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Dear Damian,

Approval of the modified access rules for the BritNed interconnector

On 30 September 2014, BritNed Development Limited¹ submitted proposed modified access rules for the BritNed interconnector² to the Authority³ for approval.

The changes were submitted pursuant to Standard Licence Condition (SLC) 11A of BritNed's electricity interconnector licence. The access rules set out the general terms and conditions a user must accept to obtain and use transmission capacity on the BritNed interconnector.

We have decided to approve these changes, as we think they will better achieve the access rules objectives that state that access rules shall be transparent, objective and non-discriminatory. They should also comply with the Electricity Regulation and any relevant legally binding decision of the European Commission and the Agency for the Cooperation of the Energy Regulators ("the Agency").

BritNed's proposed modified access rules

BritNed operates two intraday auctions made up of six nomination intervals. The new modifications would amend the timing of the intraday business process to reduce the lead time between nomination gate closure and the start of each real-time interval. The current lead time is four hours and the modifications would reduce this to two hours.

Under the proposals, the nomination gates of the first, second, fourth, fifth and sixth auctioned periods would close two hours later than currently scheduled, while the third auctioned period would be extended by two hours, starting at 10.00am.

The current timings are summarised in Figure 1 below (Schedule 4, paragraph 5 of the current BritNed access rules) and the proposed amended version is summarised in Figure 2. These changes would also require revisions throughout the text of Schedule 4.

¹ BritNed Development Limited is a joint venture of the Dutch transmission system operator, TenneT, and the British transmission system operator, National Grid. The company commercially operates an electricity link between Great Britain and the Netherlands.

² A 100MW high voltage direct current link between Maasvlakte in the Netherlands and the Isle of Grain in Great Britain.

³ 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.

Figure 1: Current intraday timings (Schedule 4 paragraph 5 of the BritNed access rules)

| Timings summary (CET time) (indicative) Units Validity Times | ...are auctioned in... | can be Capacity Transferred during | Notification of Intraday ICE | relevant Nomination Gate-Closures |
|--------------------------------------------------------------|--------------------------------|------------------------------------|------------------------------|-----------------------------------|
| 00:00-15:59 | ID auction 1 (end 19:00 D – 1) | - | 19:15 D – 1 | 20:00 D – 1 |
| 04:00-15:59 | ID auction 1 (end 19:00 D – 1) | 20:30-23:00 D – 1 | 23:15 D – 1 | 00:00 D |
| 12:00-15:59 | ID auction 1 (end 19:00 D – 1) | 00:30-07:00 D | 07:15 D | 08:00 D |
| 16:00-23:59 | ID auction 2 (end 11:00 D) | - | 11:15 D | 12:00 D |
| 18:00-23:59 | ID auction 2 (end 11:00 D) | 12:30 – 13:00 D | 13:15 D | 14:00 D |
| 20:00-23:59 | ID auction 2 (end 11:00 D) | 14:30-15:00 D | 15:15 D | 16:00 D |

Figure 2: Proposed amended intraday timings

| Timings summary (CET time) (indicative) Units Validity Times | ...are auctioned in... | can be Capacity Transferred during | Notification of Intraday ICE | relevant Nomination Gate-Closures |
|--------------------------------------------------------------|--------------------------------|------------------------------------|------------------------------|-----------------------------------|
| 00:00-15:59 | ID auction 1 (end 19:00 D – 1) | - | 19:45 D – 1 | 22:00 D – 1 |
| 04:00-15:59 | ID auction 1 (end 19:00 D – 1) | 22:01-22:13 D – 1 | 22:14 D – 1 | 02:00 D |
| 10:00-15:59 | ID auction 1 (end 19:00 D – 1) | 02:01-02:13 D | 02:14 D | 08:00 D |
| 16:00-23:59 | ID auction 2 (end 11:00 D) | - | 11:44 D | 14:00 D |
| 18:00-23:59 | ID auction 2 (end 11:00 D) | 14:01 – 14:13 D | 14:14 D | 16:00 D |
| 20:00-23:59 | ID auction 2 (end 11:00 D) | 16:01-16:13 D | 16:14 D | 18:00 D |

Consultation and responses

BritNed conducted a consultation on the proposed modified access rules between 18 August and 15 September 2014.

