

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

Email: Michael.Wagner@ofgem.gov.uk
Dial number : +447833288264
Date: 27 November 2018

Dear Colleague,

Approval of the Channel TSOs's proposal for the Common Capacity Calculation methodology

On 27 September, we¹ received an amended proposal from the Channel Transmission System Operators (Channel 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).² The proposal was submitted to us by the relevant TSO in line with our assignment of obligations.³

This letter sets out our decision to approve the Channel 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).⁴

The CACM Regulation requires the competent Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement⁵ and take decisions within two months following receipt of an amended proposal by the last regulatory authority.⁶ The last Regulatory Authority received the amended Channel CCM proposal on 27 September 2018. A decision on the proposal is therefore required by 27 November 2018.

CCM Proposal

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 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.

⁶ Article 9(12) of the CACM Regulation.

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

The Channel TSOs submitted a first proposal in September 2017. The Channel Regulatory Authorities issued a first request for amendment on 20 March 2018. The Channel TSOs submitted an amended proposal on 20 May 2018. Considering that Channel TSOs had not appropriately taken into account their first request for amendment, the Channel Regulatory Authorities issued a second Request for Amendment on 27 July 2018. The amended Channel TSOs' proposal for the Channel CCM was received by the last Regulatory Authority on 27 September 2018.

In our original and second decisions, we requested several amendments in order to ensure that the methodology included the necessary level of detail, clarity and transparency to be considered satisfactory.

We have reviewed the proposal submitted to us in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009⁷, and our statutory duties and obligations. Further, we have taken in to consideration the views from the consultation that concluded on 31 July 2017.⁸

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 this proposal. The Regulatory Authority agreement for CCM was reached on 27 November 2018. The agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

In line with the Regional Regulatory Authority agreements, we hereby approve the Channel CCM.

Decision not to undertake an Impact Assessment

We have not undertaken an Impact Assessment for this proposal. This is because the proposal does not constitute a significant change to existing GB requirements and arrangements. The adoption of the CCM 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(14) of the CACM Regulation, the relevant TSOs must publish the Channel CCM on the internet and must meet the implementation deadlines required by Article 27 of the CACM, following the approval by the last competent Regulatory Authority.

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.

⁷ Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

⁸ Channel Capacity Calculation Methodology Proposal consultation via ENTSO-E: https://consultations.entsoe.eu/markets/capacity-calculation-methodology-channel-ccr/consult_view/

Yours faithfully,

Michael Wagner
Deputy Director, Wholesale Markets & Commercial