

EFET response to ElecLink Consultation on Splitting Rules Methodology

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The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments to the Consultation on the Splitting Rules Methodology for the volume of capacity to be made available for allocation on the ElecLink interconnector in each long-term timeframe. Forward capacity allocation is critical to allow market participants to hedge their long-term positions across borders and make sure that they are not exposed to short-term price volatility and imbalance costs. It is therefore vital that TSOs make available to the market the maximum capacity they can as far in advance of real time as possible (at least one year), as per their calculation at that time, by means of issuing forward transmission rights.

In our view, there should be no reservation of capacity from the year-ahead auctions to shorter timeframes. Hedging is about assessing and covering against a variety of risks: price risk, volume risk, regulatory risk, etc. The further away from real time, the greater the uncertainty and therefore, the greater the interest and importance for market participants to cover those risks. It is therefore vital that TSOs should make available to the market the maximum capacity they can as far in advance of real time as possible. Further release of capacity at shorter time horizons in the forward timeframe (quarterly where applicable, and monthly) should be the result of gradual release of the margins and constraints initially applied by the TSOs for year-ahead allocations, as uncertainties reduce with real time getting nearer. Hence, we oppose the use of specific criteria to withhold capacity when it is calculated as available and could be sold to the market.

Bearing in mind that certain market participants may wish to purchase capacity only for specific quarters or months and may be reluctant to re-trade purchased yearly forward transmission rights on the secondary market, TSOs may choose to allocate 100% of the calculated capacity year-ahead not only via yearly products, but also via quarterly and monthly products (but a year in advance). There can be a distinction between the timing of the auctions and the granularity of the products offered by ElecLink.

In addition, we would advise ElecLink to implement 24 nominations gates for intraday. This should be seen as a target model after ElecLink go-live.

We strongly encourage Eleclink to organise a workshop in Q1 2022. This would allow market participants to raise questions in terms of process/registration and would help to ensure that market participants are ready for go-live.