

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

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Dear Colleague,

Approval of the amended Channel Redispatching and Countertrading Methodology and Redispatching and Countertrading Cost Sharing Methodology

On 23 November 2018, we¹ received two amended proposals from the Transmission System Operators (TSOs) of the Channel capacity calculation region in accordance with Article 35(1) and Article 74(1) of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation).² The proposals present methodologies for i) coordinated redispatching (RD) and countertrading (CT) and ii) coordinated RD and CT cost sharing in the Channel 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 approve both methodologies pursuant to Article 9(12) of the CACM Regulation. The letter then 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 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 23 November 2018. A decision on the proposal is therefore required by 23 January 2019.

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-consultationsassignment-transmission-system-operator-obligations-under-capacity-allocation-and-congestion-managementregulation-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.

RD and CT Proposal

The objective of the RD and CT methodology is to coordinate RD and CT actions of cross-border relevance amongst TSOs within the Channel capacity calculation region in order to enable Channel 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 redispatching 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 Decision

In our original decision, we requested various amendments to the methodologies. In short, the amendments requested aimed at:

- i. improving the transparency of the methodology and;
- ii. the removal of provision by which TSOs could reduce or reject the Net Transfer Capacity (NTC) value of interconnectors.

The re-submitted proposals meet both of these requests. The amended methodologies have improved transparency in various regards. For example, the RD and CT methodology contains a new Article which provides greater details of the next steps after a proposed RD and CT action has been rejected. In addition, the RD and CT methodology no longer contains provisions that allow TSOs to reject or reduce NTC values of interconnectors.

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 714/2009⁷, and our statutory duties and obligations.

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 the proposals. The Regulatory Authority agreement was reached on 22 January 2019. The agreement is attached as an annex to this decision letter and constitutes the reasons for our decision. In line with the Regulatory Authority agreements, we hereby approve the Channel RD and CT methodology and the RD and CT cost sharing methodology.

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 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(14) of the CACM Regulation, the relevant TSOs must publish the Channel RD and CT methodology and the RD and CT cost sharing methodology on the

internet and must meet the implementation deadlines required by Article 17 and Article 7 of the Channel RD and CT methodology and the RD and CT cost sharing methodology respectively, following the approval by the last competent regulator.

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.

Yours faithfully,

Michael Wagner
Deputy Director, Wholesale Markets & Commercial