

All interested parties,
stakeholders in GB and beyond,
and other regulatory bodies

Direct Dial: 020 7901 9662
Email: Mark.Copley@ofgem.gov.uk

Date: 14 June 2017

Dear colleague,

Approval of the Channel capacity calculation region Fallback Procedures
Approval of the Ireland-United Kingdom capacity calculation region Fallback Procedures
Approval of the Day Ahead Firmness Deadline Proposal
Request for amendment to the Intraday Cross Zonal Gate Timings Proposal

On 14 December 2016, we¹ received four proposals from GB Transmission System Operators (TSOs) in accordance with Article 44, Article 59 and Article 69 of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation).² The proposals were submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision to approve the Ireland-United Kingdom capacity calculation region Fallback Procedures (IU Fallback) proposal, Channel capacity calculation region Fallback Procedures (Channel Fallback) proposal, and Day Ahead Firmness Deadline (DAFD) proposal pursuant to Article 9(10). It also sets out our decision to request an amendment to the Intraday Cross Zonal Gate Timings (IDCZGT) proposal pursuant to 9(12) of the CACM regulation. This letter then outlines the necessary next steps that must be taken.

Background

The IDCZGT and DAFD proposals are pan-EU proposals, developed by all EU TSOs. The Fallback Procedures are regional proposals, developed by the relevant TSOs within each capacity calculation region (CCR).⁴

The CACM Regulation requires the competent Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and take

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 [Commission Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management](#) The CACM Regulation came into force 14 August 2015. It aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade, through market coupling in the day-ahead and intraday timeframes. Market coupling should make sure power is produced where it is most efficient and used where it is most valued, to lower prices for consumers and support secure and sustainable supply.

³ See mTSO decision letter here: <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultations-assignment-transmission-system-operator-obligations-under-capacity-allocation-and-congestion-management-regulation-within-gb>. The relevant GB TSOs that were assigned responsibilities under Article 44, 59 and 69 of the CACM Regulation are National Grid Electricity Transmission plc, Moyle Interconnector Limited, East-West Interconnector Company, BritNed Development Limited, and National Grid Interconnectors Limited.

⁴ As per Article 2(3) of the CACM Regulation: A capacity calculation region means the geographic area in which coordinated capacity calculation is applied.

decisions within six months following receipt of the proposals by the last regulatory authority.⁵ The Agency for the Cooperation of Energy Regulators (ACER) has confirmed that the last Regulatory Authority received the IU Fallback proposals on 14 December 2016, DAFD on 19 December 2016, IDCZGT proposal on 20 December 2016 and Channel Fallback proposal on 21 December 2016. National decisions are therefore required for each of these proposals by 14 June 2017 for IU Fallback, by 19 December for DAFD, by 20 June 2017 for IDCZGT, and by 21 June 2017 for Channel Fallback.

Fallback procedures

The Channel Fallback and IU Fallback procedures propose procedures for capacity allocation in the event that the single day-ahead coupling process is unable to produce results. Single day ahead coupling means the auctioning process where collected orders are matched and cross-zonal is allocated simultaneously for different bidding zones in the day-ahead market.⁶

Both the Channel Fallback and IU Fallback set out that the proposed procedures are interim arrangements. This is in advance of the implementation of a common platform in the Channel CCR, and the implementation of the enduring intraday coupling solution in the IU CCR. Enduring arrangements in both CCRs will be proposed to the relevant Regulatory Authorities by TSOs in the future, through a request to amend the methodologies.

DAFD proposal

The DAFD submission proposes the point in time after which cross-zonal capacity becomes firm.⁷

IDCZGT proposal

The IDCZGT submission proposes the intraday cross-zonal gate opening and the intraday cross-zonal gate closure times. These set the times in which the single intraday coupling market is open.

The intraday cross-zonal gate opening time is the point in time when cross-zonal capacity between bidding zones is released for a given market time unit and a given bidding zone border.⁸ The intraday cross-zonal gate closure time is the point in time where cross-zonal capacity allocation is no longer permitted for a given market time unit.⁹

Our Decision

We have reviewed the proposals submitted to us in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009,¹⁰ and our statutory duties and obligations. In making our decisions we have considered the justification, provided simultaneously with the submission of the proposals, for the inclusion or exclusion of views resulting from the consultation undertaken by TSOs on the Fallback Procedures,

⁵ Article 9(10) of the CACM Regulation.

