

National Grid Electricity
Transmission plc.

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

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Date: 23 November 2018

Dear colleague,

Request for amendment to the all TSO proposal for the implementation framework for a European platform for the imbalance netting process.

On 18 June 2018, we¹ received a proposal from all Transmission System Operators (TSOs) in accordance with Article 22 of the guideline on Electricity Balancing² (the EBGL). The proposal presents an Implementation Framework (IF) for a European platform for the Imbalance Netting (IN) process. The proposal for the IN IF is a pan-EU methodology developed by all TSOs and was submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision to request amendments to the proposal for an IN IF in accordance with Article 6(1) of the EBGL and outlines the necessary next steps that must be taken.

Background

Imbalance netting, as defined in the guideline on System Operation,⁴ is the process agreed between TSOs that allows the avoidance of simultaneous activations of FRR in opposite directions. The IN platform should consist at least of the imbalance netting process function as well as the TSO-TSO settlement function. In accordance with Article 22 of the EBGL, the proposal should cover the design, description of the algorithm, functional requirements, roadmap and timelines for implementation of the platform, the framework for harmonisation of the terms and conditions related to balancing,⁵ governance and cost sharing of the IN-platform, as well as the allocation of the functions of the IN-platform to the entities performing these functions.

The EBGL 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 authority⁶.

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 \(EU\) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing](#). The EBGL Regulation came into force 18 December 2017.

³ <https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-balancing-regulation-within-gb>

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R1485>

⁵ Set up pursuant to Article 18 of the EBGL.

⁶ Article 5(6) of the EBGL.

The proposal for the IN IF was publicly consulted upon by all TSOs through ENTSO-E from 15 January 2018 to 15 March 2018, in line with Article 10 of the EBGL. The TSOs' proposal for a IN IF was received by the last NRA of the European Union on 10 July 2018. A decision is therefore required by 10 January 2019.

In accordance with Article 22(5) of the EBGL, by one year after the approval of the IN IF, all TSOs performing the automatic frequency restoration (aFRP) process are required to implement and make operational the European platform for the IN process.

Decision

As required by Article 5(6) of the EBGL, we have consulted, closely cooperated and coordinated with the other EU NRAs in order to reach agreement on the proposal for a IN IF. Furthermore, we have reviewed the proposal submitted to us in line with the requirements of the wider objectives of the Regulation (EC) 714/2009⁷, and our statutory duties and obligations. The All Regulatory Authority agreement for the proposal was reached on 9 November 2018. The agreement is attached as annex to this decision letter and constitutes the reasons for our decision.

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

- Request the relevant GB TSOs to amend the proposed IN IF 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. The requirement to implement a platform for the IN process has already been subject to an IA.⁸ Accordingly, we consider that an additional impact assessment at this stage is unnecessary.

Next Steps

In accordance with Article 6(1) of the EBGL, the relevant GB TSOs must take the necessary amendments to the IN IF to address the points set out in the All Regulatory Authority agreement and re-submit the amended proposal to us and to the Agency within two months of this decision, i.e. by 23 January 2018.

If you have any queries regarding the information contained within this letter, or the All Regulatory Authority agreement in the annex, please contact Alastair Owen (Alastair.Owen@ofgem.gov.uk).

Yours faithfully,

Grendon Thompson
Head of SO Regulation

⁷ Regulation (EC) No714/2009 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.

⁸ https://ec.europa.eu/energy/sites/ener/files/documents/20130610_eu_balancing_master.pdf