

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

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Date: 13 September 2018

Dear colleague,

Request for amendment to the all TSO methodologies on calculating Electricity Exchange Schedules resulting from the day ahead and intraday coupling

On 27 February 2018, we¹ received two proposals from GB Transmission System Operators (TSOs) in accordance with Articles 43 and 56 of the guideline on the Capacity Allocation and Congestion Management (the CACM Regulation)². The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision, in line with all the Regulatory Authority agreement reached by the relevant Regulatory Authorities, to request an amendment to the Electricity Exchange Schedule methodologies. The letter furthermore outlines the necessary next steps that must be taken.

Background

According to Article 2 (32) of the CACM Regulation, a scheduled exchange is an electricity transfer scheduled between geographic areas, for each market time unit and for a given direction. Article 43 of the CACM Regulation requires that a methodology describes the calculation of the Day Ahead Electricity Exchange Schedule, and lists the information to be provided by the relevant NEMOs to the scheduled exchange calculator. The time limit for delivering the information should be no later than 15:30 market time day ahead. Article 43 further states that the calculation is to be based on net positions for each market time unit. Similarly, Article 56 of the CACM Regulation requires a methodology describing the calculation of the scheduled exchanges resulting from single intraday coupling and listing the information which the relevant NEMOs must provide.

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 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 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 proposals were received by the last relevant Regulatory Authority on 14 March 2018. Regulatory Authorities are therefore required to make decisions on these proposals by 14 September 2018 at the latest.

Our Decision

We have reviewed the proposals submitted to us in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009⁴ and our statutory duties and obligations. In making our decision we have considered how TSOs took into account the views expressed during the public consultation on the proposals.⁵

As required by Article 9(10) 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. All Regulatory Authority agreement for the proposals was reached on 7 September 2018. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

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

1. Request the relevant GB TSOs to amend the methodologies on calculating Electricity Exchange Schedules resulting from the day ahead coupling in line with the all Regulatory Authority agreement annexed to this letter.
2. Request the relevant GB TSOs to amend the methodologies on calculating Electricity Exchange Schedules resulting from the intraday coupling in line with the all Regulatory Authority agreement annexed to this letter.

Decision not to undertake an Impact Assessment

We have not undertaken an impact assessment for these proposals. This is because the proposals are limited in scope and do not constitute a significant change to existing requirements and arrangements for the nomination of scheduled exchanges. The adoption of the Electricity Exchange Schedules methodologies is furthermore 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 necessary amendments to address the points set out in the Regulatory Authority agreement and re-submit the amended proposals to us and to the Agency within two months of this decision.

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.

⁴ Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

⁵ The consultation for the Day Ahead Electricity Exchange Methodology was held 4 October 2016 to 6 November 2016 is available on the ENTSO-e website: <https://consultations.entsoe.eu/markets/all-tsos-proposal-on-da-scheduled-exchanges/>. The consultation for the Intraday Electricity Exchange Methodology was held 3 November 2017 to 3 December 2017 is available on the ENTSO-E website: https://consultations.entsoe.eu/markets/id-scheduled-exchanges-calculation-methodology/consult_view/

Yours faithfully,

Michael Wagner,
Deputy Director, Wholesale Markets & Commercial