans: No Response

0

**Question 39**

***Should the Regulation provide any specific provisions for the handling of payment and delivery incidents or failures?***

Yes

***If yes, what should they be?***

Ans: As per norms in secondary market

**Question 40**

***Should the Regulation provide for all matters that are central to the very creation, existence and termination or frustration of the transaction arising from the EUA auctions?***

Yes

***If not, why not?***

Ans:

***If so, are the matters enumerated below complete?***

- The designation of the parties' to the trade.
- The characteristics of the auctioned product:
  - Nature: EUAs or EUAAs, trading period concerned.
  - Date of delivery: date at which winning bidders will receive the allowances on their registry account
  - Date of payment: date at which payment will be required from winning bidders.
  - Lot size: number of allowances associated with one unit of the auctioned good.
- Events of 'force majeure' and resulting consequences.
- Events of default by the auctioneer and/or the bidder and their consequences.
- Applicable remedies or penalties.
- The regime governing the judicial review of claims across the EU.

Ans: Yes

***If not, what additional matters should be foreseen in the Regulation and why?***

Ans:

**Question 41**

***Should the Regulation provide for rules on jurisdiction and the mutual recognition and enforcement of judgments?***

Yes

***If so, should these be:***

- specific to the Regulation;
- by reference to the Brussels I Regulation;
- by citing exceptions from the Brussels I Regulation;
- by citing additions to the Brussels I Regulation?

***Please comment on your choice:***

Ans:

***If not, why not?***

Ans:

**Question 42**

***Which auction model is preferable?***

- Direct bidding?



- Indirect bidding?
- Both?

***Please comment on your choice.***

Ans: Iberdrola fully supports direct bidding in order to avoid transaction costs. However, one point to note is that indirect bidding may be more favoured by small emitters with limited experience and credit availability.  
We are also for a strict pre-qualification regime.

**Question 43**

***If an indirect model is used, what share of the total volume of EU allowances could be auctioned through indirect bidding?***

Ans:

***Please provide arguments to support your case.***

Ans:

**Question 44**

***If the primary participants model is used, what provisions would be desirable for mitigating disadvantages of restricting direct access:***

- Allow direct access to largest emitters, even if they trade only on their own account? 0
- Disallow primary participants trading on their own account? 0
- Impose strict separation of own-account trading from trading on behalf of indirect bidders?
- Other

Please specify: IBERDROLA strongly opposes the 'primary participants' model. For electricity generators, there is no need for a 'middle-man' where an emitter has the means and expertise required to participate directly in auctions. Conversely, the imposition of a primary participants model risks compromising the aim of making EUA auctions accessible to as many participants as possible at least cost. This is completely unnecessary.

**Question 45**

***If the primary participants' model is used, what conflict of interest requirements should be imposed?***

- Separation of client registration and trading on behalf of clients from all own account trading activities.
- Separation of collateral management, payment and delivery on behalf of clients from all own account trading activities.
- Separation of anything else.

0

**Question 46**

**What obligations should apply to primary participants acting in EU-wide auctions as:**

- Intermediaries
- Market makers

**Please provide arguments to support your case.**

Ans: See answer to question 44

**Question 47**

**Under what conditions should auctioning through exchanges be allowed:**

- Only for futures auctions open to established members of the exchange?
- Also for spot auctions open to established members of the exchange?
- Only when the exchange-based auction is open to non-established members on a non-discriminatory cost-effective basis?
- Other.

0

**Please provide arguments to support your case.**

Ans: We are strongly in favour of option 3 (i.e. exchanges). This means of auctioning - which is already established – would be the easiest, simplest, no-discriminatory, cost-effective. In any case, there is no logical alternative.

**Question 48**

**Should direct auctions be allowed through:**

- 1) Third party service providers?  
Yes
- 2) Public authorities?  
Yes

**Please comment on your selection:**

Ans: Yes, subject to the condition that rules are common, that access is open to all participants and that competency is demonstrable. This would reduce costs and would facilitate early auctioning.

