

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

Email: Natasha.Zoe.Smith@ofgem.gov.uk

Date: 22 July 2019

Dear Colleague,

Request for amendment to the Ireland-United Kingdom TSOs' proposal for a common Long Term Capacity Calculation Methodology

On 23 January, we¹ received a proposal from the Ireland-United Kingdom (IU) Transmission System Operators (TSOs) for the Long Term (LT) Capacity Calculation Methodology (CCM) for the forward market timeframe in accordance with Article 10 of the guideline on Forward Capacity Allocation (the FCA Regulation).² The proposal was submitted to us by the relevant TSO in line with our assignment of obligations.³

Background

The LT CCM is a regional proposal developed by the relevant TSOs within each capacity calculation region (CCR).⁴

The FCA Regulation 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 receipt of the proposal by the last regulatory authority.⁵ The last Regulatory Authority received the LT CCM proposal on 23 January 2019. A National decision on the proposal is therefore required by 23 July 2019.

Long Term Capacity Calculation Methodology

The LT CCM proposes a common methodology within the IU Region for the calculation of cross-zonal capacity allocation in the forward market timeframe.

A key aim of the LT CCM is to promote effective and optimal calculation of long-term cross-zonal capacity on interconnectors. Another key aim is to promote long-term cross-zonal

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 \(EU\) 2016/1719 establishing a guideline on forward capacity allocation](#). The FCA Regulation came into force 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.

3 See mTSO 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>

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 4(9) of the FCA Regulation.

trade with long-term cross-zonal hedging opportunities for market participants. This is done by ensuring capacity is calculated and released to the market sufficiently in advance of delivery.

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 714/2009⁶, and our statutory duties and obligations.

As required by Article 4(9) of the FCA Regulation, we have consulted, and closely cooperated and coordinated with other IU Regulatory Authorities in order to reach an agreement on these proposals. The IU Regulatory Authority agreement for LT CCM was reached on 19 July 2019. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

In line with the IU Regulatory Authority agreements, we hereby adopt the decision to request an amendment to the LT CCM in line with the IU Regulatory Authority agreement annexed to this letter.

Next steps

In accordance with Article 4(11) of the FCA Regulation, IU TSOs must make the amendments to the LT CCM necessary to address the points set out in the IU Regulatory Authority agreement and re-submit an amended proposal to us and to the Agency within two months of this decision i.e. by 22 September 2019.

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 sincerely,

Natasha Zoe Smith
Head of European Wholesale Markets

⁶ Regulation (EC) No 714/2009 is available here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>