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transmission licensees and other interested
parties

Email: CBMA@ofgem.gov.uk

Date: 27 January 2023

Open letter: Market arrangements for Multi-Purpose Interconnectors

This letter sets out how Ofgem, Great Britain's independent energy regulator, and BEIS, the Department for Business, Energy and Industrial Strategy, will collaborate to support the development of market arrangements for future Multi-Purpose Interconnectors (MPIs). It outlines plans for our engagement with stakeholders over coming months, including formal consultation to follow later in the year, to advance our thinking on these matters and publish a shared Ofgem/BEIS position on how MPI market arrangements will be taken forward. We invite interested parties to get in touch with us to participate and provide their views.

Both Ofgem and BEIS are currently working to facilitate the development of MPIs, with Ofgem focused on delivering an interim framework and early pilot projects and BEIS considering the framework requirements of the final, enduring regime. As development of market arrangements is common to both pieces of work, Ofgem and BEIS share joint responsibility over developing the policies in this space.

The MPI market arrangements workstream

Ofgem's most recent update on MPI framework development, published on 7 December 2022 and linked to the Offshore Transmission Network Review (OTNR), noted that market arrangements for MPIs would be developed as a separate workstream run jointly between Ofgem and BEIS.¹ In that publication we also committed that we would return with further details of our plans to engage with stakeholders. We can now confirm that the market arrangements workstream will initially focus on consideration of the following topics:

¹ [Update following our consultation on the Multi-purpose Interconnector interim framework | Ofgem](#), published 7 December 2022.

- Market model design for MPIs, including bidding zone configuration;
- Future cross-border trading arrangements, including multi-region loose volume coupling (MRLVC) and system operability;
- Governance and implementation; and
- Support schemes and wider market changes.

We expect to have carried out an initial review of these topics and related framework options by the end of Q1 2023 which we can then build on through formal consultation.

Supporting the market arrangements workstream

Through this letter we wish to reach out to organisations with an interest in how cross-border market arrangements are developed: either specifically in relation to Great Britain or more generally. We are especially keen to engage with national regulatory authorities, system operators and relevant associations with a view on future cross-border market design. You can contribute to our emerging thinking in this workstream by:

1. Providing written representations on any of the topics outlined above: this will be especially appreciated where you were unaware of or unable to contribute a response to the earlier Offshore Transmission Network Review consultation² or where you have carried/are carrying out a review into similar market arrangements and are able to share your findings; and/or
2. Registering your interest in attending our joint MPI market arrangements workshops: these will be online and in-person, taking place around March 2023, and will be used to test assumptions and consolidate our thinking ahead of us drafting our formal consultation.

In either case we will be delighted to hear from you, ideally before the end of February 2023. Responses to this letter and related enquiries should be sent to our Ofgem inbox, CBMA@ofgem.gov.uk, and will be shared with BEIS workstream colleagues, except where a respondent expressly requests handling by Ofgem only.

Wider MPI framework development work

Ofgem has recently published the applications outcome to the MPI pilots.³ This noted the four applications received and the decision to take forward two projects at this time, linking the UK with Belgium and Netherlands respectively, while pausing until Spring 2023 decisions on two further projects linking UK with Norway.

We are closely coordinating our market arrangements work with that of other MPI development workstreams via the recently formed MPI Framework Discussion Group (MFDG),

² [Offshore Transmission Network Review – Multi-Purpose Interconnectors: Minded-to Decision on interim framework | Ofgem](#), published 14 April 2022.

³ [Decision on Multi-Purpose Interconnector pilot project Selection | Ofgem](#), published 15 December 2022.

comprised of teams and stakeholders with a direct interest in the delivery of the pilots. These meetings are facilitating candid discussions of pilot requirements/enablers with interconnector developers, offshore wind farm developers and the electricity system operator. This work is already in progress but the coordinating team can be reached at cap.floor@ofgem.gov.uk if you would like to contribute to this broader framework development work.

Next steps

Once we have advanced our thinking on MPI market arrangements through our involvement in the MFDG and our dedicated markets arrangements engagement, outlined in this letter, we plan to issue a formal consultation on market arrangements for MPIs, by the end of Q2 2023. We then expect to publish a joint Ofgem and BEIS recommendation on market arrangements for MPIs by the end of Q3 2023.

If you wish to discuss the contents of this letter further, then please contact the Ofgem Cross Border Market Arrangements Team inbox (CBMA@ofgem.gov.uk).

Kind regards,

Charlotte Friel, Deputy Director Market Operations and Signals – Ofgem

and

**Charlotte Middleton, Deputy Director Europe and Offshore Electricity Networks,
BEIS**