**Question 49**

**Do the general rules for auctioning EUAs suffice for ensuring full, fair and equitable access to allowances to SMEs covered by the EU ETS and small emitters?**

Yes

**If not, why not?**

Ans:

**Question 50**

**Is allowing non-competitive bids necessary for ensuring access to allowances to SMEs covered by the EU ETS and small emitters in case of:**

***discriminatory-price auctions?***

***uniform-price auctions?***

**Question 51**

***If non-competitive bids are provided for in spot auctions, what maximum share of allowances could be allocated through this route?***

Ans: Other

Please Specify: see comment below

***Please comment on your choice.***

Ans: We do not believe that non-competitive bidding is necessary where lot-sizes are small, functioning secondary markets are in place, participation is not restricted and EUAs are transparently auctioned in a simple, regular, co-ordinated manner. In any case, experience with existing regimes which allow for non-competitive bidding indicates that such bidding means may not be used (e.g. current Austrian system).

**Question 52**

***What rule should apply for accessing non-competitive bids:***

Participants should only be allowed to use one of the two bidding routes?

Non-competitive bids should be restricted to SMEs covered by the EU ETS and small emitters only?

Other?

0

***Please comment on your choice.***

Ans: We do not believe that non-competitive bidding is necessary where lot-sizes are small, functioning secondary markets are in place, participation is not restricted and EUAs are transparently auctioned in a simple, regular, co-ordinated manner. In any case, experience with existing regimes which allow for non-competitive bidding indicates that such bidding means may not be used (e.g. current Austrian system).

**Question 53**

***What should be the maximum bid-size allowed for SMEs covered by the EU ETS and small emitters submitting non-competitive bids?***

Ans: No Response

0

**Question 54**

***Are there any other specific measures not mentioned in this consultation that may be necessary for ensuring full, fair and equitable access to allowances for SMEs covered by the EU ETS and small emitters?***

Yes

***If so, please specify:***

Ans: Iberdrola considers that ensuring transparency is key for the market

**Question 55**

***What should be the minimum period of time before the auction date for the release of the notice to auction?***

Ans: Other

Please Specify: 2 months or more - preferably in line with the auction calendar. Full transparency means that participants should have as much preparation time as possible. Any unplanned changes should be published immediately

***Please comment on your proposal.***

Ans:

**Question 56**

***What should be the minimum period of time before the auction date for the submission of the intention to bid?***

Ans: Other

Please Specify: None.

***Please comment on your proposal.***

Ans: Iberdrola considers that there should be no further need to confirm their willingness to bid in the auction. Eventual intentions to bid that are given some days in advance of the auction should not be binding on such bidders.

Once the pre-registration process is completed, entities are entitled to participate in the auction and, depending on their market views they should be free to decide whether or not to participate in the auction.

It should be up to the bidders to decide (at anytime) whether to go to the auction or to act on the secondary market

**Question 57**

***Are there any specific provisions that need to be highlighted in:***

Ans: No Response

***Please specify what they are.***

Ans: The auction rules applying would need to be clearly presented (including any restrictions). The notice should also say when results will be released. Of course, all the processes should be public and accessible through webs, phone, information documents etc.

**Question 58**

***What information should be disclosed after the auction:***

- Clearing price (if allowances are awarded on a uniform-price basis or in the case of non-competitive bids being allowed)?
- Average price (if allowances are awarded on a discriminatory-price basis)?
- Any relevant information to solve tied bids?
- Total volume of EUAs auctioned?
- Total volume of bids submitted distinguishing between competitive and non-competitive bids (if applicable)?
- Total volume of allowances allocated?

Anything else?

Please specify: Number of participants (total), Number of successful participants, Total amount unsold and carried over to the next auction, aggregated supply and demand curve

**Question 59**

***What should be the maximum delay for the announcement of auction results?***

- 5 minutes  
 15 minutes  
 30 minutes  
 1 hour  
 Other.

