

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

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Date: 24 January 2019

Dear colleague,

### **Approval of the Border Specific Annex to the Harmonised Allocation Rules (Great Britain–Belgium Bidding Zone Border)**

On 25 July 2018, we<sup>1</sup> received a proposal from the Transmission System Operators (TSOs) of Great Britain (GB) and Belgium (BE) for a GB-BE Border Specific Annex (BSA) to the Harmonised Allocation Rules (HAR), in accordance with Article 52(3) on the Forward Capacity Allocation (FCA Regulation).<sup>2</sup> The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations.<sup>3</sup>

This letter sets out our decision, in line with the Regulatory Authority agreement reached by the GB and BE Regulatory Authorities, to approve the GB-BE BSA. The letter concludes with an outline of the necessary next steps.

### **Background**

According to Article 52 of the FCA Regulation, the HAR is a set of pan-EU rules for the allocation of capacity in the forward timeframe. Furthermore, Article 52(3) of the FCA Regulation states that the HAR may also contain regional or bidding zone border specific requirements. The relevant TSOs have proposed a GB-BE Border Specific Annex (BSA) to the Harmonised Allocation Rules (HAR) to take into account the planned go live date of the Nemo Link interconnector between GB and BE at the end of January 2019.

The provisions of the GB-BE BSA prevail over Article 48 of the HAR to reflect the transmission losses over Nemo Link when calculating the compensation paid in the case of curtailment to the holders of Long Term Transmission Rights. In addition, the GB-BE BSA states that the cap on compensation payable in the case of curtailment will be calculated on a monthly basis, as set out in Article 59 of the HAR.

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<sup>1</sup> 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.

<sup>2</sup> Commission Regulation (EU) 2016/1719 of 26 September establishing on forward capacity allocation. The FCA Regulation came into force in 16 October 2016. It builds on the Commission Regulation (EU) 2015/122 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation) to maximise efficiency in cross-border electricity trading. Specifically, the FCA Regulation provides a harmonised framework for forward capacity markets to allow market participants to hedge positions before the day ahead timeframe.

<sup>3</sup> 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 proposal was received by the last relevant Regulatory Authority on 25 July 2018. The GB and BE Regulatory Authorities are therefore required to make a decision on this proposal by 25 January 2019 at the latest.

## **Our Decision**

We have reviewed the proposal submitted to us in line with the requirements of the FCA Regulation, the wider objectives of the Regulation (EC) No 714/2009<sup>4</sup> and our statutory duties and obligations. In coming to our decision we have considered how TSOs took into account the views expressed during the public consultation on the proposals.<sup>5</sup>

As required by Article 4(9) of the FCA Regulation, we have consulted, closely cooperated and coordinated with the Belgian Regulatory Authority in order to reach an agreement on this proposal. The Regulatory Authority agreement for the proposal was reached on 21 January 2019. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

In line with the Regulatory Authority agreement, we hereby approve the GB-BE BSA.

### *Decision not to undertake an Impact Assessment*

We have not undertaken an impact assessment for this proposal. This is because the proposal merely relates to parameters and processes relevant for the implementation of the FCA 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 4(13) of the FCA Regulation, the GB and BE TSOs must publish the GB-BE BSA on the internet. The GB-BE BSA shall be effective in accordance with the timeline indicated within Article 2, currently expected to be from 1 April 2019.

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](mailto:Holly.MacDonald@ofgem.gov.uk).

Yours faithfully,  
Michael Wagner  
Deputy Director, Wholesale Markets & Commercial

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

<sup>5</sup> The consultation for the BSA was held from 25 May 2018 to 25 June 2018 and can be found on the website of Nemo Link: <http://www.nemo-link.com/blog/2018/05/>