

John Greasley  
Regulation and Stakeholder Manager  
National Grid Interconnectors Limited  
35 Homer Road  
Solihull  
B91 3QJ

Email: [NatashaZoe.Smith@ofgem.gov.uk](mailto:NatashaZoe.Smith@ofgem.gov.uk)

Date: 30 October 2019

Dear John,

**Approval of the modified Access Rules and the modified Charging Methodology for the Interconnexion France-Angleterre (IFA) interconnector pursuant to Standard Licence Condition 11A and 10 of the electricity interconnector licence**

On 24 September 2019, National Grid Interconnectors Limited (NGIL) submitted modifications to its Access Rules and Charging Methodology for the IFA interconnector<sup>1</sup> to the Authority<sup>2</sup> for approval. The modifications are to the Access Rules and Charging Methodology that are applicable as long as the UK remains within the Internal Energy Market.

The modified Access Rules and modified Charging Methodology were submitted pursuant to Standard Licence Condition (SLC) 11A and SLC 10 of the electricity interconnector licence (the Licence)<sup>3</sup> which requires NGIL to maintain i) Access Rules, that set out the terms and conditions for access to, and including use of, the interconnector and ii) a Charging Methodology which sets out the methodologies for the calculation of charges imposed for access to and use of the licensee's interconnector.

We have decided to approve the modified Access Rules and modified Charging Methodology on the basis that we are satisfied the proposed modifications achieve the relevant Access

---

<sup>1</sup> The IFA interconnector is a 2000MW high voltage direct current (HVDC) link, connecting the transmission systems of Great Britain (GB) and France. IFA is jointly owned and operated by National Grid Interconnectors Limited (NGIL) and Réseau de Transport d'Electricité (RTE) (the French transmission system operator).

<sup>2</sup> 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.

<sup>3</sup> 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](https://epr.ofgem.gov.uk/Content/Documents/Electricity_Interconnector_Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf).

Rules and Charging Methodology objectives as required under NGIL's Licence<sup>4</sup>. This letter contains the relevant Directions, attached as Annex 1 and Annex 2, approving the modified Access Rules and modified Charging Methodology. 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 and Charging Methodology**

### *Access Rules*

From 1 December 2019, NGIL propose that intraday capacity and, in the case of fallback arrangements<sup>5</sup>, day-ahead capacity, on the IFA interconnector will be sold via the Joint Allocation Office (JAO) platform as opposed to IFA's in house Capacity Management Service (CMS) system.<sup>6</sup> In parallel, NGIL propose to transition to the Regional Nomination Platform (RNP), a dedicated nomination platform for Physical Transmission Right (PTR) holders to nominate capacity.

From 1 December 2019, the explicit allocation of long term capacity on the IFA interconnector will be sold via the Single Allocation Platform (SAP)<sup>7</sup> as required by Article 48 of the guideline on the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on Forward Capacity Allocation (the FCA Regulation). The rules regarding the allocation and nomination of long term transmission rights shall continue to be governed by methodologies set out under the FCA Regulation, specifically the Harmonised Allocation Rules<sup>8</sup> and the Nomination Rules for PTRs<sup>9</sup>.

NGIL propose to include a new intraday auction schedule that it will transition to. The new schedule has four intraday auctions and twenty-four nomination gates, one for each hour of the delivery day, compared to two intraday auctions and six nomination gates that NGIL currently offer. NGIL propose that it will provide no less than 28 days written notice before switching to the new intraday auction schedule. The intraday explicit auctions use the Use-

---

<sup>4</sup> The relevant Access Rules and Charging Methodology objectives are set out in SLC 11A and SLC 10 and state that the Access Rules and the Charging Methodology 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.

<sup>5</sup> Fallback procedures shall apply in the event that the single day-ahead coupling process is unable to produce results. Single day ahead coupling means the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the day-ahead market.

<sup>6</sup> The Joint Allocation Office (JAO) is a service company that facilitates the electricity market by organising auctions for cross-border transmission capacity. More information can be found on the JAO website linked here: <https://www.jao.eu/main>.

<sup>7</sup> The Single Allocation Platform (SAP) is the European platform established by all TSOs for forward capacity allocation.

<sup>8</sup> The HAR is a set of pan-EU rules for the allocation of capacity in the forward timeframe governed by Chapter 5 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on Forward Capacity Allocation (the FCA Regulation).

