

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

Email: NatashaZoe.Smith@ofgem.gov.uk

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Dear John,

Approval of the modified Access Rules and the modified Charging Methodology for the Interconnexion France-Angleterre (IFA) interconnector to apply only in the event the UK leaves the EU without a deal

On 24 September 2019, National Grid Interconnector Limited (NGIL) submitted modified Access Rules (the modified Access Rules) and a modified Charging Methodology (the modified Charging Methodology) for the IFA interconnector¹ to the Authority² for approval. The Authority is the designated Regulatory Authority (RA) for Great Britain (GB). On 3 October 2019, NGIL submitted an updated version of the modified Access Rules, superseding the modified Access Rules submitted on 24 September 2019.

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

The modified Charging Methodology was submitted pursuant to SLC 10 of the Licence which requires NGIL to maintain a 'Charging Methodology' which sets out the methods for calculation of charges imposed for access to and use of the licensee's interconnector.

¹ 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).

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](https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Interconnector%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf).

We have decided to approve the modified Access Rules and the modified Charging Methodology on the basis that we are satisfied the modifications better achieve the relevant Access Rules and Charging Methodology objectives as required under NGIL's licence⁴. This letter contains the relevant Directions (attached as Annex 1 and Annex 2), approving the modified Access Rules and modified Charging Methodology.

For the avoidance of doubt, in the event the UK leaves the EU without a deal on 31 October, the Access Rules approved on 15 March⁵ and existing Charging Methodology⁶ will apply until these new arrangements come into effect which is expected to be 1 December 2019.

Background

The UK is scheduled to leave the EU on 31 October 2019 and will do so unless agreed otherwise by the UK and the EU. Leaving the EU with an agreement remains the Government's stated intention. However, until this is confirmed, it is responsible to plan for every eventuality, including a no deal scenario.

The proposed modifications to the Access Rules and Charging Methodology

Access Rules

On 24 September 2019, NGIL submitted the modified Access Rules to the Authority for approval. On 3 October, NGIL submitted an updated version of the modified Access Rules, superseding the Access Rules submitted on 24 September 2019.

These Access Rules look to further build upon the IFA Access Rules approved on 15 March 2019⁷ (the IFA Access Rules) by updating the intraday auction schedule such that there would be four auctions with twenty-four nomination gates.

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

⁵Ofgem's decision letter and the Access Rules approved on 15 March 2019 are accessible here: <https://www.ofgem.gov.uk/publications-and-updates/approval-modified-access-rules-ifa-interconnector-apply-event-uk-leaves-eu-without-deal>.

⁶ The Charging Methodology applicable at the time of publishing is accessible here: <http://ifa1interconnector.com/media/1059/ifa-charging-methodology-2018.pdf>.

⁷ Ofgem's decision is available here : <https://www.ofgem.gov.uk/publications-and-updates/approval-modified-access-rules-britned-interconnector-apply-event-uk-leaves-eu-without-deal>.

From 1 December 2019, NGIL has proposed that capacity on the IFA interconnector will be sold via the Joint Allocation Office (JAO) platform⁸ as opposed to the current Capacity Management Service (CMS). In parallel, NGIL shall establish a dedicated nomination platform for IFA called the Regional Nomination Platform (RNP) as part of the phasing out of the CMS system. The RNP is the relevant system used by Physical Transmission Rights (PTRs) Holders to nominate PTRs on the IFA interconnector.

NGIL propose to update its compensation mechanisms that would apply in case of long-term capacity curtailment. Under the provisions set out in the Long Term Allocation Rules section of the modified Access Rules, holders of PTRs are entitled to compensation equal to the clearing price of the day ahead explicit auction multiplied by the amount curtailed in case of curtailment for emergency situations after the firmness deadline, if the relevant day ahead auction is held.

Charging Methodology

NGIL has proposed amendments to the IFA Charging Methodology to support the migration from CMS to the JAO platform and the RNP.

