



November 2025

Subject: ACM consultation on improving hedging opportunities in the Netherlands

We welcome the opportunity to respond to this important consultation on improving hedging opportunities in the Netherlands and how this would lead to an effective hedging tool for market participants.

Long-term transmission rights (LTTRs), ranging from months up to one-year in duration, are available to market participants on Dutch bidding zone borders with Germany, Belgium, Denmark and the UK. In other European countries, LTTRs with longer duration exist. In France, LTTRs of up to two years are offered on bidding zone borders.

Shell actively uses LTTRs to hedge long-term price risks and we see that offering LTTRs provides an option for market participants, generators and customers to access neighbouring markets to hedge longer-term price risk cross border.

In general, we share the common concern of the lack of liquidity in certain European forward markets and believe that further harmonization and integration of forward markets will help in partially addressing this concern, on the other hand we've also seen hedging opportunities improving slightly over the last couple of years, as evidenced by the churn factors published in ACER's recent market monitoring report¹. We therefore welcome the ACMs (and TenneTs) effort in trying to find ways to enable a more efficient functioning of the European electricity forward market.

Based on our current insights in the market, we think the cross-border forward markets can play a more dominant role to facilitate the energy transition as we see three main trends in the electricity system:

1. the level of investment into capital intensive technologies (both in supply and demand) required to reach net-zero is enormous.
2. the increase in intermittent renewable source of electricity which in turn impacts the type of consumption that can deal with this intermittency.
3. the overall level of electrification of society is expected to increase (increasing overall demand for electricity).

Because of the expected increase in overall electricity demand and the high intermittence of renewables (increasing both volume and price volatility)- this is expected to increase the need for

¹ Progress of EU electricity wholesale market integration - 2025 Monitoring Report

(long-term, >5yrs) hedging to create more predictable cost (for consumers) and revenue streams (for producers), which is necessary to enable investments.

To utilize forward markets more to enable the energy transition and facilitate the earlier mentioned trends, we therefore believe that the most effective actions that the ACM, TenneT, the Ministry of Climate Policy and Green Growth and the European Commission could take to improve the forward market and promote forward market liquidity are:

1. Extending time-to-maturity or tenor of LTTRs

Shell supports ACER's earlier proposal to extend the maximum tenor of LTTRs from one year to a minimum of three years – preferably five – as we believe that this will support forward market liquidity and increase opportunities to hedge (particularly a generation position) further down the curve. This would align with the timeframe over which cross-border hedging is possible with forward market liquidity in national markets, that are typically liquid three years out.

2. Continuation of FTR options (not supportive of move to FTR obligations)

The overall benefit of FTR options is that it promotes forward market liquidity by providing optionality in the hedging strategies of companies. The availability of LTTRs (either PTR UIOSI or FTR options) provides market participants with the opportunity to warehouse some of the market price risk in neighbouring wholesale markets or via cross-zonal corporate PPAs, which should partially help to mitigate the issue of forward price cannibalization within a bidding zone and thereby supports the deployment of new generation assets, at the same time as supporting a liquid and competitive European forward market. We see cross-zonal FTRs as the best available option to maximise hedging opportunities available to market participants, which in turn minimises the cost of entering into longer-term contracts. With a move to FTR being obligations, we expect the liquidity to reduce as market parties will be less willing to enter an obligation in e.g. less liquid markets.

3. Continuation of FTRs being zone-to-zone (not supportive of move to zone-to-hub)

In principle we prefer TSOs to continue with the issuance of LTTRs (either PTR UIOSI or FTR options) on all bidding zone border and auction as much capacity as possible to improve forward market liquidity. We are also of the opinion that the current approach and design of auctioning LTTRs (being zone-to-zone) are not a blocker to potentially change bidding-zones nor do we have any proof points that implementing (a) virtual hub(s) are going to solve potential liquidity issues that might arise from introducing smaller bidding zones. We believe that in case the type of market models proposed were to facilitate more hedging opportunities, such alternatives would have been developed by the market itself, without the need for regulatory intervention. We therefore do not support Virtual Hubs, as these would be unlikely to facilitate cross border trading and would potentially chill market activity, reducing liquidity as it does not allow market parties to manage physical positions directly.

4. More frequent auctions of LTTRs

We believe that the frequency of the auctions could differ per maturity level of the product, where e.g. two auctions per year could take place for the yearly or multi-year products. Based on our experience in other countries, at e.g. France bidding zone borders, we are seeing significantly increased activity (hence improved liquidity) due to more frequent auctions on e.g. the one-year products.

Moreover, the TSOs should also try to maximize the capacity that is made available and recalculate their reliability margins to ensure maximum capacity is made available for each auction, but we understand that this needs to be considered more holistically. Increasing the frequency of auctions for the same product needs a cautious approach, where ideally not only the frequency but in conjunction the amount of capacity is also increased to stimulate liquidity and thereby also improve hedging opportunities.

Additional reflections based on the assessment by TenneT on how to improve hedging opportunities

When reflecting on the overall assessment by TenneT and comparing these with the earlier improvements described, we are therefore more positive on what can be done to improve hedging opportunities compared to TenneT.

In our opinion, we see a clear benefit to increase the auction frequency, increase the time-to-maturity and/or tenor of LTTRs across the various bidding zone borders and not just limited to the German bidding zone border. We would also strongly support that those options are going to be implemented for DK1 and BE bidding zone border, as we are convinced that market parties will look to utilize the auctioned products and be more active due to the auctions and offered products and hence will thereby fundamentally improve the hedging opportunities. In this context, it should be noted that the wholesale market is not limited to the activity on the exchanges. More specifically, over the last couple of years, mainly driven by the deployment of offshore wind without government revenue support, we've seen increased OTC activity. With TSOs offering more LTTRs and implementing more frequent auctions of LTTRs (with longer tenors) it provides options for market participants, generators and customers to access neighbouring markets to hedge longer-term price risk cross border.

For example, providing LTTRs of two years duration makes it possible for a customer in the Netherlands to enter into a two-year cross-border PPA to purchase electricity from generation in a neighbouring country. This would therefore enable a more market-based deployment (or continuation) of renewable generation and at the same time it allows end-consumers to contract power through in a wider geographical area. In the absence of LTTRs such a transaction is very difficult or even impossible.

Finally, we also would like to share our concerns on the implementation of Long-Term Flow-based Allocation (LTFBA) of LTTRs. For us, the main concern is that it will be a radical change to how LTTRs

will be auctioned and it is unclear how the wider market will react, and we see the current and previously executed parallel runs as inadequate proofpoints due to the fact that these parallel runs are assuming the order book of the existing auctions. With the implementation of LTFBA, market parties will fundamentally change their bidding behaviour, making the existing order books useless for trying to understand the impact of LTFBA. As such, for us the rationale is unclear without a clear view on the costs and benefits of the implementation in such an important building block of the overall electricity market.

We do want to note that, while the implementation of LTFBA creates uncertainty, it is not directly clear why the options to improve the hedging opportunities (frequency of the auction, increased time-to-maturity and/or tenor and increased volumes) "conflicts with LTFBA/LTCC". From our perspective, these can still be implemented, but require a more harmonized EU approach to enable implementation.

Cautionary Note

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