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Date: 26 April 2023

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Dear Rebecca,

Approval of the modified Access Rules and the modified Charging Methodology for the Interconnexion France-Angleterre2 (IFA2) pursuant to Standard Licence Condition 11A and 10 of the Electricity Interconnector Licence

On 3 February 2023, National Grid IFA2 Limited (NGIFA2) submitted modifications to its Access Rules and Charging Methodology for the IFA2 interconnector¹ to the Authority² for approval.

The modified Access Rules and modified Charging Methodology were submitted pursuant to Standard Licence Condition (SLC) 11A and SLC 10 of the Electricity Interconnector Licence (the Licence)³ which requires NGIFA2 to maintain i) Access Rules, that set out the terms and conditions for access to, and including use of, the interconnector and ii) a Charging Methodology which sets out the methodologies for the calculation of charges imposed for access to, and use of, the licensee's interconnector.

We have decided to approve the modified Access Rules and modified Charging Methodology on the basis that we are satisfied the proposed modifications achieve the relevant Access Rules and Charging Methodology objectives as required under the Licence⁴. This letter contains the relevant Directions, attached as Annex 1 and Annex 2, approving the modified Access Rules and modified Charging Methodology respectively. It also explains the reasons for our approval as required under section 49A of the Electricity Act 1989.

¹ The IFA2 interconnector is a 1000MW high voltage direct current (HVDC) link, connecting the transmission systems of Great Britain (GB) and France. IFA2 is jointly owned and operated by National Grid Interconnectors Limited (NGIFA2) and Réseau de Transport d'Électricité (RTE) (the French transmission system operator).

² The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority," "we" and "us" are used interchangeably in this letter.

³ The electricity interconnector licence standard conditions can be found here: [https://epr.ofgem.gov.uk/Content/Documents/Electricity Interconnector Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf](https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Interconnector%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf).

⁴ The relevant Access Rules and Charging Methodology objectives are set out in SLC 11A and SLC 10 of the Licence and state that the Access Rules and the Charging Methodology shall be transparent, objective, non-discriminatory and compliant with the Regulation (as amended following UK exit from the EU, as detailed below) and any relevant legally binding decision of the European Commission and/or the Agency.

The proposed modifications to the IFA2 Access Rules and IFA2 Charging Methodology

Access Rules

The modified Access Rules look to further build upon the IFA2 Access Rules approved by Ofgem on 18 October 2019⁵ by introducing the following amendments:

1. The possibility to cancel long-term auctions when no new capacity is to be sold

1.1 NGIFA2 proposes to enable the IFA2 interconnector to cancel long-term auctions when no new capacity is available due to unplanned outages or operational processes, for example, under the splitting rules and Capacity Calculation Methodology (CCM)⁶ whereby the long-term capacity previously planned for sale may no longer be required or feasible.

1.2 This change is to prevent unusual auction bidding behaviour (as occurred in Autumn 2021 during an outage on the IFA1 interconnector) which resulted in IFA1 interconnector and Réseau de Transport d'Electricité⁷ (RTE) facing the risk of increased curtailment compensation costs.

2. Return of Long-Term Transmission Rights (LTTRs) in months with planned maintenance periods

2.1 NGIFA2 proposes to allow market participants to return capacity purchased from a long-term auction into another subsequent long-term auction, where the delivery period contains a maintenance period for the interconnector.

2.2 This follows the introduction of a new functionality in the Joint Allocation Office's (JAO) auction system which allows this to take place⁸.

3. Clarification on process during balancing mechanism outages

3.1 NGIFA2 proposes to clarify that it may cancel or amend intraday auctions and/or the nomination gates in the event of an outage on the balancing mechanism. The balancing mechanisms are managed by the system operators on each side of the interconnector, and hence NGIFA2 and RTE do not always have control of the timing and duration of these outages. When the outages take place, the existing process is to cancel intraday auctions and/or nomination gates for the interconnector where required.

⁵ The decision letter on the IFA2 Access Rules approved by Ofgem on 18 October 2019 can be accessed here: [Approval of the updated Access Rules and Charging Methodology for the IFA2 interconnector to apply in case the UK leaves the EU without a deal | Ofgem](#)

⁶ Splitting rules refer to the specific volumes being made available by the responsible TSOs for allocation on the interconnector across all timeframes, and the way that this is decided. CCM is a mechanism that calculates the amount of capacity available for trading between bidding zones at intraday, day-ahead and long-term market time frames.

