

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

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Date: 27 July 2018

Dear Colleague,

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

On 23 May, following our amendment request dated 20 March 2018<sup>1</sup>, we<sup>2</sup> received an amended proposal from Channel Transmission System Operators (TSOs) for the common capacity calculation methodology for the day-ahead and intraday market timeframe in accordance with Article 9(12) of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation).<sup>3</sup> The proposal was submitted to us by the relevant TSOs in line with our assignment of obligations.<sup>4</sup>

This letter sets out our decision to request, in line with the Channel Regulatory Authority agreement and for the second time, an amendment to the Channel TSOs' 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>5</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<sup>6</sup> and take decisions within two months following receipt of an amended proposal by the last

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<sup>1</sup> [Request for amendment to the Channel Capacity Calculation Methodology.](#)

<sup>2</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>3</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>4</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, BritNed Development Limited, National Grid Interconnectors Limited and Nemo Link Limited.

<sup>5</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>6</sup> Article 9(10) of the CACM Regulation.

regulatory authority.<sup>7</sup> The last Regulatory Authority received the amended Channel CCM on 28 May 2018. A decision on the proposal is therefore required by 28 July 2018.

### *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 for the day-ahead and intraday markets, whilst respecting operational security limits.

### **Our Decision**

We have reviewed the amended proposal in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) 714/2009<sup>8</sup>, and our statutory duties and obligations. We have concluded that the methodology cannot be approved in its current form. We believe the CCM must offer a more robust approach in regards to the instances that trigger a cross-zonal capacity calculation.

As required by Article 9(10) of the CACM Regulation, we have consulted, and closely cooperated and coordinated with other Channel Regulatory Authorities in order to reach an agreement on this proposal. The Channel Regulatory Authority agreement for the CCM was reached on 27 July 2018. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

In line with the Channel Regulatory Authority agreement, and for the second time, we hereby 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. Furthermore, the adoption of the CCM is a requirement of the CACM Regulation, which has already been subject to an impact assessment. Accordingly, we consider that an impact assessment is unnecessary.

### **Next steps**

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

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<sup>7</sup> Article 9(12) of the CACM Regulation.

<sup>8</sup> [Regulation \(EC\) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on the conditions for access to the network for cross-border exchanges in electricity and repealing Regulation \(EC\) No 1228/2003](#) This Regulation aims at setting fair rules for cross-border exchanges in electricity. Additionally, it aims at facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity. It provides for mechanisms to harmonise the rules for cross-border exchanges in electricity.

Yours faithfully,

Mark Copley  
Deputy Director, Wholesale Markets, Systems & Networks