

Transparency Regulation Update

Paul Wakeley
NGET

11 July 2014

Background to Regulation

- Commission Regulation (EU) No 543/2013 (the “Transparency Regulation”) entered into force 14 June 2013
 - Immediately legally binding (i.e. no domestic transposition required)
 - Go-Live date for platform 05 January 2015

- Sets out data items required to be published on Central European Transparency Platform
 - This better enables EU market participants to take efficient production, consumption and trading decisions

- Contains high-level requirements only...
 - ... “Manual of Procedures” published on ENTSO-E website contains the detail (e.g. explanations of definitions, IS protocols etc...)

GB approach to submitting data

- Conventional EU approach for data submission:
 - Primary Owners of Data (e.g. generators) submit required information to Data Provider (normally TSO)
 - Data provider submits all information received to ENTSO-E

- GB approach set out in BSC Mod P295:
 - NGET receives data flows (existing and new) from market participants
 - NGET sends data to Elexon to publish on BMRS
 - Elexon sends data to ENTSO-E
 - Interconnectors provide relevant data items directly to ENTSO-E

- Slight interaction with BSC Mod P291 on REMIT Inside Information (e.g. outages) as some data items required under both mods

Changes to GB Codes

- General GB approach set out in BSC via mod P295 **approved by Authority for implementation 16 December 2014**
- 2 joint Grid Code / Distribution Code mods required due to additional data requirements
 - GC0083 – sets out new requirements not already in codes and adds general requirement for compliance with Regulation **currently out for industry consultation**
 - GC0042 – requires additional information to be provided to NGET by embedded generators via DNOs **submitted to Authority for approval**
- STC mod also required to clarify provision of OFTO information to NGET regarding outages (Article 10.1c) **to be raised at July Panel**
 - No additional requirements for Scottish TOs as any required data already provided under STC

GB Compliance

- NGET represented on ENTSO-E WGs relevant to Transparency to ensure coordination at EU level

- NGET and Elexon IS projects on course to meet deadline
 - Weekly t-cons held between 2 parties to ensure coordination
 - End-to-end testing scheduled for November with ENTSO-E

- Series of Industry Workshops held to aid market participants with their preparations (e.g. IS requirements for Industry-NG interface)
 - Next workshop 14 July (next Monday)

- Document demonstrating compliance being prepared for Ofgem
 - Potentially will also be published to industry as Guidance Note

Energy UK Comments on ACER “Bridge to 2025” Consultation

DECC/Ofgem Stakeholder Group

11th July 2014

Gwyn Dolben

ACER Bridge to 2025 Consultation – General Comments

- We welcome that ACER is looking at the “bigger picture”
- Most key issues for the future EU market are highlighted
- We support the emphasis on affordability and cost-effectiveness
- Key ACER role is overseeing Network Codes
- ACER should not underestimate the challenge of completing the IEM:
 - Timely development of Network Codes
 - More and more capacity outside wholesale markets
 - Challenge of generation investment
- Need to recognise regional differences in electricity and gas

Electricity Wholesale Markets

- Renewables integration and flexibility correctly identified as important issues
- Market-based arrangements essential – ACER could be tougher on priority access
- ACER appears equivocal on capacity mechanisms – generation adequacy challenge needs to be recognised
- Cross-border access to CMs a key issue

Gas Wholesale Markets

- Key issues identified, e.g. changing role of gas-fired plant, uncertainty of supply and demand
- Adoption and effective implementation of Network Codes should remain the priority
- Need to avoid top-down interventions to drive liquidity
- Interactions between electricity and gas markets correctly seen as important area

Retail Markets

- National retail markets and consumers are diverse – need to avoid “one size fits all” approach
- Focus should be on implementation of Third Package and removal of barriers to competition, e.g. price regulation
- We support quicker switching but costs and benefits should be considered before targets are set
- Importance of open debate about affordability, including impact of taxes, levies and policy costs
- Further unbundling of distribution not viewed as priority

Internal Energy Market Governance

- Welcome that ACER is starting to consider this issue
- Further thought needed about the Network Code development process (including Comitology) and Code modifications
- ACER oversight of ENTSOs an important area
- Market players should have a greater role in proposing Code modifications – ACER should consult further on this

Overview

- 146 total responses to the consultation
- ~80 with comments related to wholesale electricity and electricity infrastructure
- Responses were supportive of the aims of the Bridge to 2025 work
- Consultation asked the following questions:
 - *Have we identified correctly the issues and trends within each area of the energy sector? ...In general, yes*
 - *Have we identified an appropriate regulatory response? ...More or less; however, actions should be more concrete and regulatory intervention on when absolutely necessary*
 - *Which regulatory actions are most important and should be prioritised? Are there other areas where we should focus? ...[next slide]*

Which regulatory actions are most important and should be prioritised? Are there other areas where we should focus?