⁷ RTE is France's transmission system operator, in charge of more than 105,000 km of high and ultra-high voltage lines spanning the whole of France and 50 interconnections with neighbouring European countries. Find more information here: RTE in a nutshell | RTE (rte-france.com).

⁸ JAO means the Joint Allocation Office www.jao.eu and performs long and short-term auctions of transmission capacity for NGIFA2.

3.2 This provision will firstly clarify that a balancing mechanism outage in GB and France may require cancellation of intraday auctions for the interconnector.

3.3 It will secondly include a provision whereby nomination schedules can be amended during balancing mechanism outages. Currently, this provision only exists for exceptional circumstances, with market participants notified at the earliest opportunity. NGIFA2 maintains this position of notifying market participants at the earliest opportunity.

4. Suspension of participant's nomination rights when registered participant is under a sanction

4.1 NGIFA2 proposes to clarify that it may suspend a registered participant's nomination rights in the event of a breach of its obligations. This includes if the registered participant is subject to economic and/or trade sanctions.

5. Housekeeping changes around intraday nomination schedules

5.1 NGIFA2 proposes to remove nomination gate closure schedules prior to March 2021, which are no longer in use.

5.2 This provision also clarifies the intraday nomination gate closure schedules for the days when daylight saving time starts and ends.

6. Housekeeping changes in light of the revised HAR

6.1 NGIFA2 proposes to make changes to Access Rules to ensure alignment with the Harmonised Allocation Rules (HAR) following amendments made in 2019⁹ and 2021¹⁰. This includes clarification that the Allocation Platform may suspend the participation agreement for intraday, day-ahead and long-term auctions if the registered participant is under economic and/or trade sanctions.

6.2 NGIFA2 also provides further clarification on the information to be submitted in order to participate in auctions and transfers.

Charging Methodology

The modified Charging Methodology looks to further build upon the IFA2 Charging Methodology approved by Ofgem on 18 October 2019 by introducing the following amendment:

⁹ The 2019 approved HAR can be found here: [ACER approves amendments to the harmonised allocation rules for cross-border transmission in electricity \(europa.eu\)](https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%202015-2021_Annexes/ACER%20Decision%2015-2021%20on%20the%20Harmonised%20Allocation%20Rules%20for%20Long-term%20Transmission%20Rights%20-%20Annex%20I.pdf)

¹⁰ The latest Harmonised Allocation Rules can be found here: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%202015-2021_Annexes/ACER%20Decision%2015-2021%20on%20the%20Harmonised%20Allocation%20Rules%20for%20Long-term%20Transmission%20Rights%20-%20Annex%20I.pdf

1. Charging Methodology housekeeping changes

1.1 NGIFA2 proposes to update the Charging Methodology to reflect the UK's exit from the EU¹¹, the go-live of the IFA2 interconnector that occurred in January 2021, and the current systems used to allocate interconnector capacity.

Consultation response

In accordance with the applicable legal and regulatory framework, NGIFA2 initially ran a public consultation on the Access Rules and Charging Methodology from 22 March 2022 to 22 April 2022¹². There was one response that related to the Access Rules and no responses submitted in relation to the Charging Methodology.

NGIFA2 withdrew its first submission in order to introduce text to align with the participation agreement suspension clauses within the EU HAR, as well as add further clarity around the possible scenarios that could cause auction cancellations. The second public consultation period ran from 18 November 2022 to 16 December 2022, with no further responses received¹³.

1. The possibility to cancel long-term auctions when no new capacity is to be sold

1.1 The respondent wanted clarification on the initial wording of 'where an unplanned event is likely to result in a capacity shortage....'. They queried what NGIFA2 meant by 'likely', noting that a capacity shortage is either planned or unplanned. NGIFA2 agreed with the feedback and removed the term 'likely' from the Access Rules provision.

1.2 The respondent also queried whether the provision meant that market participants would not be able to re-sell the capacity they already had, or whether the auction will be run with the already allocated capacity subject to return.

1.3 NGIFA2 clarified that there will not be any possibility for market participants to return capacity into that auction as it will have been cancelled. NGIFA2 clarified this by adding the following wording to Article 52.3(d); *"[IFA2 interconnector] reserve the right to cancel any Long-Term Auction previously scheduled where no Interconnector Capacity is to be made available (other than irrespective of any already allocated Capacity which otherwise may have been subject to Return in accordance with Articles 38 and 39)."*

2. Return of LTTRs in months with planned maintenance periods

2.1 The respondent asked for clarity on the meaning of the wording 'same reduction period as the ones of the subsequent auction itself'. NGIFA2 confirmed that this means that the reduction period included in the returned product must be exactly the same as the reduction period existing in the auctioned period.

