



Making a positive difference
for energy consumers

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Date: 25 October 2019

Dear Nick,

Approval of the modified Access Rules for the Nemo Link interconnector (Nemo Link) pursuant to Standard License Condition 11A of the electricity interconnector license

On 14 August 2019, Nemo Link Limited (NLL) submitted modified Access Rules (the modified Access Rules) for the Nemo Link interconnector¹ to the Authority² for approval. The modifications are to the Access Rules that are applicable as long as the UK remains within the Internal Energy Market.

The modified Access Rules were submitted pursuant to Standard Licence Condition (SLC) 11A of NLL's electricity interconnector licence (the Licence)³ which requires NLL to maintain Access Rules, that set out the terms and conditions for access to, and including use of, the interconnector.

¹ Nemo Link is a 1000MW high voltage direct current (HVDC) interconnector, connecting the transmission systems of Great Britain (GB) and Belgium (BE). NLL is a joint venture between Elia System Operator NV/SA (Elia) (the Belgian TSO) and National Grid Interconnector Holdings Limited.

² 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.

³ The electricity interconnector licence standard conditions can be found here: https://epr.ofgem.gov.uk//Content/Documents/Electricity_Interconnector_Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf.

We have decided to approve the modified Access Rules on the basis that we are satisfied the modifications achieve the relevant Access Rules objectives as required under NLL's Licence⁴. This letter contains a Direction, attached as Annex 1, approving the modified Access Rules. It also explains the reasons for our approval as required under section 49A of the Electricity Act 1989.

The proposed modifications to the Access Rules

The modified Access Rules look to further build upon the Nemo Link Access Rules approved on 25 January 2019⁵ (the Nemo Link Access Rules) to include provisions for the intraday timeframe.

NLL propose to allocate intraday capacity explicitly on the Joint Allocation Office (JAO) platform. Each auction covers specific delivery timings, as outlined in the following table.

| Time of auction (CET/CEST) | For delivery period on Day D |
|---------------------------------------|------------------------------|
| Intraday Auction 1: 21:45-22:10 (D-1) | 00:00-06:00 |
| Intraday Auction 2: 03:30-03:55 (D) | 06:00-12:00 |
| Intraday Auction 3: 09:30-09:55 (D) | 12:00-18:00 |
| Intraday Auction 4: 15:30-15:55 (D) | 18:00-24:00 |

NLL proposes to have twenty-four nomination gates, one for each hour of the delivery day. Holders of intraday capacity will be able to nominate their capacity during the nomination gate period, which takes place between one hundred minutes and seventy-five minutes before the delivery.

The intraday auctions use the Use-It-Or-Lose-It (UIOLI) principle for nomination. The UIOLI principle means any non-nominated intraday capacity irrevocably falls back to NLL, and the holders of intraday capacity that do not nominate that capacity have no right to receive remuneration.

⁴ The relevant Access Rules objectives are set out in SLC 11A and state that Access Rules shall be transparent, objective, non-discriminatory and compliant with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

⁵ Ofgem's decision is available here: <https://www.ofgem.gov.uk/publications-and-updates/approval-access-rules-and-charging-methodology-submitted-nemo-link-limited-pursuant-standard-licence-condition-slc-11a-and-10-electricity-interconnector-licence>.

In case of capacity curtailment due to force majeure or emergency situation, holders of intraday capacity are entitled to compensation equal to the clearing price of the auction at which the rights were allocated multiplied by the curtailed volume.

Consultation responses

Prior to submission, in accordance with paragraph 5(a) of SLC 11A, NLL conducted a public consultation⁶ between 2 July 2019 and 5 August 2019 on the intraday provisions it proposed to include in the modified Access Rules. NLL received feedback from trade organizations, market participants, JAO and onshore Transmission System Operators (TSOs). The responses from the stakeholders are summarized below:

- *With regard to intraday auctions 1 and 2 that are proposed to be outside of JAO office hours*, respondents noted that as the auctions are automated, normal operation should not be disrupted. However respondents noted that it would mean that JAO would not be able to provide customer support at the time the auctions take place. NLL has identified three cases where overnight auction support could be required: password resets for market participants, intraday auction cancellation and the auction platform not working. For the password resets, NLL considers that market participants could wait until the supported hours to reset passwords. NLL will also host a training event prior to the intraday auctions to enable market participants to ensure they have the appropriate credentials. In case of intraday auction cancellation, NLL will submit a file to JAO indicating OMW capacity is available, therefore preventing market participants from buying capacity. If the JAO platform is not working ahead of the intraday auction, this would automatically default to no capacity being available for that particular auction.
- *With regard to the timings and number of auctions*, one respondent welcomed the opportunity to have four intraday auctions. One respondent highlighted the potential overlap with the intraday auctions of other interconnectors. NLL clarified that at the time of the consultation, the timings of the other interconnectors' intraday auctions were unclear. Nonetheless, NLL remains open to review the timings in the future.
- *With regard to the intraday auctions and nomination gates*, NGESO highlighted that it could need to increase the reserve volume because of the hourly nomination gates. NGESO also stated that this change would require enhanced operational tools. NLL

⁶ The consultation for the intraday timeframe is available here: <https://www.nemolink.co.uk/consultation-notices/nemo-link-launches-intraday-product-consultation/>.

noted the feedback from NGESO, but it considered that it did not require any change to the proposal.

