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Date: 9 April 2018

Dear colleague,

## **Approval of the proposal for nomination rules for Physical Transmission Rights for the bidding zone borders of the Channel Region**

On 31 October 2017, we<sup>1</sup> received the proposal from GB Transmission System Operators (TSOs) in accordance with Article 36 of the guideline on the Forwards Capacity Allocation (the FCA Regulation)<sup>2</sup>. The relevant GB TSOs in line with our assignment of obligations submitted the proposal to us.<sup>3</sup>

This letter sets out our decision, in line with all the Regulatory Authority agreements reached by the relevant Regulatory Authorities, to approve the nomination rules for Physical Transmission Rights for the Channel region. The letter furthermore outlines the necessary next steps that must be taken.

### **Background**

The proposed nomination rules for Physical Transmission Rights (PTRs) is a proposal developed by the relevant TSOs of the Channel Capacity Calculation Region (CCR).<sup>4</sup> In accordance with Article 36 of the FCA Regulation, PTRs holders, or authorised third parties acting on their behalf need to comply with the nomination rules when nominating their electricity exchange schedules between bidding zones.

The competent Regulatory Authorities are required to consult, closely cooperate, and coordinate with each other in order to reach an agreement and take decisions within six months following receipt of the proposals by the last Regulatory Authority. The proposal

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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 establishing a guideline on forward capacity allocation. The FCA Regulation came into force 16 October 2016. It builds on the Commission Regulation (EU) 2015/122 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 TSO decision letter here: <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultation-assignment-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 32 and 36 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.

was received by the last relevant Regulatory Authority on 31 October 2017. National decisions on this proposal are therefore required by 30 April 2018 at the latest.

The FCA regulation<sup>5</sup> requires the nomination rules proposal to provide detailed information on the nomination procedure for PTRs including: technical requirements, format for communication, timings, nomination gate closures and eligibility for exchange between market participants.

## **Our Decision**

We have reviewed the proposal submitted to us in line with the requirements of the FCA Regulation, the wider objectives of the regulation (EC) No 714/2009<sup>6</sup> and our statutory duties and obligations. In making our decision we have considered how TSOs took into account the views expressed during the mandatory public consultation on the proposals.<sup>7</sup>

We have closely cooperated and coordinated with other Regulatory Authorities in order to reach agreements on the proposal on each border: Great Britain – Belgium, Great Britain – France, Great Britain – The Netherlands. The Regulatory Authorities agreements, dated on 15 March 2018, are attached as annexes to this decision letter and constitute the reasons for our decision.

In line with these Regulatory Authority agreements, we hereby adopt the decision to approve the nomination rules for Physical Transmission Rights proposed by BritNed Development Limited, National Grid Interconnectors Limited, and Nemo Link Limited.

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

We have not undertaken an impact assessment for this proposal. This is because the proposal is limited in scope and does not constitute a significant change to existing requirements and arrangements for the nomination of scheduled exchanges. The adoption of the nomination rules is furthermore a requirement of the FCA Regulation, which has already been subject to an impact assessment. Accordingly, we consider that an impact assessment is unnecessary.

## **Next Steps**

A Physical Transmission Right is bought from the Single Allocation Platform (SAP) as defined under the FCA Regulation, and the SAP is expected to go live in quarter 3 of 2018. In accordance with this decision, and in accordance with Article 8 of the nomination rules, the nomination rules is expected to take effect for the interconnectors: IFA, Nemo Link and BitNed at the latest from the issuance of the first right document for that interconnector by the SAP. As such, all GB TSOs must publish the nomination rules on the internet in line with Article 4(13) of the FCA Regulation.

If you have any queries regarding the information contained within this letter, or the Regulatory Authority agreements in the annexes please contact Ambalika Shah at [ambalika.shah@ofgem.gov.uk](mailto:ambalika.shah@ofgem.gov.uk).

Yours sincerely,

Ryan McLaughlin,  
Head of European Wholesale Markets

<sup>5</sup> Article 36(2) of the FCA Regulation.

<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> The consultation held 27 June 2017 to 18 August 2017 is available on the ENTSO-e website: <https://consultations.entsoe.eu/markets/nom-ptrs/>