

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

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

Date: 20 March 2018

Dear Colleague,

Request for amendment to the Channel Transmission System Operators' proposal for the Common Capacity Calculation Methodology.

On 15th September, we¹ received a proposal from the Channel Transmission System Operators (TSOs) for the common capacity calculation methodology for the day-ahead and intraday market timeframe in accordance with Article 20 of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation).² The proposal was submitted to us by the relevant TSO in line with our assignment of obligations.³

This letter sets out our decision to request amendment to the Channel common capacity calculation methodology proposal, hereinafter referred to as the "CCM". This letter then outlines the necessary next steps that must be taken.

Background

The CCM is a regional proposal 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 decisions within six months following receipt of the proposal by the last regulatory authority.⁵ The Agency for the Cooperation of Energy Regulators (ACER) has confirmed that the last Regulatory Authority received the Channel CCM proposal on 20 September 2017. A National decision on the proposal is therefore required by 20 March 2018.

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 20 of the CACM Regulation are National Grid Electricity Transmission plc, BritNed Development Limited and National Grid Interconnectors Limited and Nemo Link 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.

⁵ Article 9(10) of the CACM Regulation.

CCM Proposal

The Channel CCM proposes a common methodology within the Channel Region for the calculation of cross-zonal capacity allocation and congestion management in the day-ahead and intraday markets.

A key aim of the CCM is to maximise the cross-zonal capacity allocation on interconnectors whilst respecting operational security limits.

Our Decision

We have reviewed the proposal submitted to us in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009⁶, and our statutory duties and obligations. Further, we have taken into consideration the views from the consultation which concluded on 31 July 2017.⁷ We have also consulted GB stakeholders about these proposals through the Joint European Stakeholder Group.⁸

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 CCM was reached on 20 March 2018. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

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

1. Request National Grid Electricity Transmission plc, BritNed Development Limited, National Grid Interconnectors Limited and Nemo Link Limited to amend the proposed CCM 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 this proposal. This is because the proposal, and the changes requested in the all Regulatory Authority request for amendment, would not constitute a significant change to existing GB requirements and arrangements. The adoption of the CCM is furthermore a requirement of the CACM Regulation, which has already been subset to an impact assessment. Accordingly, we consider that an impact assessment is unnecessary.

Next steps

CCM proposal

In accordance with Article 9(12) of the CACM Regulation, the relevant TSOs must make the amendments to the CCM proposal necessary to address the points set out in the 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 May 2018.

If you have any queries regarding the information contained within this letter, or the Regulatory Authority agreement in the annex, please contact Kevin Hughes at kevin.hughes@ofgem.gov.uk.

⁶ Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

⁷ Channel Capacity Calculation Methodology Proposal consultation via ENTSO-E: <https://consultations.entsoe.eu/markets/capacity-calculation-methodology-channel-ccr/>

⁸ More information about JESG is available here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/European-network-code/Joint-European-Stakeholder-Group/>

Yours sincerely,

Mark Copley
Associate Partner, Wholesale Markets