As a result, no further modifications were proposed to the Access Rules ahead of submission to the Authority.

The Authority's decision

We have reviewed the documents submitted to Ofgem on 14 August 2019 and have concluded that they meet the relevant Access Rules objectives.

In reaching our decision we have considered the consultation responses and have closely cooperated with the Commission de Régulation de l'Énergie et du Gaz (CREG), the Belgian regulatory authority, to ensure we make consistent regulatory decisions.

The Authority therefore approves the modified Access Rules on the basis that they meet the relevant Access Rules objectives set out in SLC 11A(4) of the Licence. The Direction issued in accordance with SLC 11A(13) of the Licence can be found in Annex 1 of this letter.

Next steps

With regard to intraday auctions that are proposed to be outside of office hours, the Authority encourages NLL to state on its website that the intraday auctions 1 and 2 will be outside of JAO's office hours for additional transparency. This will enable market participants to make informed decisions on whether to participate or not in the relevant intraday auctions.

The Authority also takes note of NGESO's response in relation to the intraday nomination gates. We encourage ongoing coordination between the relevant stakeholders, to ensure that the transmission system is operated effectively and efficiently. NGESO has confirmed that the appropriate system changes will be in place to facilitate the go-live of Nemo Link's intraday auctions, and we note NGESO's obligation to co-ordinate and direct the flow of electricity in an efficient and economic manner.

In accordance with SLC 11A(14) of the Licence, NLL is required to publish (at least on its website) the modified Access Rules for a period of 28 days prior to their coming into effect (the Publication Period), unless the Authority directs otherwise.

To allow for the implementation timeline proposed by NLL for its first intraday auctions on 14 November, we have decided to make an exception and shorten the publication period.

The Authority has therefore decided to direct, in accordance with SLC 11A(14), that the Publication Period be shortened. We expect NLL to publish the modified Access Rules on its website as soon as reasonably practicable after publication of this decision.

Yours sincerely,

Natasha Zoe Smith

Head of European Markets, Wholesale Markets and Commercial

ANNEX 1

Direction issued to Nemo Link Limited pursuant to paragraph 13 of Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) of its Electricity Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the Authority) pursuant to paragraph 13 of Standard Licence Condition 11A of the electricity interconnector licence (the Licence) granted or treated as granted under section 6(1)(e) of the Electricity Act 1989 (the Act) to Nemo Link Limited (the Licensee) in relation to the Nemo Link interconnector.
2. Standard Licence Condition 11A, paragraph 4, requires that the Access Rules must be transparent, objective, non-discriminatory and compliant with the Regulation (Regulation (EC) No 714/2009 on conditions for access to the network for cross border exchanges in electricity) and any relevant legally binding decision of the European Commission and/or Agency for the Co-operation of Energy Regulators (collectively the relevant Access Rules objectives).
3. Standard Licence Condition 11A, paragraph 8, requires that the Licensee reviews its Access Rules at least once in each calendar year and make such modifications to the Access Rules as may be requisite for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.
4. Standard Licence Condition 11A, paragraph 10, requires the Licensee to take all reasonable steps to ensure that all persons, including those in other Member States that may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish to the Authority a report setting out the terms originally proposed for the modification, the representations, if any, made by interested persons and any change in the terms of the modification intended as a consequence of such representations.
5. In accordance with Standard Licence Condition 11A, paragraph 10, on 14 August 2019, the Licensee furnished the Authority with a report setting out the Licensee's proposed modifications to the Access Rules (the modified Access Rules).
6. After careful consideration of the report and the responses to the public consultation and after closely cooperating with the Belgian regulatory authority, the Authority has

decided that the Licensee's proposed modified Access Rules meet the relevant Access Rules objectives for the reasons set out in the letter accompanying this Direction.

7. Standard License Condition 11A, paragraph 14 requires that, unless the Authority directs otherwise, the modified Access Rules shall be published 28 days prior to coming into effect. The Authority considers that it is important to ensure that the intraday provisions come into effect on 14 November 2019.
8. The Authority therefore hereby directs:
 - a) pursuant to paragraph 13 of Standard Licence Condition 11A of the Licence, that the Licensee's modified Access Rules are approved, and
 - b) pursuant to paragraph 14 of Standard Licence Condition 11A of the Licence, that the Licensee's modified Access Rules be published as soon as practicable and come into effect on 14 November 2019.
9. This Direction shall take effect immediately and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice.
10. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act.

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Natasha Zoe Smith

Head of European Markets, Wholesale Markets and Commercial

**Signed on behalf of the Authority and authorised for that purpose by the Authority
on 25 October 2019**