2.2 NGIFA2 did not make further changes in response to this feedback.

¹¹ The transition period ended on 31 December, 2020.

¹² The Access Rules and Charging Methodology consultations can be found here: <http://IFA21interconnector.com/notices/consultation/>

¹³ The second consultation ran by NGIFA2 at the end of 2022 can be found here: [Consultation - IFA2 - Interconnexion France-Angleterre \(IFA21interconnector.com\)](#)

3. Clarification on process during balancing mechanism outages

3.1 The respondent asked for clarity on the periodic maintenance of the balancing mechanism. NGIFA2 clarified that the balancing mechanism IT systems used by system operators require periodic maintenance during which they may be unavailable. During these outages, commercial flows on the interconnector cannot be modified.

3.2 NGIFA2 stated that the modification aims to provide greater transparency around a mechanism which is already being used. NGIFA2 clarified that auction cancellation will only happen when the maintenance window timing makes it impossible for market participants to nominate capacity for that specific delivery period, which could be one or more specific hours.

3.3 The respondent also queried when market participants would be notified that such maintenance was required. NGIFA2 stated that it relies on the system operator to provide this notification and that it included text within the Access Rules to state that the interconnector operator would notify market participants 'at the earliest opportunity'.

3.4 This response did not result in any change to the wording of the provision in the Access Rules.

4. Suspension of participant's nomination rights when registered participant is under a sanction

4.1 There were no objections to this proposal from the respondent and therefore NGIFA2 did not make further changes in response to the consultation feedback.

5. Housekeeping changes around Intraday nomination schedules

5.1 There were no objections to this proposal from the respondent and therefore NGIFA2 did not make further changes in response to the consultation feedback.

6. Housekeeping changes in light of the revised HAR

6.1 The respondent asked for clarification around the replacement of 'email' with 'electronic means as specified by the Allocation Platform on its website'. NGIFA2 clarified that the aim of the replacement wording is to enable flexibility for the Allocation Platform to amend communication channels between JAO and market participants if needed without having to go through full amendment of the rules.

6.2 NGIFA2 also clarified that this change was made throughout the document and the change is being made by JAO on Access Rules on all borders in a harmonisation effort following its latest HAR.

6.3 This response did not result in any change to the wording of the provision in the Access Rules.

Charging Methodology

1. Charging methodology housekeeping changes

1.1 There were no objections to this proposal from the respondent and therefore NGIFA2 did not make further changes in response to the consultation feedback.

Regulatory framework

SLC 10 and 11A of the Licence¹⁴ introduces relevant Access Rules and Charging Methodology objectives, against which the Authority assesses the Access Rules and Charging Methodology and any proposed modifications. The relevant objectives are that the Access Rules and Charging Methodology shall be transparent, objective, non-discriminatory and compliant with Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast following the UK's exit from the EU) (the 'Electricity Regulation') and any relevant legally binding decision of the European Commission and/or the Agency for the Cooperation of Energy Regulators retained following the UK's exit from the EU.

At the end of the transition period¹⁵ the legal and regulatory frameworks changed. We have taken these changes into account when assessing the modified Access Rules.

The Authority's decision

We have reviewed the modified Access Rules and the modified Charging Methodology submitted to Ofgem on 3 February 2023 and considered the response that NGIFA2 received across the two consultations. We have concluded that the proposed changes meet the relevant Access Rules and Charging Methodology objectives as explained below.

1. The possibility to cancel long-term auctions when no new capacity is to be sold

1.1 We are satisfied with NGIFA2's proposal and its response to the consultation feedback.

1.2 We consider that this change makes the Access Rules more objective, as it closes a loophole in which a market participant can inflate the capacity price where there are zero Available Transfer Capacity (OTC) auctions on the interconnector, thereby inflating the amount of compensation the market participant is entitled to in the event of curtailment. This reduces the risk to the interconnector operator who would be liable to pay the increased level of compensation.

2. Return of LTTRs in months with planned maintenance periods

2.1 We consider this modification better achieves the relevant Access Rules objective of being non-discriminatory as it offers market participants increased flexibility to return long-term capacity in months with planned maintenance periods.

2.2 We also consider that it provides greater transparency to market participants on the process for returns in months with planned maintenance periods.