0

***Please comment on your proposal.***

Ans: The closer to the event the better, as this will affect the secondary market. An electronic system should be able to produce results immediately

**Question 60**

***Do you feel that any specific additional provisions should be adopted in the Regulation for the granting of fair and equal access to auction information?***

Yes

***If so, what may they be?***

Ans: Provided that information is not commercially-sensitive, all information should be provided at the same time, according to a standardised format. There should be a prohibition on any unauthorised discriminatory release of information. Furthermore, all information should be put on one single website and the relevant information should be send by e-mail.

**Question 61**

***Should an auction monitor be appointed centrally to monitor all EU auctions?***

Yes

***If not, why not?***

Ans:

**Question 62**

***Do you agree that the Regulation should contain general principles on:***

- the designation and mandate of the auction monitor; and  
 cooperation between the auctioneer(s) and the auction monitor?  
 Neither

***If not, why not?***

Ans:

**Should these be supplemented by operational guidance, possibly through Commission guidelines? [Y/N]**

Yes

**If not, why not?**

Ans:

**Question 63**

**Is there a need for harmonised market abuse provisions in the Regulation to prevent insider dealing and market manipulation?**

No

**If not, why not?**

Ans: Internal and external discussions are currently ongoing within the Commission regarding the desirability of having an energy-specific market-abuse regime. Such a regime will also cover CO2.

As IBERDROLA supports the development of such a regime, we do not believe that issues to be dealt with under this regime should also be dealt with in the EUA regulation. We do not want an overlap of these rules.

**Please comment on your choice outlining the provisions you deem necessary and stating the reasons why.**

Ans: Internal and external discussions are currently ongoing within the Commission regarding the desirability of having an energy-specific market-abuse regime. Such a regime will also cover CO2.

As IBERDROLA supports the development of such a regime, we do not believe that issues to be dealt with under this regime should also be dealt with in the EUA regulation. We do not want an overlap of these rules.

**Question 64**

**Should the Regulation provide for harmonised enforcement measures to sanction:**

Non-compliance with its provisions?

Market abuse?

**Please provide arguments to support your case.**

Ans: Regarding enforcement, there are two groups which rules need to apply to:- Member States and bidders.

Non-compliance with its provisions will most likely be due to Member States actions. Looking at the history of compliance by Member States with the provisions in the ETS directive, one can easily remark that only a very few of them have met, for instance, required deadlines on time. In addition, they have sought to use creativity in designing Allocation Plans and applying rules. The Commission has few measures at its disposal to correct this behaviour.

For a timely and harmonised organisation of auctions, enforcement at EU level seems inevitable looking at the track record of Member States. Oversight should also ensure that volumes are always brought to the market by Member States according to schedule and not withheld in order to drive prices up or wait for “better” moments. Any rules which apply should be enforced with equal weight. Only then will a level-playing field exist.

#### **Question 65**

***Should the enforcement measures include:***

The suspension of the auctioneer(s) and/or bidders from the EU-wide auctions?

***If so, for how long should such suspension last?***

Ans:

Financial penalties?

***If so, at what level should such penalties be fixed?***

Ans:

The power to address binding interim decisions to the auctioneer(s) and/or bidders to avert any urgent, imminent threat of breach of the Regulation with likely irreversible adverse consequences?

Anything else?

0

***Please provide arguments to support your case.***

Ans: Iberdrola considers that the answers depends on what market abuse / integrity regime is in place. In any case we would propose that if no auctioning takes place, then allowances should be transferred to other auctioneers

#### **Question 66**

***Should such enforcement measures apply at:***

EU level?

National level?

Both?

***Please comment on your choice.***

Ans:

#### **Question 67**

***Who should enforce compliance with the Regulation:***

The auction monitor?

