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Date: 19 February 2018

Dear colleague,

### **Approval of the Channel Regional Design of the Long-Term Transmission Rights (LTTRs)**

On 15 December 2017, we<sup>1</sup> received an amended proposal for the Channel regional design of long-term transmission rights from all Transmission System Operators (TSOs) of the Channel Capacity Calculation Region (Channel CCR), in accordance with Articles 31 of the guideline on Forward Capacity Allocation (the FCA Regulation)<sup>2</sup>. The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations<sup>3</sup>.

This letter sets out our decision to approve the Channel regional design of the Long-Term Transmission Rights (LTTRs) Proposal pursuant to 4(11) of the FCA regulation. It also outlines the necessary next steps.

### **Background**

The Channel regional design proposal is a regional proposal developed by the relevant TSOs within each Capacity Calculation Region (CCR)<sup>4</sup>.

The proposal was first submitted to us by TSOs within the Channel CCR on 18 April 2017. Following consultation with all Channel Regulatory Authorities we requested that the Channel TSOs resubmit an amended proposal within two months pursuant to Article 4(11) of the FCA Regulation. The requested amendments were set out in the Regulatory Authority agreement<sup>5</sup>, published as annexes to our decision.

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<sup>1</sup> 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.

<sup>2</sup> [Commission Regulation \(EU\) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation](#) The FCA Regulation came into force on 26 September 2016. It builds on the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation) to maximise efficiency in cross-border electricity trading. Specifically, the FCA Regulation provides a harmonised framework for forward capacity markets to allow market participants to hedge positions before the day-ahead timeframe.

<sup>3</sup> See decision here: [https://www.ofgem.gov.uk/system/files/docs/2016/10/gcc\\_fca\\_final\\_decision\\_on\\_mtso.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/10/gcc_fca_final_decision_on_mtso.pdf)  
The relevant GB TSOs that were assigned responsibilities under Article 31 of the FCA Regulation are BritNed Development Limited, National Grid Interconnectors Limited and Nemo Link Limited.

<sup>4</sup> As per Article 2(3) of the CACM Regulation: A capacity calculation region means the geographic area in which coordinated capacity calculation is applied. This definition also applies to the FCA Regulation.

<sup>5</sup> See Regulatory Authority Agreement here: [https://www.ofgem.gov.uk/system/files/docs/2017/10/channel\\_regional\\_design\\_amendment\\_request.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/10/channel_regional_design_amendment_request.pdf)

The FCA Regulation requires the competent Regulatory Authorities to decide on the amended terms and conditions or methodologies within two months following their submission<sup>6</sup>.

## **Our Decision**

In our original decision we requested two amendments. The re-submitted proposal meets both of these requests fully:

- i. We requested that the type of LTRR to be offered on the bidding zone border GB:NL be clearly specified, rather than indicating it could be Physical Transmission Rights (PTRs) or Financial Transmission Rights – Options (FTRs-Options); and
- ii. If the proposal plans on starting with one type of LTRR on the bidding zone border GB:NL and then to change to another LTRR in the future, the proposal should detail this change and provide a time schedule for implementation.

The amendment proposal has addressed both the requests entirely and now details that PTRs will be used on the bidding zone border GB:NL. It also clarifies that the type of LTRR will not be changing in the future without the Channel regional design of LTRR being amended.

We have consulted, closely cooperated and coordinated with other Regulatory Authorities to reach agreement on the amended LTRRs proposal. The all Regulatory Authority agreement, reached on 5 February 2018, is annexed to this decision letter and constitutes the reasons for our decision.

In line with this all Regulatory Authority agreement, we hereby approve the Channel regional design of LTRRs proposed by National Grid Interconnectors Limited, BritNed Development Limited, and Nemo Link Limited.

### *Decision not to undertake an Impact Assessment*

As set out in our decision on the original proposal we have not undertaken an Impact Assessment for this proposal as the proposal merely relates to the parameters and processes necessary for the implementation of effective arrangements for long-term cross-zonal hedging opportunities for market participants, which constitutes the objective of the FCA Regulation and was as such already subject to an impact assessment. Moreover, the proposal in itself does not constitute a significant change to the existing GB requirements and arrangements. Accordingly, we continue to consider that an impact assessment is unnecessary.

## **Next steps**

In accordance with this decision, the Channel regional design of LTRRs will take effect following approval by all competent authorities. As such the relevant GB TSOs listed above must publish the LTRRs on the internet in line with Article 4(13) of the FCA Regulation, and must meet the implementation deadlines required by Article 8 of the Channel Regional Design Proposal following the approval of the last competent regulator.

If you have any queries regarding the information contained within this letter, or the all Regulatory Authority agreement in the annex please contact Holly MacDonald at [Holly.MacDonald@ofgem.gov.uk](mailto:Holly.MacDonald@ofgem.gov.uk).

Yours sincerely,

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<sup>6</sup> Article 4(11) of the FCA Regulation.

Ryan McLaughlin  
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