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Date: 1 September 2017

Dear colleague,

Request for the Agency for the Cooperation of Energy Regulators to adopt a decision on the Harmonised Allocation Rules Methodology

On 13 April 2017, we¹ received the Harmonised Allocation Rules Methodology (HAR) proposal from GB Transmission System Operators (TSOs) in accordance with Article 4(6) of the guideline on Forward Capacity Allocation (the FCA Regulation).² The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision to request the Agency for Cooperation of Energy Regulators (the Agency) to adopt a decision on the Harmonised Allocation Rules Methodology (HAR), pursuant to Article 4(10) of the FCA Regulation and outlines the next steps.⁴

Background

The HAR proposes the common pan-European allocation rules for long-term transmission rights in the forwards market. The Allocation Rules are defined in FCA as the rules for forward capacity allocation applied by the single allocation platform.⁵

The HAR is an EU proposal developed by all TSOs in accordance with Article 51 of the FCA Regulation and was submitted to us by GB TSOs on 13 April 2017.

Our Decision

The Regulatory Authorities have been unable to reach a unanimous decision on the HAR methodology as submitted by TSOs. This has resulted in a request for a decision by the Agency on the HAR.

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 \(EU\) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation](#). The FCA Regulation came into force 17 October 2016. It aims to maximise the efficient use of hedging opportunities for generators, consumers and retailers to mitigate future price risk in the area where they operate, including harmonisation of the current auction rules on forward capacity allocation.

³ See multiple TSO decision letter here: <https://www.ofgem.gov.uk/publications-and-updates/consultation-our-minded-position-assign-transmission-system-operator-obligations-under-requirements-generators-demand-connection-high-voltage-direct-current-and-forward-capacity-allocation-regulations-within-gb>

The relevant GB TSOs that were assigned responsibilities under Article 51 of the FCA Regulation are Moyle Interconnector Limited, East-West Interconnector Company, BritNed Development Limited, and National Grid Interconnectors Limited.

⁴ This decision refers to the all Regulatory Authority decision under Article 51 of FCA. The approval of the regional annexes referred to under Article 52(3) remain a Regulatory Authority competence.

⁵ Article 2(3) of the FCA Regulation.

We have reviewed the HAR proposal submitted to us in line with the requirements of the FCA Regulation, the wider objectives of the Regulation (EC) 714/2009,⁶ and our statutory duties and obligations. We have consulted and closely cooperated and coordinated with other Regulatory Authorities. The all Regulatory Authority agreement, reached on 16 August 2017, is summarised in the letter from the Chair of the Energy Regulators' Forum (ERF)⁷ that is attached as an annex to this decision. This letter constitutes the reasons for our decision.

In line with this all Regulatory Authority agreement, we hereby request the Agency to adopt a decision on the HAR proposed by all TSOs and submitted to us by Moyle Interconnector Limited, East-West Interconnector Company, BritNed Development Limited, and National Grid Interconnectors Limited.

Next steps

In accordance with Article 4(10) of the FCA Regulation, we request the Agency to adopt a decision concerning the HAR within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009; by 17 February 2018. We nevertheless understand that the Agency aims at issuing its final decision in October this year so as to preserve the original implementation timelines and allow market participants to procure capacity in accordance with the HAR for the year 2018.

If you have any queries regarding the information contained within this letter, or the referral letter in the the annex please contact Michelle Murdoch at michelle.murdoch@ofgem.gov.uk.

Yours sincerely,

Mark Copley
Associate Partner, Wholesale Markets

⁶ See Regulation 714/2009: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

⁷ The ERF is the Forum established by all regulatory authorities with rules of procedure to consult and cooperate to reach unanimous agreement.