

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

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19 July 2019

Dear colleague,

Request for amendment to the all TSO proposal for the implementation framework for a European platform for the imbalance netting process.

On 6 March 2019, we¹ received an amended proposal from the relevant GB Transmission System Operator (TSO) in accordance with Article 22 of Commission Regulation (EU) 2017/2195² establishing a guideline on electricity balancing (the EBGL Regulation). The proposal presents an Implementation Framework (IF) for a European platform for the Imbalance Netting (IN) process. The proposal for the IN IF is a pan-EU methodology developed by all TSOs and was submitted to us by the Electricity System Operator (ESO) in line with our assignment of obligations.³

This letter sets out our decision to request amendments to the proposal for an IN IF in accordance with Article 6(1) of the EBGL Regulation and outlines the necessary next steps that must be taken.

Background

Imbalance netting, as defined in the guideline on System Operation⁴, is the process agreed between TSOs that allows the avoidance of simultaneous activations of Frequency Restoration Reserves (FRR) in opposite directions. In accordance with Article 22 of the EBGL Regulation, the IN platform should consist at least of the imbalance netting process function as well as the TSO-TSO settlement function. The proposal should furthermore cover a) the design of the platform, b) the roadmap and timelines for its implementation, c) the definition of the functions necessary for its operation, d) the rules for its governance and operation, e) designation of the entities performing the functions, f) the framework for harmonisation of the terms and conditions related to balancing, g) cost sharing principles and h) the description of the algorithm.

In accordance with Article 22(5) of the EBGL Regulation, by one year after the approval of the IN IF, all TSOs performing the automatic frequency restoration process (aFRP) are required to implement and make operational the European platform for the IN process.

The proposal for the IN IF was publicly consulted upon by all TSOs through ENTSO-E from 15 January 2018 to 15 March 2018, in line with Article 10 of the EBGL Regulation. The ESO submitted the original proposal on 18 June 2018. We reviewed the proposal in line with the requirements of the EBGL Regulation, the wider objectives of Regulation (EC) No 714/2009⁵ and our statutory duties and obligations.

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 \(EU\) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing](#). The EBGL Regulation came into force 18 December 2017.

³ See Ofgem decision on our TSO assignment at: <https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-balancing-regulation-within-gb>

⁴ [Commission Regulation \(EU\) 2017/1485 of 2 August 2017 establishing a guideline on electricity balancing](#). The SOGL Regulation came into force 14 September 2017.

⁵ Regulation (EC) No714/2009 of the European Parliament and of the Council of 13 July 2009 on the conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003 This

Following consultation with all Regulatory Authorities, we requested on 23 November 2018 that the ESO amend the proposal and resubmit it to us, pursuant to Article 6(1) of the EBGL Regulation. The requested amendments were set out in the respective all Regulatory Authority agreement, published as an annex to our decision.⁶

The amended proposal, was received by the last Regulatory Authority on 19 March 2019. The EBGL Regulation requires all Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and take decisions within two months following the receipt of submissions by the last Regulatory Authority⁷. On 29 May 2019, ACER accepted the request for an extension submitted by all regulatory authorities and extended the period for those regulatory authorities to reach an agreement on the amended proposal until 19 July 2019. Our decision on the amended proposal is therefore required by 19 July 2019.

Decision

As required by Article 5(6) of the EBGL Regulation, we have consulted, closely cooperated and coordinated with the other Regulatory Authorities in order to reach agreement on the proposal for a IN IF. Furthermore, we have reviewed the proposal submitted to us in line with the requirements of the wider objectives of the Regulation (EC) 714/2009, and our statutory duties and obligations. The All Regulatory Authorities agreement for the proposal was reached on 11 July 2019. The agreement is attached as annex to this decision letter and constitutes the reasons for our decision.

In line with this all Regulatory Authority agreement, we hereby adopt the following decision:

- Request the ESO to amend the proposed IN IF in line with the request set out in the all Regulatory Authority agreement annexed to this letter.

Decision not to undertake an Impact Assessment

We have not undertaken an Impact Assessment for this proposal. The proposal does not create any new obligation for market participants and taking into account the limited scope of the proposal, we consider that it does not constitute a significant change to existing requirements and arrangements. An Impact Assessment at this stage is unnecessary.

Next Steps

In accordance with Article 6(1) of the EBGL Regulation, the ESO must make the necessary amendments to the IN IF to address the points set out in the All Regulatory Authority agreement and re-submit the amended proposal to us and to the Agency within two months of this decision, i.e. by 19 September 2019.

If you have any queries regarding the information contained within this letter, please contact Jordan Clarke at Jordan.clarke@ofgem.gov.uk.

Yours faithfully

Leonardo Costa
Senior Manager, SO Regulation

Regulation aims at setting fair rules for cross-border exchanges in electricity. Additionally, it aims at facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity. It provides for mechanisms to harmonise the rules for cross-border exchanges in electricity.

⁶ <https://www.ofgem.gov.uk/publications-and-updates/request-amendment-all-tso-proposal-implementation-framework-european-platform-imbalance-netting-process>

⁷ Article 6(1) of the EBGL Regulation.