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Date: 16th of July 2025

IFA and IFA2 Access Rules Consultation

Dear Market Participants,

Réseau de Transport d'Electricité (RTE), National Grid Interconnectors Limited (NGIC) and National Grid IFA2 Limited (NGIFA2) are proposing an amendment to the Access Rules for the IFA 2000 HVDC Interconnector (2,000MW) and the IFA2 HVDC Interconnector (1,014MW), which connect the British and French electricity transmission systems.

This consultation opens on the date of this letter July 16th 2025, and will close on 26th of August 2025.

The modifications being consulted on are:

1. **Non-Firm Resale:**

   Changes to rules associated with resales of Long-Term Transmission Rights (LTTRs), for the situation where there is a subsequent curtailment affecting the resale delivery period, announced prior to the Firmness Deadline to ensure that operation remains within Operational Security Limit. It should be noted that under this scenario the compensation receivable by curtailed parties will continue to be based on the price they have paid for their capacity.

2. **Harmonised Allocation Rules 2024**

   Alignment with relevant aspects of Harmonised Allocation Rules (HAR) 2024 as introduced in January 2024.

   The next few paragraphs explain further the proposed amendments and the Appendices show the relevant articles in the Access Rules that correspond to these amendments.

1. **NON-Firm Resale**
   a. **Introduction:**
      This consultation presents a proposal to amend the rules associated with Resales of Long-Term Transmission Rights (LTTRs). This is for the situation where there is a subsequent curtailment affecting the resale delivery period and where the curtailment is to ensure that operation remains within Operational Security Limits before the Firmness Deadline. The change addresses

a specific anomaly in the current treatment of returned and resold capacity, which can result in higher curtailment payouts in respect of the resold capacity than the income that TSOs receive for this capacity. This has a consequential impact that non-reselling Market Participants can be at a disadvantage when the Curtailment Cap of compensation is reached.

b. The proposed amendments are intended to ensure that TSOs' curtailment compensation exposure is neutral to Resales that may be made between LT products, with the compensation received by LTTR holders for curtailment being aligned to the price they paid for acquiring their rights (at the price of acquiring their rights) but becoming guaranteed as the Curtailment Cap of compensation should not be reached anymore.

This consultation follows our earlier engagement with the customers and relevant stakeholders held from June 6th-20th June 2025.

c. Return of LTTRs – Current Scenario:

i. Currently customers who have bought Long Term capacity in an initial auction at a given price i.e., Initial Price Paid (IPP) may return this capacity (partially or fully) into a higher priced LT auction and either

   a. realise a profit where another market participant purchases the returned capacity, or
   b. buy it back themselves.

   In this latter case the Market Participant effectively retains its capacity, with the Initial Price Paid (as would be used for curtailment compensation purposes) being set to the new higher price, however the income receivable by TSOs for the resold capacity remains at source auction price irrespective of the return.

ii. For longer unplanned outages the cap on compensation may become active, which is set for each invoicing month at the revenue receivable by the TSOs for that month. In the event of Resales (and whether or not the Returning party or other market participant acquires the resold capacity) the cap may be reached more quickly due to the higher compensation payable per MWh that would result in lesser compensation to the LTTR holders who have not entered into resales.

iii. Where Market Participants buy back the capacity that they have returned, this results in compensation uplift for these parties (assuming the resale auction is at a higher price than at the price the capacity was first acquired). This current mechanism therefore enables a resale behaviour, where participants leverage market price increase enabling them to boost potential curtailment payout at the expense of non-reselling participants and TSOs. We have seen this as a common practice by some customers – i.e. reselling and bidding into a subsequent auction so as to effectively retain the resold capacity when the market has risen.

iv. This disconnection between the TSOs revenues and curtailment payout creates financial imbalance and hence the change proposal will ensure:

   - The TSOs curtailment exposure is neutral to resale activity;
   - Level playing field for all market participants, avoid disproportionate outcomes, and ensure that compensation is distributed equitably across all market players, promoting transparency, predictability and fairness in the application of the curtailment.

d. The Proposal:

To address the above issues, we propose revised terms for Returns to include a financial reconciliation where curtailments affect the delivery period of some/all of the returned capacity, as follows:

i. **Capacity to keep non-firm character:**
Since Capacity is originally sold by the TSOs as non-firm, any returned and resold capacity would retain that characteristic. This means that, in the event of curtailment, the re-seller would bear part of the risk for curtailment compensation (whether they return the capacity at a profit or return and buy back the capacity)

ii. **Profit-based contribution:**
Where a LTTR holder returns the capacity into a higher priced auction, in the event of a curtailment the reseller would be invoiced for a proportion of the profit element (irrespective of whether it was purchased by another party or the reseller) as necessary to contribute towards the curtailment compensation to the new owner(s). The proportion of the "Profit" element used to compensate the new owner(s) is directly linked with the Curtailment Reduction Ratio defined as the ratio between the Curtailed capacity and the Already Allocated Capacity prior to this curtailment such as, for a given hour of curtailment event i:

$$Curtailment\ reduction\ ratio_{Given\ hou\ \ of\ curtaiment\ event\ i} = 1 - \frac{NTC_{at\ the\ origin\ of\ the\ curtailment\ i}{}^{1}}{AAC_{prior\ to\ the\ curtailment\ i}}$$

This approach ensures that from a TSO perspective their net curtailment payouts will match the actual interconnector revenues associated with the curtailed capacity, thereby avoiding the distortions identified above.

iii. **Resale loss & preventing a TSO windfall**
Where resale has resulted in a loss to the reselling party (i.e., resale into a lower-priced auction) , in the event of curtailment TSOs would be liable to make payment, which would be the difference between the IPP and resale price, to the re-seller of such capacity proportion based on the Curtailment Reduction Ratio such that TSOs would not make a windfall saving, thereby again maintaining that their net curtailment exposures are neutral to the Resale activity.

iv. **Transparency and consistency**
The proposed mechanism will apply for any reseller of capacity in a relevant curtailment scenario, whether the party is acquiring the new rights is a different market participant or the re-seller buying back its returned capacity.

v. **Worked Example:**
We have provided a detailed worked example in Appendix – 2

[1] The NTC that has triggered the curtailment, and which is linked with the new outage

e. **Implementation:**

The proposal will be implemented through amendment to the IFA/IFA2 Long Term Allocation Rules based under the following Rules:

i. Rules 68(3) – Each amendment shall apply to all aspects of these Long-Term Allocation Rules, including
   but not limited to all Auctions conducted after the date on which the amendment takes effect.
ii. Rule 68(4) – Unless expressly stated otherwise by the Allocation Platform the amended Long Term Allocation Rules shall govern all rights and obligations in connection with these Long-Term Allocation Rules **including those acquired before the date of amendment but with the delivery date after the amendment takes effect.**

Under the above provisions, any LTTRs will be subject to this rule change in respect of delivery periods which are after the entry into force of the rules, irrespective of when those LTTRs were acquired.

f. **Timelines and Next Steps:**

We aim to implement these changes (subject to Access Rules approval) by Q1 of 2026 with the following planned timelines:

i. Launch of formal consultation as per the date of this letter.
ii. Consultation Close date: August 26th, 2025.
iii. Submission of Access Rules to NRAs – September 2025
iv. NRAs Decision – December 2025

We will keep the market informed of any changes to these timelines.

Consultation documents:

This consultation includes tracked-changes of the proposed modifications for the Access Rules.

The consultation and supporting documents can be obtained on the IFA and IFA2 website, as follows:

http://ifa1interconnector.com/notices/consultation/

Consultation responses:

NGIC, RTE and NGIFA2 would like to invite feedback from Market Participants on the consultation documents.

The latest date for responses to this consultation will be 18.00 CET on the 26th of August 2025 All responses should be titled “Response to IFA/IFA2 Access Rules consultation” and are to be submitted via email to Interconnectors.CustomerEnquiries@nationalgrid.com **or** through RTE’s **CONCERTE** portal.

When responding please state your contact details and whether you are responding as an individual company or representing the views of an association.

If all or part of your response is in relation to one or other of IFA or IFA2 Access Rules, then please indicate. Otherwise, we will treat your response as applying to both IFA and IFA2.

If you have any questions in relation to any of the above, please contact:

Email: Interconnectors.CustomerEnquiries@nationalgrid.com

Yours faithfully

Mathieu Pierzo
Head of RTE Market Department

Sally Lewis
Head of Policy & Regulation
National Grid Ventures

Appendix 1 – Access Rules Articles subject to consultation Related to Non-Firm Resale

The table below summarises the Access Rules articles that are subject to consultation, based on the corresponding topic

Change Proposed	Article
Return of Long-Term Transmission Rights: General Provision	CHAPTER 5 Return of Long-Term Transmission Rights Article 38
Remuneration of Long-Term Transmission Right holders	CHAPTER 5 Article 40
Application of curtailment events to returned Long Term Transmission Rights	CHAPTER 5 Article 40A
Compensation for curtailments to ensure operation remains within Operational Security Limits before the Firmness Deadline	CHAPTER 9 Curtailment Article 59
Invoicing and Payment: General principles	CHAPTER 10 Invoicing and Payment Article 62
Invoicing and payment conditions	CHAPTER 10 Article 65

Appendix - 2

Worked Example:

1. Auction n°1:

    a. TSOs has initially put for sale 100MW of ATC at an auction n°1. The clearing price of the auction is 10€/MWh.

    b. At this auction, Party A purchases 50MW of long-term transmission rights (LTTR).

2. Auction n°2:

    a. TSOs has put for sale another 100MW of ATC at a subsequent auction n°2.

    b. The Party A is the only one who has decided to return its LTTR at this subsequent auction

    c. The Offered Capacity in this auction is therefore 150MW. The Clearing Price of auction 2 is 15€/MWh.

    d. Party A achieves a nominal profit of 5€/MWh for every hour of the delivery period of the auction n°2.

    e. The TSOs has sold 200MW of capacity for a mean price at 12,5€/MWh

3. Curtailment scenario and follow up compensation:

    a. To ensure the operation remains within Operational Security Limits, TSOs need to curtail LTTRs for one hour of the delivery period of Auction n°2.

    b. They will have to refund curtailed LTTR from auction 2 at 15€/MWh and curtailed LTTR from auction 1 at 10€/MWh to compensate the LTTR holders for the specific hour of the curtailment event. Therefore, they will pay to the Auction Platform the following compensation:

$$\boldsymbol{Curtailment\ compensation\ payable\ by\ TSOs} = \sum_{i=1}^{2} (\text{Clearing price}_{auction\ i} \times Curtailed\ LTTRs_{from\ auction\ i})$$

In case of full curtailment scenario, all the LTTRs have to be compensated :

Curtailment compensation payable by TSOs = 50 x 10 + 150 x 15 = 2750€

In case of partial curtailment, the curtailed LTTR will be determined on a prorata basis on the volumes such as for our example*:*

- 50 / 200 = 25% from the LTTR from the auction 1
- 150 / 200 = 75% from the LTTR from the auction 2
- For a NTC set at 100MW by the TSOs, the total amount of curtailed LTTRs is equal to the AAC – NTC = 200 – 100 = 100MW. Therefore :
    - Curtailment compensation payable by TSOs = 0,25 x 100 x 10 + 0,75x 100 x 15 = 1375€

If we calculate now revenues made initially by the TSOs for the curtailed capacity in the different scenario:

- In case of full curtailment scenario (Curtailed capacity = 200MW) :
    - TSOs Initial Revenues on Curtailed Capacity Allocation = 200MW x 12,5€/MWh = 2500€ so TSOs would be in deficit of 250€
- In case of partial curtailment (Curtailed capacity = 100MW) :
    - TSOs Initial Revenues on Curtailed Capacity Allocation = 100MW x 12,5€/MWh = 1250€ so TSOs would be in deficit of 125€

c. All the LTTR holders will receive a curtailment compensation equal to the Initial Paid Price of the LTTRs (10€/MWh for the rights which has been acquired in auction n°1, 15€/MWh for the ones acquired in auction n°2).

d. The Party A will be invoiced by the Auction Platform through the new Curtailment Compensation Adjustment mechanism such as, for this given hour h of the curtailment event:

Curtailment Compensation Adjustment Amount (CCAA) for Party A (€) = Curtailment reduction ratio of the hour h* Returned capacity over hour h from auction n°1 to auction n°2 * (Clearing price auction n°2 – Clearing price auction n°1)

In case of full curtailment scenario, NTC is null so :

CCAA for Party A = (1-0/200) x 50 x (15-10) = 1 x 50 x 5 = 250€

In case of partial curtailment (e.g. NTC = 100MW) :

CCAA for Party A = (1-100/200) x 50 x (15-10) = 0,5 x 50 x 5 = 125€

e. The Auction Platform will pay out the TSOs with the Curtailment compensation adjustment amounts invoiced to the Market Participants which have returned capacity (in the example, only Party A is concerned).

As we have seen in point 2., the TSOs were respectively:

- In deficit of 250€ in case of full curtailment, which is brought back to neutral with the CCAA from Party A
- In deficit of 125€ in case of partial curtailment (NTC = 100MW) which is brought back to neutral with the CCAA from Party A

f. At the end of the month, the Auction Platform calculate the Curtailment cap of compensation for TSOs which includes the Adjustment perceived (or paid in case of return with loss by a Market Participant) by the TSOs. As the Curtailment Compensation Adjustment mechanism is supposed to neutralize the P&L of TSOs between the curtailed rights compensation and their initial allocation, the LTTR holders are by consequence guaranteed to be fully compensated at the IPP of their LTTRs compared with the current rules.

Please note that this is a simplistic example on a single-hour curtailment event. In case of longer outages, the calculation is to be made for each hour of the curtailment event.

Appendix – 3

Questions:

i. **Does this amendment apply and cater to the multiple resale & buybacks scenarios?**
    a. Yes, the JAO platform will track the full resale chain and apply the compensation or recovery logic accordingly.
ii. **Are NGV &RTE allowed to make changes to already allocated capacity under the current Access Rules?**
    a. Yes ; Rules 68(3) – governing auctions conducted after the rules changes take effect Rule (68(4) – Which applies to rights acquired before but prior to the delivery date , ensuring that the new logic applies to all allocated capacity with future delivery periods after the go-live date of these Rules.
    b. While the above Rules allow for mid-product change, we are allowing ample time for Market Participants as this change is planned to be implemented by the end of Q1 2026.
iii. **What if a Party resells at a loss?**
    a. In the event of a curtailment the TSO will compensate the reseller to avoid a windfall gain to the TSOs through a reduced curtailment compensation as a result of the resale and based on the difference between the source and target auction prices. f
iv. **Will this change impact MPs who have returned capacity prior to the new rule's application date?**
    a. Yes but this change will not be applied to already delivered capacity prior to the time when the new rules will come into force.
v. **How will the invoicing process be impacted for Market Parties?**
    a. The current invoicing process will remain the same. The auction platform will add a new line for the Curtailment Compensation Adjustment Amount (in debit or credit according to the P&L of the Market Participants which has made a return of LTTRs impacted by curtailment) in the M+1 invoice of a curtailment event.

Appendix 4 – Summary of changes requested under HAR 2024

Requirements and process for participation in Auctions: Submission of Information

- Market Participants to submit information related to credit institution based in the EU, GB or any other place where Allocation Platform performs cross border auction services. Participant obliged to select a financial institution subject to customer due diligence standards laid down in Directive (EU) 2015/849

Form of cash deposit

- The money shall be deposited in a dedicated Business Account at a bank selected by the Allocation Platform. The Registered Participant obliged to select a financial institution subject to customer due diligence standards laid down in Directive (EU) 2015/849

Form of Bank Guarantee

- The Bank Guarantee can be provided via a SWIFT message & Registered Participant Liable for receiving bank fees.

- Bank must be based in the European Economic Area, Switzerland, United Kingdom or any other place where Allocation Platform performs cross border auction services

Contestation of Auction Results

At the end of the Contestation Period Auction results to be considered binding

Invoicing and payment conditions

- Qualifying the Bank Account under Article 9 – Submission of information

- Erroneous invoices correction & Settlement process

Payment disputes

- Bank account references under the new requirements

Late payment and payment incident

- After a recurring payment incident, the Allocation Platform may require change of Bank Guarantee Collateral to Cash deposit collateral.

Liability

- liability for indirect, consequential damages, loss of profit, loss of opportunity, loss of chance, trading losses exclusion

- Technical issue exclusions.

- Liability of Registered Participants for indirect, consequential damages exclusion.

<u>Suspension of the Participation Agreement</u>

- The suspended Registered Participant shall also not be entitled to use Transmission Rights.

<u>Termination of the Participation Agreement:</u>

- If a Registered Participant received three single payment incident notifications within the same calendar year

- Registered Participant inactive in the business relationship with the Allocation Platform for more than fifteen (15) months

- Long Term Participation Agreement only:

    - All outstanding payment obligations should be settled any and all remaining instalments for the entire product period with a product period of one (1) or more months.