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

Date: 16 March 2018

Dear Colleague,

**Request for amendment to the Ireland-United Kingdom TSOs' proposal for the Common Capacity Calculation Methodology.**

On 15<sup>th</sup> September, we<sup>1</sup> received a proposal from all Ireland-United Kingdom (IU) Transmission System Operators 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).<sup>2</sup> The proposal was submitted to us by the relevant TSO in line with our assignment of obligations.<sup>3</sup>

This letter sets out our decision to request amendment to the IU 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).<sup>4</sup>

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.<sup>5</sup> The Agency for the Cooperation of Energy Regulators (ACER) has confirmed that the last Regulatory Authority received the IU CCM proposal on 18 September 2017. A National decision on the proposal is therefore required by 18 March 2018.

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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 \(EU\) 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.

<sup>3</sup> 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, Moyle Interconnector Limited, EirGrid Interconnector Designated Activity Company.

<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.

<sup>5</sup> Article 9(10) of the CACM Regulation.

## *CCM Proposal*

The IU CCM proposes a common methodology within the IU 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 714/2009<sup>6</sup>, and our statutory duties and obligations. Further, we have taken in to consideration the views from the consultation which concluded on 31 August 2017.<sup>7</sup> We have also consulted GB stakeholders about these proposals through the Joint European Stakeholder Group.<sup>8</sup>

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 16 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, Moyle Interconnector Limited and EirGrid Interconnector Designated Activity Company 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 16 May 2018.

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

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

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

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](mailto:kevin.hughes@ofgem.gov.uk).

Yours sincerely,

Mark Copley  
Associate Partner, Wholesale Markets