- The auctioneer?
- A competent authority at EU level?
- A competent authority at national level?
- Other?

0

***Please provide evidence to support your case.***

Ans: A competent authority, either at EU level, with the auctioneer (exchanges/brokers if different from authority) being the front-line compliance monitor.

**Question 68**

***Which of the three approaches for an overall EU auction model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)***

- [3] Limited number of coordinated auction processes.
- [1] Full centralisation based on a single EU-wide auction process.
- [2] The hybrid approach where different auction processes are cleared through a centralised system.

***Please give arguments to support your case.***

Ans: IBERDROLA is strongly in favour of a centralised system. However, recognising the existing political reality in the EU, a solution for Member States aiming to converge for a centralised system could be explored.

The hybrid approach combines the benefits of a central bid book giving a single EU-wide auctioning price and easier harmonisation with the possibility given to Member States in the ETS directive to set up auctions. The use of a central bid-book resulting in a single price not only benefits the market, but has also benefits for Member States, since they all receive the same price for their allowances.

The hybrid approach would only really be a good first approach, which could grow into a centralised approach later.

Overall, our strong preference is for a “fully-centralised auction” based on a single EU-wide auction process. The hybrid option, as proposed, would very much be a “second best”.

**Question 69**

***If a limited number of coordinated auction processes develops, what should be the maximum number?***

Ans: No Response

0

***Please give arguments to support your case.***

Ans: Limited coordinated auctions are our least preferred auction approach. If this option was to be taken forward, then as few auction platforms as possible should be developed (due to complexity of harmonising rules). Member States should be encouraged to share platforms wherever possible.

**Question 70**



***Is there a need for a transitional phase in order to develop gradually the optimal auction infrastructure?***

No

***If so, what kind of transitional arrangements would you recommend?***

Ans:

**Question 71**

***Should the Regulation impose the following requirements for the auctioneer(s) and auction processes? [mark those that apply]:***

***Technical capabilities of auctioneers:***

- capacity and experience to conduct auctions (or a specific part of the auction process) in an open, fair, transparent, cost-effective and non-discriminatory manner;
- appropriate investment in keeping the system up-to-date and in line with ongoing market and technological developments; and
- relevant professional licences, high ethical and quality control standards, compliance with financial and market integrity rules.

***Integrity:***

- guarantee confidentiality of bids, ability to manage market sensitive information in an appropriate manner;
- duly protected electronic systems and appropriate security procedures with regards to identification and data transmission;
- appropriate rules on avoiding and monitoring conflicts of interest; and
- full cooperation with the auction monitor.

***Reliability:***

- robust organisation and IT systems;
- adequate fallback measures in case of unexpected events;
- minimisation of the risk of cancelling an individual auction once announced;
- minimisation of the risk of failing functionalities (e.g. access to the bidding platform for certain potential bidders); and
- fallback system in case of IT problems on the bidder side.

***Accessibility and user friendliness:***

- fair, concise, comprehensible and easily accessible information on how to participate in auctions;
- short and simple pre-registration forms;
- clear and simple electronic tools;
- (option of) accessibility of platforms through a dedicated internet interface;
- ability of the auction platform to connect to and communicate with proprietary trading systems used by bidders;
- adequate and regular training (including mock auctions);
- detailed user guidance on how to participate in the auction; and
- ability to test identification and access to the auction.

***Please elaborate if any of these requirements need not be included.***

Ans:

***Please elaborate what additional requirements would be desirable.***

Ans: All the above items make for an almost fully-comprehensive list. However, in our opinion, provisions to cover the following items should also be included:

? Auctioneers should not be able to purchase in the auction – MSs should not be able to buy;

? Credit rating for auctioneers (if not state entities) should be high so as to cover delivery risk.

**Question 72**

***What provisions on administrative fees should the Regulation include?***

General principles on proportionality, fairness and non-discrimination.

Rules on fee structure.

Rules on the amount of admissible fees.

Other?

