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Date: 14 September 2018

Dear Colleague,

Request for amendment to the Ireland-United Kingdom methodologies for Redispatching and Countertrading and for Redispatching and Countertrading Cost Sharing

On 16 March, we¹ received two proposals from the Transmission System Operators (TSOs) of the Ireland-United Kingdom (IU) capacity calculation region in accordance with Article 35(1) and Article 74(1) of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation²). The proposals present methodologies for i) coordinated redispatching (RD) and countertrading (CT) and ii) coordinated RD and CT cost sharing in the IU region. The proposals were submitted to us by the relevant TSOs in line with our assignment of obligations.³

This letter sets out our decision to request amendments to both methodologies in accordance with Article 9(12) of the CACM Regulation and outlines the necessary next steps that must be taken.

Background

The proposals for the RD and CT methodology and for the RD and CT cost sharing methodology are regional proposals developed by the relevant TSOs within each capacity calculation region.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 the receipt of a proposal by the last regulatory authority.⁵

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 multiple TSO (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>.

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.

The relevant proposals were received by all IU Regulatory Authorities on 16 March 2018. Decisions are therefore required by 16 September 2018.

RD and CT Proposal

The objective of the RD and CT methodology is to coordinate redispatching and countertrading actions of cross-border relevance amongst TSOs within the IU capacity calculation region in order to enable IU TSOs to effectively relieve physical congestion, irrespective of whether the reasons for the physical congestion fall mainly outside their control area or not.

An important aim of the RD and CT methodology is to maintain operational security by resolving physical congestions in the most efficient and cost effective manner possible. An essential concept behind the methodology is that coordinated redispatch or countertrading actions can be economically more efficient than reducing cross-border capacity.

RD and CT Cost Sharing Proposal

The objective of the RD and CT cost sharing methodology is to establish cost-sharing solutions for actions of cross-border relevance. An important aim of the RD and CT cost sharing methodology is to set out the redispatching and countertrading costs eligible for cost sharing between relevant TSOs and ensure that they will be determined in a transparent and auditable manner.

Our Decisions

As required by Article 9(10) of the CACM Regulation, we have consulted, and closely cooperated and coordinated with other IU Regulatory Authorities in order to reach agreement on the proposals for the RD and CT methodology and for the RD and CT cost sharing methodology. Furthermore, we have reviewed the proposals submitted to us in line with the requirements of the wider objectives of the Regulation (EC) 714/2009⁶, and our statutory duties and obligations. The IU Regulatory Authority agreements for the methodologies were reached on 14 September 2018. The agreements for both proposals are attached as annexes to this decision letter and constitute the reasons for our decisions.

In line with the IU Regulatory Authority agreements, we hereby adopt the following decisions:

1. Request the relevant GB TSOs to amend the proposed IU RD and CT methodology in line with the requests set out in the IU Regulatory Authority agreement annexed to this letter.
2. Request the relevant GB TSOs to amend the proposed IU RD and CT cost sharing methodology in line with the requests set out in the IU 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 proposal would not constitute a significant change to existing GB requirements and arrangements. Furthermore, the adoption of the RD and CT methodology and of the RD and CT cost sharing methodology 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.

⁶ [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.

Next steps

In accordance with Article 9(12) of the CACM Regulation, the relevant GB TSOs must make the necessary amendments to the IU RD and CT methodology and to the RD and CT cost sharing methodology to address the points set out in the Regulatory Authority agreements and re-submit the amended proposals to us and to the Agency within two months of this decision i.e. by 14 November 2018.

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

Yours faithfully,

Michael Wagner
Deputy Director, Wholesale Markets, Systems & Networks