

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

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Date: 14 February 2019

Dear colleague,

Approval of the amended all TSO methodology for calculating scheduled exchanges resulting from single day-ahead coupling

On 30 November 2018, we¹ received an amended proposal from GB Transmission System Operators (TSOs) in accordance with Article 43 of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation)². The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision to approve the methodology for calculating scheduled exchanges resulting from single day-ahead coupling (the Methodology) pursuant to Article 9(12) of the CACM Regulation. The letter furthermore outlines the necessary next steps that must be taken.

Background

According to Article 2(32) of the CACM Regulation, a scheduled exchange is an electricity transfer scheduled between geographic areas, for each market time unit and for a given direction.

The objective of the Methodology for day ahead coupling is to describe the calculation of the day ahead electricity exchange schedule, and list the information to be provided by the relevant NEMOs to the scheduled exchange calculator. The time limit for delivering the information should be no later than 15:30 market time day ahead. The scheduled exchange calculation is to be based upon net positions for each market time unit.

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 TSO 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>

The CACM Regulation requires the competent Regulatory Authorities to consult, closely cooperate, and coordinate with each other in order to reach an agreement⁴ and take decisions within two months following receipt of an amended proposal by the last regulatory authority⁵. The last Regulatory Authority received the amended Methodology on 14 December 2018. A decision on the proposal is therefore required by 14 February 2019.

Our Decision

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

- i. improving clarity on the deadline for the provision of the scheduled exchanges within the day-ahead timeframe;
- ii. clarification that the calculation of scheduled exchanges between scheduling areas is only performed between scheduling areas where at least one NEMO operates;
- iii. clarification of the all TSOs' requirements for the price coupling algorithm and the continuous trading matching algorithm (e.g. also including the requirement to provide scheduled exchanges on DC interconnector level);
- iv. clarification of the cost coefficients to be determined by TSOs and the principles used to do so;
- v. the inclusion of an additional Article covering the calculation of scheduled exchanges between NEMO trading hubs; and finally
- vi. general amendments with regards to the formatting of the proposal and consistent use of defined terms throughout.

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 714/2009⁶ and our statutory duties and obligations. We consider that it satisfies the requested amendments and has improved transparency.

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 these proposals. All Regulatory Authority agreement for the proposal was reached on 8 February 2019. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision. In line with the all Regulatory Authority agreement we hereby approve the Methodology.

Decision not to undertake an Impact Assessment

We have not undertaken an impact assessment for this proposal. This is because the proposal is limited in scope and does not constitute a significant change to existing requirements and arrangements for the calculation of day ahead electricity exchange schedules. The adoption of the Methodology 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 Methodology on the internet, and must meet the implementation deadline required under Article 9 of the Methodology, following the approval by the last competent regulator.

⁴ Article 9(10) of the CACM Regulation.

⁵ Article 9(12) of the CACM Regulation.

⁶ Regulation (EC) No 714/2009 here:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

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.

Yours faithfully,

Tom Corcut,
Deputy Director, Wholesale Markets & Commercial