

EFET response to the consultation on IFA and IFA2 Splitting Rules Methodology

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide our feedback to the consultation on IFA and IFA2 splitting rules methodology proposed by RTE and National Grid.

We overall support the alternative mechanism proposed for the allocation of capacity on IFA/ IFA 2, including the capacity split and the timing of volume confirmation. We also welcome the creation of a two-year calendar project which we believe will align better the availability of transmission rights with that of forward credits. We also welcome the introduction of an interim LTCCM which will increase transparency in the calculation of part of the final value within the range of the offered capacity split.

However, we seek clear specifications from NGIC as to why they want to take into account the forward price for determining the final volume. We would like to remind that LTTRs are meant to protect against the volatility of the spread and not against the absolute value of the spread. TSOs should maximize the amount of cross-border capacity sold to the market, independently from the market price. TSOs should not look for congestion rent optimisation.

We welcome the introduction of the Year + 2 product

We support the introduction of an Annual Auction (CAL) product two years ahead of delivery (Y+2 product). We view the Y+2 product as an important step forward which will allow market participants to access capacity further ahead of time and to start to adopt that in their trading strategies. We consider necessary the adequacy regarding volumes traded on forward horizon and the cross-border capacity allocated to the market. In this sense the amount of capacity made available long ahead of time could even be higher.

We welcome the interim Long-Term Capacity Calculation Methodology in the splitting range

We welcome the introduction of an interim LTCCM which will increase transparency in the calculation of part of the final value within the range of the offered capacity split. We understand that a given value within the range will have to take into account the results of the long-term capacity calculation methodology, which is a step towards the positive direction. In this respect we recommend keeping volumes symmetrical to allow for a more appropriate hedging strategy.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

We object to the TSOs determining the volumes and capacity allocation based on market prices

We would like to raise our concern over NGIC being allowed to decide on allocation of capacity upon its calculation based on market prices. The maximisation of auction revenue and forward prices should not constitute decision factors for the capacity that NGIC makes available in each auction.

We hence disagree with the fact that part of the final value within the range will be determined based on the spread or on the expectation on the spread evolution by the TSOs. We would like to remind that TSOs should not take a directional view on the spread evolution. Based on the capacity calculation methodology, the TSOs have the freedom to tackle an unforeseen event in the future. Once this calculation is made, the whole capacity should be auctioned.

The decision on the volume available (within the range) for the auction should be fully transparent.