¹⁴ The Electricity Interconnector Standard Licence Conditions can be found here: [Electricity Interconnector Standard Licence Conditions 03 08 2021 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/electricity-interconnector-standard-l licence-conditions-03-08-2021)

¹⁵ Defined as the "IP completion day" in section 39(1) of the European Union (Withdrawal Agreement) Act 2020 here: <https://www.legislation.gov.uk/ukpga/2020/1/section/39/enacted>

3. Clarification on process during balancing mechanism outages

3.1 We consider that the maintenance of the balancing mechanism IT system by the respective system operators is essential and will occasionally require either auction cancellations or the rescheduling of nomination gates. We understand that the requirement for auction cancellations is rare and would only occur when the balancing mechanism outage timing makes it impossible for market participants to nominate capacity for a specific delivery period.

3.2 We consider that this change makes the Access Rules more objective, as it prevents a situation where capacity is sold which could then not be nominated by market participants. This also avoids giving the false expectation of capacity being available for intraday trading. We understand that NGIFA2 already carries out this practice and that the proposed change to the Access Rules provides greater transparency to market participants in this scenario.

4. Suspension of participant's nomination rights when registered participant is under a sanction

4.1 We consider that this change provides market participants with clear terms relating to the suspension of registered participants nomination rights in the event of a breach of their obligations (which includes being subject to economic and/or trade sanctions).

4.2 It also provides clear information on the compensation arrangements for suspended market participants as well as their rights being re-instated as soon as reasonably practicable in the event that sanctions have been lifted.

4.3 We therefore consider these changes provide market participants with greater transparency.

5. Housekeeping changes around Intraday nomination schedules

5.1 We consider this change offers greater transparency to market participants by removing schedules prior to March 2021, which are no longer needed. It also offers greater transparency by providing the intraday nomination gate closure schedules for the days when daylight saving time starts and ends.

6. Housekeeping changes in light of the revised HAR

6.1 This change ensures that these Access Rules reflect the latest version of the HARs. The HARs were consulted upon and approved by ACER at a European level. We consider, for example, that the changes on the terms of suspensions provide market participants with greater transparency.

Charging Methodology

1. Charging methodology housekeeping changes

1.1 The authority is satisfied with these changes and considers that they better achieve the relevant Charging Methodology objectives.

1.2 We note that the changes will reflect current arrangements and so this provides a level of transparency and clarity for market participants.

In reaching our decision we have also closely cooperated with the Commission de Régulation de l'Énergie (CRE), the French regulatory authority, to ensure we make consistent regulatory decisions.

The Authority therefore approves the modified Access Rules and Charging Methodology on the basis that they meet the relevant Access Rules objectives and the relevant Charging Methodology objectives set out respectively in SLC 11A(4) and 10(4) of the Licence.

Directions relating to the approval of the modified Access Rules and modified Charging Methodology, issued in accordance with SLC 11A(13) and SLC 10(14) of the Licence, can be found in Annexes 1 and 2 of this letter.

Next steps

In accordance with SLC 11A(14) and SLC 10(15) of the Licence, NGIFA2 is required to publish (at least on its website) the modified Access Rules and Charging Methodology for a period of 28 days prior to their coming into effect (the Publication Period), unless the Authority directs otherwise.

We also encourage the Licensee to keep its long-term compensation arrangements under review with the possibility to return to a Loss Adjusted Day-Ahead Market Spread form of compensation. We consider a move towards a market-reflective way of compensating market participants would enable market participants to participate in long-term auctions with more confidence and less risk.

