

Response to amending the interconnectors IFA and IFA2 Access Rules

Brussels, 26 August 2025

Key messages

- Interconnectors are key for efficient and affordable energy, as well as for security of supply. The allocation rules should enable efficient functioning of the market and the ability to respond to price signals.
- In June, we highlighted to National Grid Interconnectors Limited the risk of creating a clawback for resales of Long-Term Transmission Rights (LTTRs), which will decrease the hedging value of LTTRs.
- Such a reduction will also decrease the value that market participants place in LTTRs, leading to reduced auction revenues for TSOs.
- RTE and National Grid's proposal creates a difference in treatment between market participants holding LTTRs.

Detailed comments

1. Non-firm resale of Long-Term Transmission Rights

We disagree with the TSOs' proposed amendments to the IFA and IFA2 access rules on non-firm resale of LTTRs due to several significant impacts.

Market participants see a risk in reducing curtailment compensation on resold LTTRs, as it may decrease the value of LTTRs. Market participant behaviour on LTTRs is to make the best and most efficient trade, which can include reselling and buying new LTTRs after an auction. We underline that the aim of a resale is not to boost potential curtailment compensation, but to optimise the portfolio of contracts that hedge the participant's position. One observation is that market behaviour is changing and adjusting to a more

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dynamic and commercial appreciation of the value of LTTRs through the use of primary and secondary LTTR sales. Market participants can choose to adjust their positions by selling or buying resold LTTRs as the market changes and sends new signals.

On the profit-based contribution proposal, there is a risk that it will undermine LTTR value and potentially lead to fewer LTTR purchases. Overall, it could lead to a reduction of market participants' ability to hedge, by reflecting in bids the increased financial risks related to curtailment, impacting efficient reactivity to price signals. The amended rule could disincentivise the use of LTTR resales for position adjustment, reflecting new market signals due to risk exposure.

The decreased value of LTTRs due to higher risks will also lower TSO revenues through decreased auction revenues. Knowing the good intention to ensure curtailment compensation to as many LTTR holders as possible within the cap, there is an indirect negative consequence that could lower the overall compensation ability of TSOs.

Another consequence of the amended rule leads differentiated treatment between primary auction and secondary auction LTTR holders. Under current rules, every participant has the right to choose to resell unused transmission rights to all participants. Rather than introducing differentiated treatment, we encourage continued non-discriminatory access to the market and LTTRs under the existing rules.

If this rule were to be implemented, we emphasise that it should not have retroactive impacts on capacity already allocated and paid for by market participants and that the implementation is not done half-way through the year. Such retroactive impacts deteriorate the firmness of already allocated LTTRs. We see the TSO implementation plan for the rule to take effect on auctions happening after implementation. We would like to clarify the application of the rule on LTTRs acquired before the amendment enforcement but with a delivery date after implementation – we are cautious about retroactive application.

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2. Harmonised Allocation Rules 2024

We see no issues with the changes put forward.

Contact

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