- Rapid implementation of the Target Model and the **network codes**
- Further **development of liquid balancing and intraday markets**, including balancing responsibility for all market participants
- Removal of **regulated prices**
- Optimisation and cross-regional coordination of the **capacity calculation methodologies**
- Coordination of the **European assessment of generation adequacy**, with national assessments taking into account the pan-European dimension
- Proactively **advise on the design of interventions** eg CRMs so the balance between security of supply and competitive markets is optimised
- Monitoring the implementation of the requirements in the EIP in order to bring forward efficient **development of infrastructure across Europe**
- **Cross-border investment in infrastructure** driven by market signals, with cooperation between NRAs
- **Non-discriminatory market arrangements** for generation and demand
- **Phasing out national support mechanisms** for RES

Next Steps

- Following the consultation responses, ACER/CEER workgroups are currently preparing specific objectives/ proposals for the final conclusions document
- The conclusions paper will be developed over the summer
- The conclusions paper is due for publication in late September

Projects of Common Interest

Paul Wakeley
National Grid

Projects of Common Interest (PCI)

- Key element from the Energy Infrastructure Package (2013)
- PCI is a transmission or storage project that has sufficient pan-European benefits
- Decided by European Commission
- Benefits of being a PCI:
 - Faster standardised permitting
 - Regulatory assistance
 - Limited financial support; investment instruments and grants (€5bn Elec total)

2015 PCIs

- After the First PCI List (2013), the TYNDP will be the sole basis for PCI selection:
 - 2015 PCI list will be from 2014 TYNDP
 - Both Member and non-Member projects
- Harmonized EU energy system-wide CBA, covering:
 - Security of Supply
 - Market Integration
 - Sustainability
- Both Transmission and Storage projects shall be included in TYNDP

**ENTSO-E
TYNDP
projects**

**Commission
Candidate
PCIs**

Cross Border Cost Allocation [347/2013 Art 12]

- PCI promoters can apply for cost allocation from Member States with a positive net value
- Application is made via the NRA(s)
- The NRA will request Cost Benefit Analysis from the TSOs consistent with the agreed ENTSO-E CBA methodology

**Update on our recent consultation
on the cap and floor roll-out**
DECC/Ofgem stakeholder group

Stuart Borland
10/07/2014

ofgem

Main messages from our May consultation

- Interconnectors can deliver a number of **benefits** – our objective is to ensure that economic and efficient interconnection is delivered in a timely manner.
- We recognise that **interconnector investment is different** to other transmission investment
- We propose to **roll-out the cap and floor regime** to near-term projects – building on the model developed for Nemo, the GB-Belgium link.
- **Eligible projects** can apply through an **application window** which we expect to open following consultation
- We will expect **submission of information** to allow us to assess the benefits of each project – similar to a ‘needs case assessment’ under SWW.
- We will also assess **project costs**.
- This will allow us to establish whether the project should be awarded a cap and floor (receiving consumer underwriting) and the appropriate levels of the cap and floor.

The screenshot shows the Ofgem consultation page. At the top left is the Ofgem logo with the tagline 'Making a positive difference for energy consumers'. The main heading is 'The regulation of future electricity interconnection: Proposal to roll out a cap and floor regime to near-term projects'. Below this is a 'Consultation' section with a table of key dates and contact information. The table lists the publication date as 23 May 2014, the response deadline as 18 July 2014, the contact person as Jon Parker, the team as Future Networks, the telephone number as 020 7901 7408, and the email as Cap.floor@ofgem.gov.uk. Below the table is an 'Overview' section with a paragraph of text. At the bottom of the page is the footer: 'Ofgem/Ofgem E-Serve 9 Millbank, London SW1P 3GE www.ofgem.gov.uk'.

ofgem Making a positive difference
for energy consumers

The regulation of future electricity interconnection:
Proposal to roll out a cap and floor regime to near-term projects