The consultation received two responses. The responses supported BritNed’s proposal to reduce the lead time between nomination gate closure and the start of the relevant nomination interval. Both respondents considered this to be a first step towards further reducing the lead times, as the two-hour amendment will allow the GB market to move towards the one-hour lead time expected to be mandated by the forthcoming European Network Code on Capacity Allocation and Congestion Management (CACM).

Submission of proposed modified access rules

On 30 September 2014, following the consultation, BritNed submitted the proposed modified access rules to us for approval. As well as the new rules it included the consultation responses and a report explaining the changes. These were submitted pursuant to SLC 11A paragraph 10 of BritNed’s electricity interconnector licence.

In its report accompanying the consultation responses, BritNed further justified its proposed modifications. It said the changes will ensure that it better meets the relevant access rules objectives. The changes are intended to provide a transparent and updated reflection of the process for the intraday product. BritNed also considers the changes to be non-discriminatory and objective, and cited positive feedback from market participants and discussions with National Grid Electricity Transmission (NGET) and TenneT in support of that view. Lastly, BritNed considers that this change better aligns the access rules with future regulatory requirements such as CACM.

In the consultation BritNed proposed to publish the amended intraday timings in a document separate from the main access rules. It also intended to replace the intraday

business process in the current access rules with references to this separate document. In its final submission, BritNed revised this approach and included the changed timings in the existing access rules without introducing a separate document.

Our decision

We have decided to approve the proposed modified access rules. This follows our review of the changes, consideration of the consultation responses and supporting evidence, and close coordination with the Dutch Authority for Consumers and Markets. We think the proposed rules better meet the relevant access rules objectives, as they are transparent, objective and non-discriminatory. They also comply with the Electricity Regulation and any relevant legally binding decision of the European Commission and the Agency.

Reducing the lead time between nomination gate closure and the start of the relevant nomination interval for the intraday auction periods can be considered a first step towards ensuring BritNed's compliance with this aspect of CACM. However, further work must be done to meet the CACM requirement of a one-hour lead time.

We consider that the proposals are objective and non-discriminatory as they will apply equally to all market participants. We note that the two consultation responses supported the proposal, and we understand from BritNed that NGET and TenneT also support the proposal.

We agree that any changes to the intraday business process should be published in the access rules to ensure transparency for users. BritNed's revised approach of including the amendments in the existing access rules document seems more transparent than publishing a separate document describing the intraday business process.

We have therefore decided to approve the proposed modified BritNed access rules. A direction to this effect, issued in accordance with paragraph 13 of SLC 11A of the electricity interconnector licence, can be found in the annex to this letter.

Next steps

In light of our decision, we request that BritNed continue to consider modifications to the access rules to help implement the forthcoming European Network Codes, including CACM and the Forward Capacity Allocation (FCA). These amendments are likely to include a further reduction in the intraday lead time to meet the CACM requirement of one hour. In due course, we would also expect BritNed to revise its regulatory arrangements, including its firmness regime, to comply with FCA.

Yours sincerely

Mark Copley
Associate Partner, Markets

Direction issued to BritNed Development 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 BritNed Development Limited (the "Licensee").
2. Standard Licence Condition 11A provides that the Licensee shall prepare and submit for approval by the Authority a statement setting out the Access Rules (as defined in the Standard Licence Conditions for electricity interconnector licences).
3. Standard Licence Condition 11A paragraph 4 requires that the Access Rules be transparent, objective, non-discriminatory and compliant with the Regulation (Regulation (EC) No 714/2009 on conditions for access to the network for cross border exchanges in electricity) 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").
4. Standard Licence Condition 11A paragraph 8 requires that the Licensee to review 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. The Access Rules for the Licensee were first approved on 7 June 2012.
5. 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 Licensees 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.
6. In accordance with Standard Licence Condition 11A paragraph 10, on 30 September 2014 the Licensee furnished the Authority with a report setting out the Licensee's proposed modifications to the access rules. The proposed modifications relate to the existing intraday process and would halve the lead time between nomination gate closure and the auctioned time periods to just two hours.
7. The Authority has decided that the Licensee's proposed modified access rules meet the relevant access rules objectives.
8. THE AUTHORITY HEREBY DIRECTS, pursuant to paragraph 13 of Standard Licence Condition 11A of the Licence, that the Licensee's proposed modified access rules are approved. 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.
9. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act.

Mark Copley
Associate Partner, Markets

Signed on behalf of the Authority and authorised for that purpose by the Authority on 16 December 2014