<sup>9</sup> The FCA Regulation requires the Nomination Rules methodology to provide detailed information on the nomination procedure for PTRs including: technical requirements, format for communication, timings, nomination gate closures and eligibility for exchange between market participants

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

### *Charging Methodology*

NGIL has proposed amendments to the Charging Methodology to support the migration from CMS to the SAP for long term capacity allocation and the JAO platform for explicit day-ahead and intraday capacity allocation. This includes updating the Charging Methodology to reflect the processes and terminology relevant to these platforms.

### *Consultation Responses*

In accordance with the applicable legal and regulatory framework, NGIL ran public consultations on the modified Access Rules and Charging Methodology from 3 June 2019 to 1 July 2019.<sup>10</sup> There were four responses to the modified Access Rules consultation. No responses were submitted in relation to the modified Charging Methodology.

With regard to the Access Rules consultation, the respondents unanimously supported an increase in the number of intraday auctions and nomination gates. The responses indicate that auctions closer to the hours of delivery are desirable and this can be facilitated, in part, by increasing the number of auctions. NGIL consider that four intraday auctions is optimum at this stage in order to accommodate the various needs of market participants.

Further, one market participant insisted on necessary improvements to JAO's service conditions, in particular as far as client support is concerned. NGIL stated that it will continue to work with the JAO to ensure that market participants receive as good a service as possible in terms of access, communications and data.

### **The Authority's decision**

We have reviewed the modified Access Rules and the modified Charging Methodology submitted to Ofgem on 24 September 2019. We have concluded that these documents meet the relevant Access Rules and Charging Methodology objectives.

---

<sup>10</sup> The Access Rules and Charging Methodology consultations can be found here: <http://ifa1interconnector.com/notices/consultation/>.

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

The Authority therefore approves the proposed Access Rules and Charging Methodology on the basis that they meet the relevant Access Rules objectives and the relevant Charging Methodology objectives set out respectively in SLC 11A(4) and 10(4) of the Licence.

Directions relating to the approval of the modified Access Rules and modified Charging Methodology, issued in accordance with SLC 11A(13) and SLC 10(14) of the Licence, can be found in Annexes 1 and 2 of this letter.

### **Next steps**

In accordance with SLC 11A(14) and SLC 10(15) of the Licence, NGIL is required to publish (at least on its website) the modified Access Rules and Charging Methodology for a period of 28 days prior to their coming into effect (the Publication Period).

Yours sincerely,

Natasha Zoe Smith

**Head of European Markets, Wholesale Markets and Commercial**

## **ANNEX 1**

### **Direction issued to National Grid Interconnectors 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 National Grid Interconnectors Limited (the Licensee) in relation to the IFA 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 24 September 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 consulting and closely cooperating with the French 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 Licence 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.
8. The Authority therefore hereby directs that, pursuant to paragraph 13 of Standard Licence Condition 11A of the Licence, the Licensee's modified Access Rules are approved.
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.

.....  
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 30 October 2019**

## **ANNEX 2**

### **Direction issued to National Grid Interconnectors Limited pursuant to paragraph 14 of Standard Licence Condition 10 (Charging methodology to apply to third party 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 14 of Standard Licence Condition 10 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 National Grid Interconnectors Limited (the Licensee) in relation to the IFA interconnector.
2. Standard Licence Condition 10, paragraph 4, requires that the Charging Methodology 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 Charging Methodology objectives).
3. Standard Licence Condition 10, paragraph 9, requires that the Licensee reviews its Charging Methodology at least once in each calendar year and make such modifications to the Charging Methodology as may be requisite for the purpose of ensuring that the Charging Methodology better achieve the relevant Charging Methodology objectives.
4. Standard Licence Condition 10, paragraph 11, 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 Charging Methodology 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 in the Charging Methodology, the representations, if any, made by interested persons and any change in the terms of the Charging Methodology intended as a consequence of such representations.
5. In accordance with Standard Licence Condition 10, paragraph 11, on 24 September 2019 the Licensee furnished the Authority with a report setting out the Licensee's proposed modified Charging Methodology.

6. Standard License Condition 10, paragraph 15 requires that, unless the Authority directs otherwise, the modified Charging Methodology shall be published 28 days prior to coming into effect.

7. The Authority therefore hereby directs that, pursuant to paragraph 14 of Standard Licence Condition 10 of the Licence, the Licensee's modified Charging Methodology is approved.

8. This Direction shall have immediate effect and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice.

9. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act.

.....  
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 30 October 2019**