CONSULTATION RESPONSE

Response to All TSOs' proposal for amendments of the methodology for Harmonised Allocation Rules for long-term transmission rights

Brussels, 9 April 2026

General comments

We reiterate our fundamental concerns regarding the introduction of flow-based allocation in the forward timeframe. While day-ahead and intraday timeframes are well suited to flow-based allocation, where actual flows are nominated by market participants and actively managed by TSOs, this is not the case in the forward timeframe, where TSOs do not manage flows.

A flow-based approach to allocating LTTRs tends to maximise the revenue generated by LTTR auctions. This results in transmission capacity being allocated primarily to borders with the highest price spreads, leaving other borders with limited or zero capacity. While we welcome the introduction of minimum capacity levels into the capacity calculation, these alone do not guarantee that capacity will be effectively allocated across all borders.

Maximising auction revenue is not equivalent to maximising economic efficiency, as required under the FCA Regulation. LTTR auctions must be considered in the broader context of forward electricity markets, where their primary role is to enable hedging of cross-border price risks. By supporting hedging, LTTRs enhance liquidity in forward markets.

Limiting the availability of cross-border hedging instruments on certain borders would reduce liquidity in adjacent forward markets, increase hedging costs for market participants, and ultimately lead to higher costs for consumers. This would undermine the overall economic efficiency of the forward market.

Collateral requirement solution

Despite our concerns, we acknowledge TSOs' plans to implement flow-based allocation. As previously stressed, easing collateral requirements is essential if flow-based auctions are introduced. As auctions move towards a single pan-European framework, market participants may need to back bids across up to 20 borders simultaneously, which will place significant strain, particularly on smaller market participants.

In this context, we welcome the proposed transition to optimal bid filtering based on final clearing prices. This represents a clear improvement compared to the current Maximum Payment Obligation (MPO)-based approach, as it better aligns collateral requirements with actual financial exposure and could significantly reduce the financial burden on market participants.

However, despite these improvements, collateral requirements under Long-Term Flow-Based Allocation (LTFBA) are expected to remain structurally higher than under per-border auctions due to the aggregation of exposure across multiple bidding zone borders.

The proposed reserved collateral mechanism introduces useful flexibility but also additional complexity. Efficient collateral allocation across auctions will require advanced optimisation capabilities and may disadvantage smaller or less sophisticated participants, potentially creating an uneven playing field.

Crucially, these improvements are not expected to be implemented before November 2027, whereas flow-based auctions are planned to be introduced in November 2026. This temporal misalignment would expose market participants to significantly higher collateral requirements for the November 2026 auction without the mitigating measures now being proposed.

In addition, important implementation risks remain, including unresolved IT delivery constraints and potential regulatory changes. We therefore recommend aligning the implementation of flow-based allocation with the availability of improved collateral solutions, alongside robust testing and full transparency.

While the proposed improvements to collateral management are a step in the right direction, their delayed implementation means that market participants would face increased collateral requirements in the interim. We maintain that the implementation of flow-based allocation should be aligned with effective safeguards to preserve forward market efficiency and ensure access to hedging instruments across all borders. Therefore, we call for clarification on the collateral solution that will be applied in the interim.

Other comments

We support the proposed clarifications regarding the contestation period and the inclusion of DC borders in curtailment compensation cap references, which improve legal clarity and consistency.

We also welcome the changes related to the new auction tool, provided that robust testing, sufficient transition periods, and equal access for all market participants are ensured.

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