Consultation

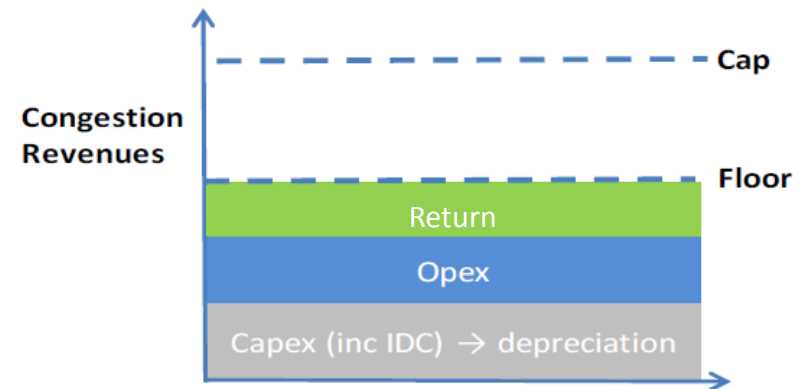
Publication date: 23 May 2014	Contact: Jon Parker
Response deadline: 18 July 2014	Team: Future Networks
	Tel: 020 7901 7408
	Email: Cap.floor@ofgem.gov.uk

Overview:
We are consulting on the regulation of new electricity interconnection projects. We propose to roll out a developer-led cap and floor regime to near-term interconnection projects and open an initial window for cap and floor applications. We are seeking stakeholders' views on the proposed regime design and regulatory assessment framework. In particular, we invite comments on the eligibility criteria, approach to cost assessment, application process and timing.

Ofgem/Ofgem E-Serve 9 Millbank, London SW1P 3GE www.ofgem.gov.uk

Summary of the regime design

- Regime design based on the model developed for project Nemo.
- Project specific details will be taken into account for future projects (such as regulatory arrangements in connecting countries)



Regime: Cost based regime set for 25 years.

Cost Assessment: Assessment of efficient costs (capex and opex) that form the cap and floor levels.

Availability incentive: Availability target and minimum availability threshold.

Cap and floor levels: Set at the start of the regime and remain fixed in real terms for the duration of the regime.

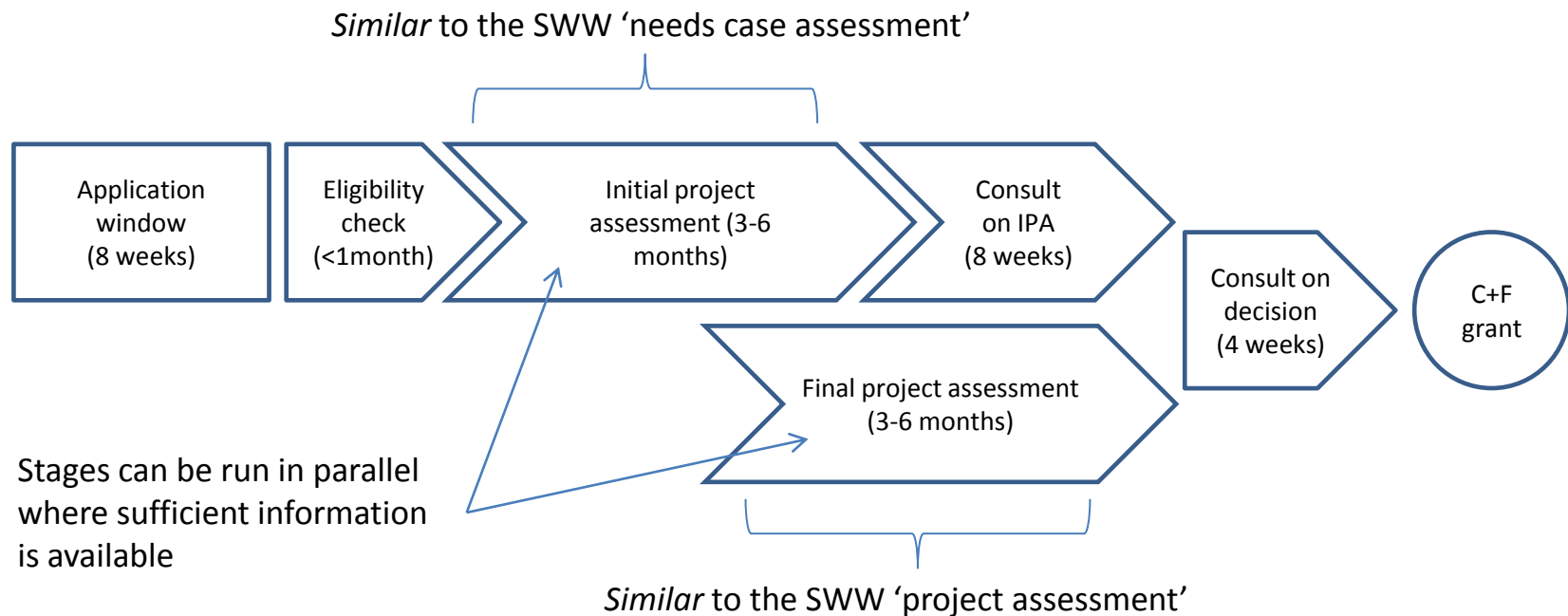
Assessment periods: Revenue assessed against cap and floor every 5 years, with possible within-period payments.