Yours sincerely,

Daniel Newby

**Senior Manager, Cross Border Market Arrangements, Energy Systems
Management & Security**

ANNEX 1

Direction issued to National Grid IFA2 Limited pursuant to paragraph 13 of Standard Licence Condition 11A (Approval of terms for access to the Licensee's interconnector) of its Electricity Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the Authority) pursuant to paragraph 13 of Standard Licence Condition 11A of the electricity interconnector licence (the Licence) granted or treated as granted under section 6(1)(e) of the Electricity Act 1989 (the Act) to National Grid IFA2 Limited (the Licensee) in relation to the IFA2 interconnector.
2. Standard Licence Condition 11A, paragraph 4, requires that the Access Rules must be transparent, objective, non-discriminatory and compliant with the Regulation (Regulation (EC) No 2019/943 on the internal market for electricity, as modified further to UK exit from the EU) and any relevant legally binding decision of the European Commission and/or Agency for the Co-operation of Energy Regulators (collectively the 'relevant Access Rules objectives').
3. Standard Licence Condition 11A, paragraph 8, requires that the Licensee reviews its Access Rules at least once in each calendar year and make such modifications to the Access Rules as may be requisite for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.
4. Standard Licence Condition 11A, paragraph 10, requires the Licensee to take all reasonable steps to ensure that all persons, including those in other Member States that may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish to the Authority a report setting out the terms originally proposed for the modification, the representations, if any, made by interested persons and any change in the terms of the modification intended as a consequence of such representations.
5. In accordance with Standard Licence Condition 11A, paragraph 10, on 3 February 2023, the Licensee furnished the Authority with a report setting out the Licensee's proposed modifications to the Access Rules (the modified Access Rules).
6. After careful consideration of the report and the response to the public consultation and after consulting and closely cooperating with the French regulatory authority, the Authority has decided that the Licensee's proposed modified Access Rules meet the relevant Access Rules objectives for the reasons set out in the letter accompanying this Direction.

7. Standard Licence Condition 11A, paragraph 14 requires that, unless the Authority directs otherwise, the modified Access Rules shall be published 28 days prior to coming into effect.
8. The Authority therefore hereby directs that pursuant to paragraph 13 of Standard Licence Condition 11A of the Licence, the Licensee's modified Access Rules are approved and, pursuant to paragraph 14 of the same, the modified Access Rules shall be published by the Licensee on its website 28 days prior to coming into effect.
9. This Direction shall take effect immediately and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice.
10. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act.

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Daniel Newby

**Senior Manager, Cross Border Market Arrangements, Energy Systems
Management & Security**

**Signed on behalf of the Authority and authorised for that purpose by the Authority
on 26 April 2023**

ANNEX 2

Direction issued to National Grid IFA2 Limited pursuant to paragraph 14 of Standard Licence Condition 10 (Charging methodology to apply to third party access to the licensee's interconnector) of its Electricity Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the Authority) pursuant to paragraph 14 of Standard Licence Condition 10 of the electricity interconnector licence (the Licence) granted or treated as granted under section 6(1)(e) of the Electricity Act 1989 (the Act) National Grid IFA2 Limited (the Licensee) in relation to the IFA2 interconnector.
2. Standard Licence Condition 10, paragraph 4, requires that the Charging Methodology must be transparent, objective, non-discriminatory and compliant with the Regulation (Regulation (EC) No 2019/943 on the internal market for electricity, as modified further to UK exit from the EU) and any relevant legally binding decision of the European Commission and/or Agency for the Co-operation of Energy Regulators (collectively the relevant Charging Methodology objectives).
3. Standard Licence Condition 10, paragraph 9, requires that the Licensee reviews its Charging Methodology at least once in each calendar year and make such modifications to the Charging Methodology as may be requisite for the purpose of ensuring that the Charging Methodology better achieve the relevant Charging Methodology objectives.
4. Standard Licence Condition 10, paragraph 11, requires the Licensee to take all reasonable steps to ensure that all persons, including those in other Member States that may have a direct interest in the Charging Methodology are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish to the Authority a report setting out the terms originally proposed in the Charging Methodology, the representations, if any, made by interested persons and any change in the terms of the Charging Methodology intended as a consequence of such representations.
5. In accordance with Standard Licence Condition 10, paragraph 11, on 3 February 2023 the Licensee furnished the Authority with a report setting out the Licensee's proposed modified Charging Methodology.
6. After careful consideration of the report and the response to the public consultation and after consulting and closely cooperating with the French regulatory authority, the Authority

has decided that the Licensee's proposed modified Charging Methodology meets the relevant Charging Methodology objectives for the reasons set out in the letter accompanying this Direction.

7. Standard License Condition 10, paragraph 15 requires that, unless the Authority directs otherwise, the modified Charging Methodology shall be published 28 days prior to coming into effect.

8. The Authority therefore hereby directs that pursuant to paragraph 14 of Standard Licence Condition 10 of the Licence, the Licensee's modified Charging Methodology is approved and, pursuant to paragraph 15 of the same, the modified Charging Methodology shall be published by the Licensee on its website 28 days prior to coming into effect.

9. This Direction shall have immediate effect and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice.

10. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act.

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Daniel Newby

**Senior Manager, Cross Border Market Arrangements, Energy Systems
Management & Security**

**Signed on behalf of the Authority and authorised for that purpose by the Authority
on 26 April 2023**