

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

Email: NatashaZoe.Smith@ofgem.gov.uk
Date: 22 July 2019

Dear Colleague,

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

We¹ received two amended proposals from the Transmission System Operators (TSOs) of the IU capacity calculation region (CCR) 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 cover i) the coordinated redispatching (RD) and countertrading (CT) methodology and ii) the coordinated RD and CT cost sharing methodology in the IU 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 IU CCM proposal on 24 May 2019. A decision on the proposal is therefore required by 24 July 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 IU CCR in order to enable IU 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 last decision, we requested several amendments to the methodologies. Among others, the requested amendments aimed at:

- i. improving the transparency of both methodologies;
- ii. removing the provision from the RD&CT methodology by which TSOs could reduce or reject the Net Transfer Capacity (NTC) value of interconnectors; and
- iii. providing additional information on the processes foreseen by the RD&CT methodology

The amended proposals meet these requests.

Firstly, the amended methodologies have improved transparency. For example, the RD and CT methodology contains an annex that describes the process to select RD and CT actions and the process to calculate the cost of these actions. Furthermore, the IU TSOs have included the cost and incomes of RD in the total cost of coordinated RD and CT.

Secondly, the RD and CT methodology no longer contains provisions that allow TSOs to reject or reduce NTC values of interconnectors.

Finally, the RD and CT methodology provides additional information on the relevant processes. For example, the RD and CT methodology explicitly states the deadlines to publish information on both the available volumes for the RD and CT actions and the prices of the RD and CT actions.

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. 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.

The Regulatory Authority agreement was reached on 19 July 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 IU RD and CT methodology and the RD and CT cost sharing methodology.

⁷ The Regulation 714/2009 is available here : <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

Next steps

In accordance with Article 9(14) of the CACM Regulation, the relevant TSOs must publish the IU RD and CT methodology and the RD and CT cost sharing methodology on the internet and meet the implementation deadlines required by Article 17 and Article 7 of the IU 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 Florian Andre at florian.andre@ofgem.gov.uk.

Yours faithfully,

Natasha Zoe Smith
Head of European Markets