⁶ As per article 2(27) of the CACM Regulation: Single day ahead coupling means the auctioning process where collected orders are matched and cross-zonal is allocated simultaneously for different bidding zones in the day-ahead market.

⁷ Article 2(35) of the CACM Regulation.

⁸ Article 2(38) of the CACM Regulation.

⁹ Article 2(39) of the CACM Regulation.

¹⁰ Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

IDCZGT and DAFD.¹¹ We have also consulted GB stakeholders about these proposals through the Joint European Stakeholder Group.¹²

As required by Article 9(1) of the CACM Regulation, we have consulted, and closely cooperated and coordinated with other Regulatory Authorities in order to reach an agreement on these proposals. The Regulatory Authority agreement for DAFD was reached on 15 May 2017, for IDCZGT on 6 June 2017, for Channel Fallback on 12 June 2017 and for IU Fallback on 13 June 2017. These agreements are attached as annexes to this decision letter and constitute the reasons for our decisions.

In line with these all Regulatory Authority agreements, we hereby adopt the following decisions:

1. Approve the IU Fallback proposed by National Grid Electricity Transmission (NGET), Moyle Interconnector Limited and East-West Interconnector Company.
2. Approve the Channel Fallback proposed by NGET, BritNed Development Limited, and National Grid Interconnectors Limited.
3. Approve the DAFD proposed by NGET, Moyle Interconnector Limited, East-West Interconnector Company, BritNed Development Limited, and National Grid Interconnectors Limited.
4. Request NGET, Moyle Interconnector Limited, East-West Interconnector Company, BritNed Development Limited, and National Grid Interconnectors Limited to amend the proposed IDCZGT in line with the request set out in the all Regulatory Authority agreement annexed to this letter.

Decision not to undertake an Impact Assessment

We have not undertaken an Impact Assessment for these proposals as the proposals merely relate to the parameters and processes necessary for the implementation of the single day ahead and intraday market coupling, which constitutes the objective of the CACM Regulation and was as such already subject to an impact assessment. Moreover, the proposals in themselves do not constitute a significant change to the existing GB requirements and arrangements. Accordingly, we consider that an impact assessment is unnecessary.

Next steps

Fallback Procedures

In accordance with this decision, the IU Fallback will take effect at I-SEM market go-live.¹³ As such, the IU TSOs must publish the Fallback on the internet in line with Article 9(14) of the CACM Regulation, and must meet the implementation deadlines required by Article 6 of the IU Fallback Procedures.

In accordance with this decision, the Channel Fallback will take effect immediately. As such, the Channel TSOs must publish the Fallback on the internet in line with Article 9(14) of the CACM Regulation, and must meet the implementation deadlines required by Article 12 of the Channel Fallback Procedures.

¹¹ The consultation documents and information are available on the ENTSO-E website, here: <https://www.entsoe.eu/news-events/entso-e-consultations/Pages/default.aspx>

¹² More information about JESG is available here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/European-network-code/Joint-European-Stakeholder-Group/>

¹³ As per the IU Fallback proposal: I-SEM is the name given to the project to redesign the single electricity market on the island of Ireland in order to implement the European target model for electricity.

All relevant TSOs should review their access rules and submit consequential changes where necessary to align with this decision, in line with the requirements set out in their licence.

DAFD methodology

In accordance with this decision, the DAFD will take effect on each bidding zone border when both the capacity calculation methodology developed in accordance with Article 20 of the CACM Regulation and the day-ahead market coupling operator function developed in accordance with Article 7(3) of the CACM Regulation are implemented on this bidding zone border. As such, all GB TSOs must publish the DAFD on the internet in line with Article 9(14) of the CACM Regulation, and must meet the implementation deadlines required by Article 4 of the DAFD.

IDCZGT proposal

In accordance with Article 9(12) of the CACM Regulation, the relevant GB TSOs must make the amendments to the IDCZGT proposal necessary to address the points set out in the all Regulatory Authority agreement and re-submit an amended proposal to us and to the Agency within two months of this decision, i.e. by 20 August 2017.

If you have any queries regarding the information contained within this letter, or the all Regulatory Authority agreements in the annexes please contact Thomas Jones at thomas.jones@ofgem.gov.uk.

Yours sincerely,

Mark Copley
Associate Partner, Wholesale Markets