Please specify: A rule needs to be included stating that fees have to be recovered from EUA auction proceeds.

***Please provide arguments to support your case.***

Ans: As the authority in charge of the auction will have a monopoly over auctioning, there needs to be some safeguard in place to ensure that participants (and hence customers) are not over-charged. The best way of doing this is for auctions running costs to be paid out of the auction proceeds.

**Question 73**

***Should there be provisions for public disclosure of material steps when introducing new (or adapted) auction processes?***

Yes

***Should new (or adapted) auction process be notified to and authorised by the Commission before inclusion in the auction calendar?***

Yes

**Question 74**

***Which one of the following options is the most appropriate in case a Member State does not hold auctions (on time)?***

Auctions by an auctioneer authorised by the Commission.

Automatic addition of the delayed quantities to those foreseen for the next two or three auctions.

***What other option would you envisage? Please specify:***

Ans: IBERDROLA's view in this instance is that the allowances should be released to the market with immediate effect, perhaps by an auctioneer on behalf of Commission

**Question 75**

***Should a sanction apply to a Member State that does not auction allowances in line with its commitments?***

Yes

***If so, what form should that sanction take?***

Ans: See answer to question 74 above. Such a sanction mechanism should take the form of financial penalties for Member States.

**Question 76**

***As a general rule throughout the trading period, in your opinion, are early auctions necessary?***

Yes

***If so, what should the profile of EUAA auctions be:***

Ans: No Response

0

**Question 77**

***Do you think there is a need to auction EUAA futures?***

No Response

***If so, why?***

Ans:

**Question 78**

***What should be the optimal frequency and size of EUAA auctions:***

Ans: No Response

0

***Please comment on your choice.***

Ans:

**Question 79**

***What would be your preferred timing for EUAA auctions:***

Ans: No Response

0

**Question 80**

***Should any of the EUAA auction design elements be different compared to EUA auctions (see section 3)?***

No Response

***If so, please specify and comment on your choice.***

Ans:

**Question 81**

***Do you agree there is no need for a maximum bid-size?***

No Response

***If not, why not?***

Ans:

**Question 82**

***Is there any information regarding aircraft operators made available as part of the regulatory process to the competent authorities that could facilitate the KYC checks performed by the auctioneer(s)?***

No Response

***If so, please describe what information is concerned and whether it should be referred to in the Regulation or any operational guidance published by the Commission.***

Ans:

**Question 83**

***In your opinion, is there a specific need to allow for non-competitive bids in EUAA auctions?***

No Response

***Would this be the case even when applying a uniform clearing price format?***

No Response

***Please provide arguments to support your case.***

Ans:

**Question 84**

***Do you agree that there is no need for any specific provisions for EUAA auctions as regards:***

- Involvement of primary participants, exchanges or third party service providers?
- Guarantees and financial assurance?
- Payment and delivery?
- Information disclosure?
- Auction monitoring?
- Preventing anti-competitive behaviour and/or market manipulation?
- Enforcement?
- None of the above?

***If not, please describe in detail what rules would be needed and why.***

Ans:

**Question 85**

***Taking into account the smaller volume of EUAA allowances to be auctioned compared to EUAs, which of the three approaches for an overall EUAA auctioning model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)***

- [3] Limited number of coordinated auction processes.

- [1] Full centralisation based on a single EU-wide auction process.
- [2] Hybrid approach where different auction processes are cleared through a centralised system.

***Does your choice differ from the approach preferred for EUAs?***

No Response

***Please provide arguments to support your case.***

Ans:

**Question 86**

***Do you agree that there is no need for any specific provisions for EUAA auctions as regards:***

- [ ] Requirements for the auctioneer(s) and auction processes?
- [ ] Administrative fees?
- [ ] Rules to ensure appropriate and timely preparation of the auctions?
- [ ] None of the above?

***If not, please describe in detail what rules would be needed and why.***

Ans: