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Consultation on IFA and IFA2 Splitting Rules Methodology

30th May 2022

Dear Customers and Market Parties,

Réseau de Transport d'Electricité (RTE), National Grid Interconnectors Limited (NGIC) and National Grid IFA2 Limited (NGIFA2) are proposing an amendment to the current Long Term Auction Product Mix by introducing new Splitting Rules for the IFA 2000 HVDC Interconnector (2,000MW) (IFA) and the IFA2 HVDC Interconnector (1,014MW) (IFA2), which connect the British and French electricity transmission systems.

Feedback is invited from all customers and stakeholders ahead of submission to the French regulatory authority for approval.

This consultation opens on the date of this letter, and will be open until **27th June 2022**.

CONTEXT

The current Splitting Rules on IFA and IFA2

On 5 March 2020, the Commission de Régulation de l'Energie (CRE) approved the Splitting Rules of IFA and IFA2 (Délibération N° : 2020-044) which outlined the split of capacity on the IFA and IFA2 Interconnectors as follows:

		IFA	IFA2	Total
		Volume (MW)	Volume (MW)	Volume (MW)
Long-Term	Annual	900	500	1400
	Seasonal	200	100	300
	Quarterly	300	100	400
	Monthly	300	100	400
	[Weekend] (*)	*[100]*	*[50]*	*[150]*
	Total Long-Term	1700	800	2500
Day-Ahead		300	200	500

(*) The Capacity Split for Daily Auctions during weekends are subject to be reduced by the capacity offered in the Weekend Auctions for the relevant delivery period.

The above split has fixed volumes for each product that is offered in each timescale which is incompatible with any capacity calculation methodology, as well as offering no flexibility to adapt to market needs.

Requirements to amend the IFA and IFA2 splitting rules following the recent approved Interim Capacity Calculation Methodology

On 8 March 2022, CRE approved the interim long term capacity calculation methodology (Interim LTCCM) at the border between France and Great Britain (Délibération N°2022-67) which defined a temporary solution for calculating long-term capacity within the border between France and UK by RTE until the implementation of an approved coordinated capacity calculation methodology in accordance with Article ENER 13 of the Trade and Cooperation Agreement between the EU and the UK. The methodology (in English) can be found here.

As described in Article 4 of the Interim LTCCM, a Net Transmission Capacity (NTC) will be calculated by RTE for each Interconnector and direction on the French-GB border following a capacity calculation in the relevant timeframes. For products with a duration greater than one month, the capacity subject to the allocation will be derived from annual capacity calculations. For products with a duration equal to or less than one month, the capacity will be derived from monthly capacity calculations or weekly capacity calculations if available (as described in Article 5).

It has become clear that the current splitting rules for IFA and IFA2 will need to be modified as fixed volumes for each timescale, as the current splitting rules cannot accommodate the capacity calculation process as set out in the Interim LTCCM.

Meeting the needs of market players

As demonstrated recently, the GB and FR markets are going through a volatile period - these rapidly changing market conditions will likely continue for some time. As such, these changing market conditions will likely create a level of uncertainty and add a level of risk on to market players, resulting in adjustments to their hedging requirements. These challenges will require interconnectors to adapt their long-term product mix to ensure they are able to meet the changing needs of market players.

PROPOSAL

Splitting Range

For the reasons outlined above, RTE, NGIC and NGIFA2 propose to introduce a splitting range for each timeframe, which specifies a minimum and a maximum capacity to be made available for allocation on the IFA and IFA2 Interconnectors for the relevant calendar year. This will ensure that the offered capacity split is able to meet the requirements set out in the Interim LTCCM and in addition, sufficiently adaptable to respond to feedback received from market participants through IFA and IFA2 bi-lateral meetings or formal customer forums with customers and stakeholders.

The splitting range can be found in Annex 1 of the IFA and IFA2 Splitting Rules Methodology Proposal attached.

2-year-ahead Calendar Annual Products

Feedback from the recent customer questionnaires for IFA and IFA2 indicates a real interest from market participants on a Calendar Annual Auction product that is scheduled 2 years ahead of delivery (Y+2 product). For example, this product will see CAL 2024 capacity being auctioned in 2022. This product will offer more hedging opportunities for the market even further in advance than the current year-ahead annual products.

Following this strong customer preference, a Y+2 product has been added into the proposed Splitting Rules, which will be a great addition to the range of products that IFA and IFA2 currently offer to the market.

NEXT STEPS

RTE, NGIC and NGIFA2 would like to invite feedback from Customers and Market Parties on the above Splitting Rules proposal.

The latest date for responses to this consultation will be **17:00 BST/18:00 CEST on 27 June 2022**. All responses should be titled “Response to IFA/IFA2 Splitting Rules Methodology consultation” and are to be submitted via email to ifa.customerenquiries@nationalgrid.com or directly on RTE’s website https://www.concerte.fr.

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 either of IFA or IFA2 then please indicate. Otherwise we will treat your response as applying to both IFA and IFA2. If you have questions relating to any of the above, please contact us via this email address: ifa.customerenquiries@nationalgrid.com.

Yours Faithfully,

RTE, NGIC and NGIFA2