Mechanism: Revenue above the cap used to offset network charges. Revenue below the floor topped-up through network charges.

Process

- Our 2 month consultation closes on **18 July** – we welcome responses
- Ongoing bilateral engagement with stakeholders during the consultation phase (let us know...)
- Subject to responses and our subsequent decision, we plan to open that application window ASAP (and plan to accept applications by end September)

Proposed cap and floor assessment framework



**SEM Integrated Single Electricity Market
High level design for Ireland and Northern
Ireland from 2016. Draft Decision Paper**

Michelle Murdoch
11.07.2014

ofgem

Why change SEM? To try and resolve the 'trilemma' facing energy policy as well as complying to the Third Package

Comply
with
European
energy
policy

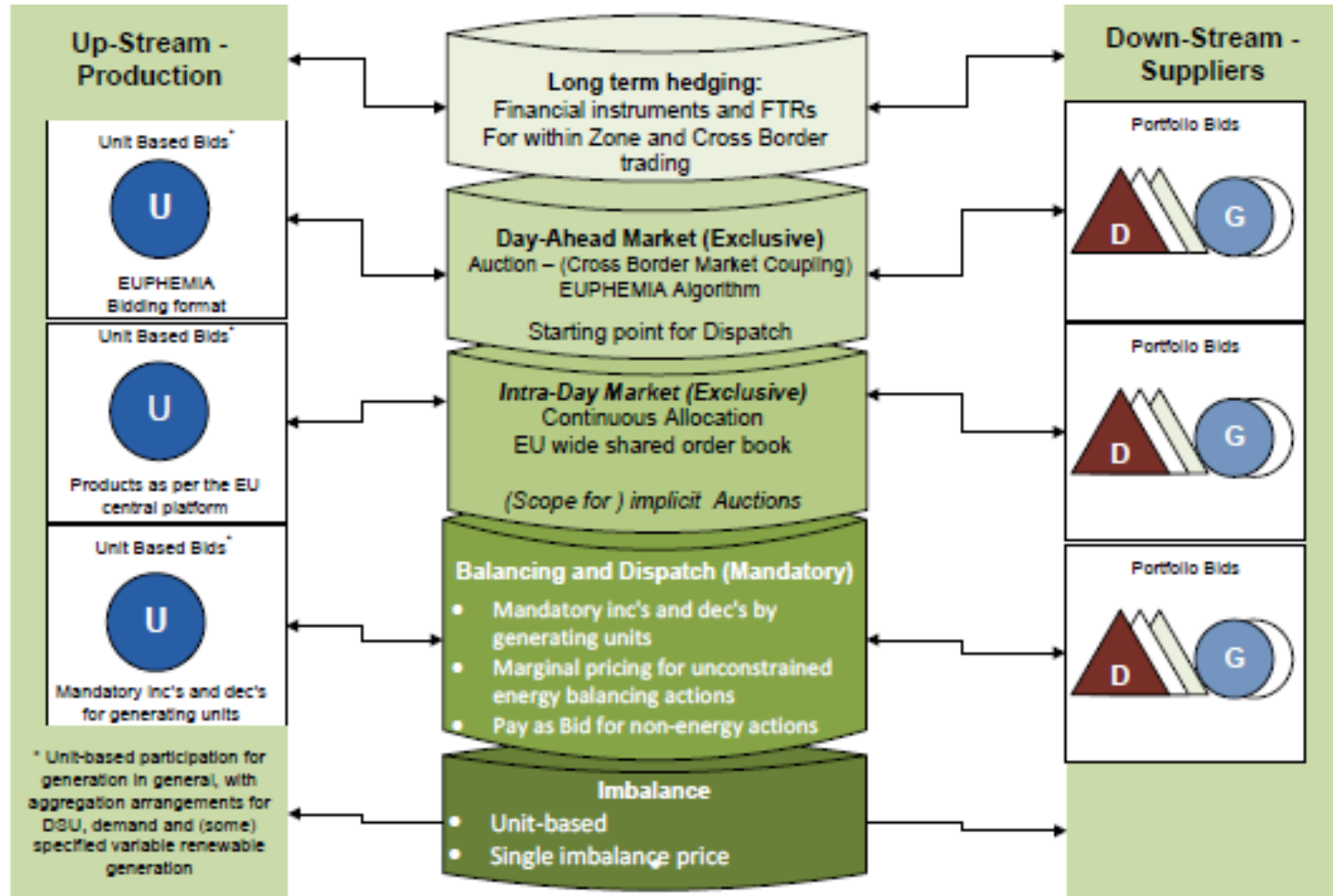
Security of
supply

Promote
renewable
energy
resources

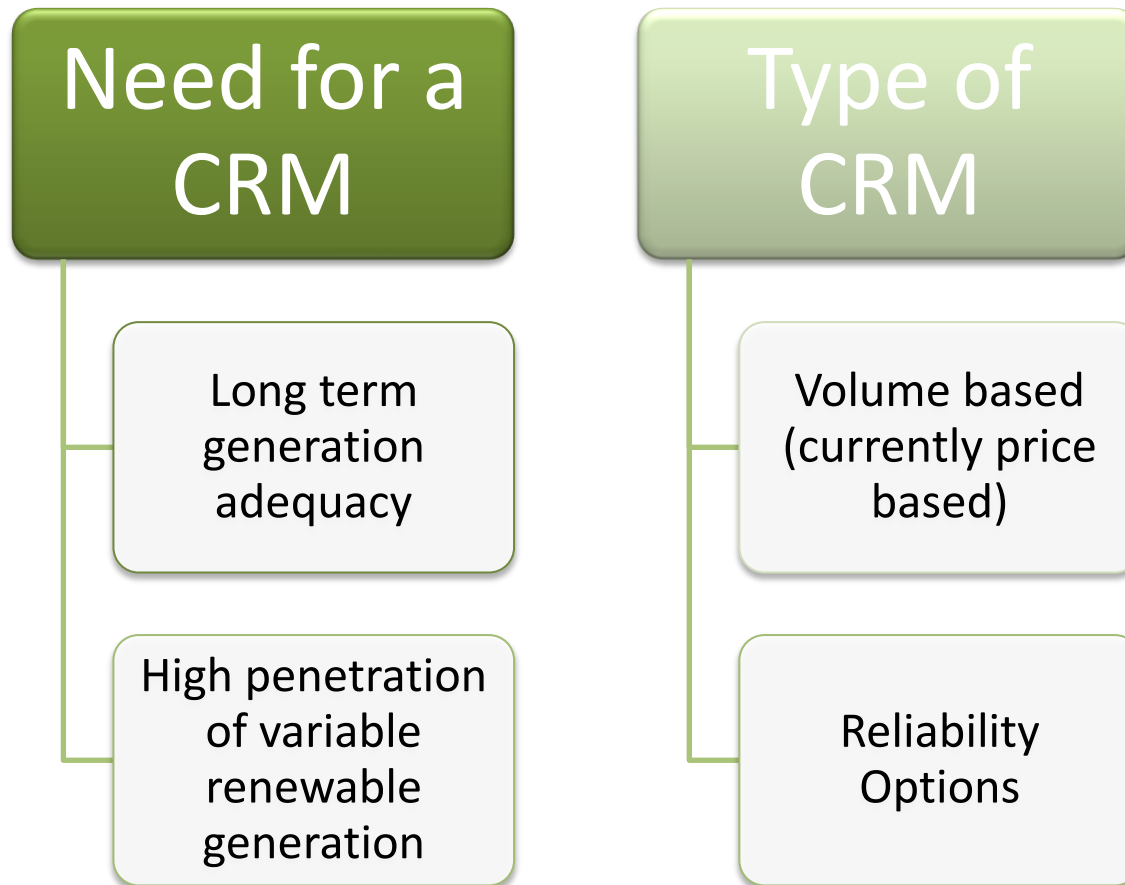
Provide a
sound
investment
climate

Energy trading arrangements

4 energy options consulted upon, proposed design is mandatory centralised market



Majority of respondents to the consultation supported the retention of a CRM



Consultation Responses

- Requested by 17.00 on 25 July 2014. The SEM Committee will publish its final decision on the draft decision paper in early September 2014.
- Responses should be sent to Jean Pierre Miura (jeanpierre.miura@uregni.gov.uk) and Philip Newsome (pnewsome@cer.ie)
- Consultation to be found at [here](#)

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.