



To: electricity generators,
interconnector owners and
operators, suppliers, customer
representatives and other
interested parties

*Promoting choice and value for
all gas and electricity customers*

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Dear Colleague

Revised access rules for the England-France Interconnector (IFA)

On the 17 October 2011, National Grid Interconnectors Limited (NGIL) notified the Authority¹ of proposed amendments to the access rules for the IFA interconnector (the "IFA access rules"), as well as the responses received to its consultation on the proposed amendments².

The Authority considers that the proposed amendments better achieve the IFA access rule relevant objectives and welcomes the proposed revisions. The Authority also requests NGIL to undertake a full review of the IFA access rules against the electricity interconnector licence and the Electricity Regulation³ (including annexes), which have been amended following the transposition of the Third Package into domestic legislation and licences.

The proposed amendments

The process to amend the IFA access rules follows cooperation between NGIL, BritNed, Rte, Moyle and EirGrid to identify areas where regional interconnector access rules could be aligned. This process was undertaken to ensure compliance with the Congestion Management Guidelines⁴, which require common and coordinated congestion management methods and procedures for the allocation of capacity. The resulting amendments have been implemented in the recently approved access rules for the Moyle⁵ and EirGrid East-West⁶ interconnectors.

We consider that the proposed amendments to the IFA access rules, better achieve the relevant access rules objectives⁷. In particular, the objective that the access rules shall be compliant with the Electricity Regulation and any relevant legally binding decision of the European Commission. In this case, the proposed amendments are to ensure compliance with the Congestion Management Guidelines, which are an annex to the Electricity Regulation.

¹ 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

² <http://www.nationalgrid.com/uk/Interconnectors/France/consultations/>

³ Regulation (EC) No 714/2009 on conditions for access to the network for cross-border exchanges in electricity

⁴ The Guidelines on the management and allocation of available transfer capacity of interconnectors between national systems are annexed to Regulation (EC) No 714/2009 on conditions for access to the network for cross-border exchanges in electricity.

⁵ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=89&refer=Europe>

⁶ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=88&refer=Europe>

⁷ SLC 10(4) The charges and the application of the underlying charging methodology shall be objective, transparent, non-discriminatory and compliant with the Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

Third Package Implementation

On 10 November 2011 the regulations under section 2(2) of the European Communities Act 1972 (domestic regulations) transposed the Third Package into GB domestic legislation and into GB licences, including the electricity interconnector licence. Amendments made by the domestic regulations transposing the Third Package have resulted in wide-ranging changes to the GB electricity regulatory framework⁸.

Changes to the electricity interconnector licence include, but are not limited to, amendment of standard licence condition (SLC) 9 on use of revenues, amendment of SLC 10 on charging methodology approval, the insertion of a new SLC 11A on the approval of access rules by the Authority⁹ and the insertion of new SLCs 19 to 23 setting out provisions relating to information disclosure, certification of transmission system operators and regional cooperation.

Request for review

Having reviewed the proposed revised IFA access rules submitted by NGIL we note that they are not fully compliant with the requirements of the amended SLC 11A of the electricity interconnector licence. SLC 11A states in particular that the access rules shall comply with the Electricity Regulation¹⁰ and must include, but shall not be limited to: (a) arrangements for maximising the available interconnector capacity, including: the methodology for the calculation of interconnector capacity [...]; and, (e) arrangements for ancillary services, such as balancing arrangements, including where users may offer ancillary services to assist with relevant system operator balancing. The IFA access rules submitted by NGIL do not currently contain arrangements for maximising the available interconnector capacity, the methodology for the calculation of interconnector capacity or arrangements for ancillary services.

SLC 11A also introduces new relevant objectives, stating that access rules shall be transparent, objective, non-discriminatory and compliant with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

Therefore, the Authority requests NGIL to review the IFA access rules against the requirements of the electricity interconnector licence and the Electricity Regulation. Pursuant to SLC 11A(6) NGIL should complete the review and provide the Authority with a report on the review within three months of this request. Following submission of the report, NGIL shall then make such modifications to the IFA access rules as may be requisite for the purpose of better achieving the relevant access rule objectives.

Additionally, we would welcome that NGIL consider the necessary changes that may be required to the IFA access rules, or other GB industry codes, in order to facilitate the implementation of market coupling over IFA in accordance with work being pursued under the North West European electricity initiative. It would be helpful if this could be provided in the report to the Authority.

For further information, regarding the content of this letter, please contact my colleague Olaf Islei (olaf.islei@ofgem.gov.uk)

Yours Sincerely,

Pamela Taylor
Associate Partner, European Wholesale

⁸ More information can be found here: <http://www.legislation.gov.uk/ukxi/2011/2704/contents/made>

⁹ The revised electricity interconnector licence standard conditions can be found here: <http://www.legislation.gov.uk/ukxi/2011/2704/schedule/8/made>

¹⁰ Regulation (EC) No 714/2009 on conditions for access to the network for cross-border exchanges in electricity