Consultation Responses

In accordance with the applicable legal and regulatory framework, NGIL ran separate public consultations on the modified Access Rules and the modified Charging Methodology between 2 August to 30 August.⁹

There were two responses to the modified Access Rules consultation. No responses were submitted in relation to the modified Charging Methodology. Following the consultations, NGIL submitted the modified Access Rules and modified Charging Methodology.

Regulatory framework

SLC 10 and SLC 11A of the Licence introduce relevant Charging Methodology and Access Rules objectives respectively, against which the Authority will assess the Charging Methodology and Access Rules and any proposed amendments. The relevant objectives are

⁸ 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>.

⁹ The IFA Access Rules and IFA Charging Methodology consultations can be found here: <http://ifa1interconnector.com/notices/consultation/>.

that the Charging Methodology and Access Rules shall be transparent, objective, non-discriminatory and compliant with the Electricity Regulation¹⁰ and any relevant legally binding decision of the European Commission and/or the Agency for the Cooperation of Energy Regulators (the Agency).

The withdrawal of the UK from the EU will result in changes to the legal and regulatory frameworks in GB. To take these changes into account when assessing the modified Charging Methodology and the modified Access Rules, we considered the Electricity Regulation as amended after Exit Day by application of the Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019.

The Authority's decision

We have reviewed the modified Access Rules and the modified Charging Methodology submitted to Ofgem on 3 October 2019 and 24 September 2019 respectively. We have concluded that these documents meet the relevant Access Rules and Charging Methodology objectives.

In reaching our decision on the modified Access Rules, we have consulted and closely cooperated with the Commission de Régulation de l'Énergie (CRE), the French RA, to develop a Joint Opinion¹¹ (The Joint Opinion) on NGIL's proposal. The Joint Opinion was agreed on 17 October 2019. It is included as a subsidiary document with this decision.

In line with the Joint Opinion, the Authority 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 Authority also approves the modified Charging Methodology on the basis that it meets the relevant Charging Methodology objectives set out in SLC 10(4) of the Licence.

Directions issued in accordance with SLC 11A(7) and SLC 10(7) of the Licence can be found in Annexes 1 and 2 of this letter.

¹⁰ See Regulation (EC) No 714/2009 on conditions for access to the network for cross border exchanges in electricity. By application of the European Union (Withdrawal) Act 2018, the Electricity Regulation will become retained EU law after exit day. By application of the Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019, the Electricity Regulation is amended to take into account the impact of the withdrawal of the UK from the EU. The terms of the Electricity Regulation will therefore be different before and after exit day.

¹¹ Joint Opinion of the Commission de Régulation de l'Énergie (CRE) and the Gas and Electricity Markets Authority (GEMA - Great Britain) on the proposed IFA Access Rules in case of GB decoupling.

For the avoidance of doubt, in the event the UK leaves the EU without a deal on 31 October, the Access Rules approved on 15 March and existing Charging Methodology will apply until these new arrangements come into effect which is expected to be 1 December 2019.

Next steps

Publication of the modified Access Rules and Charging Methodology

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).

Future modifications

NGIL should keep the modified Access Rules and the modified Charging Methodology under review to ensure that they remain fit for purpose and submit any proposed modifications to the Authority for approval in good time and in accordance with the requirements set out in SLC 10 and 11A respectively of the Licence.

Yours sincerely,

Natasha Zoe Smith

Head of European Markets

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 3 October 2019, the Licensee furnished the Authority with a report setting out the Licensee's proposed modifications to the Access Rules that would apply in the event that the UK leaves the EU without a deal (the modified IFA 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 in order to reach a Joint Opinion, 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 IFA 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. In the event GB no longer participates in single day-ahead market coupling as a result of the UK leaving the EU without a deal on 31 October, the Access Rules approved by the Authority on 15 March 2019 will apply and remain in force until the modified Access Rules approved on the date of this Direction are implemented.
10. 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.
11. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act. Copies of the documents mentioned in this Direction can be found on the Ofgem website (www.ofgem.gov.uk).

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Natasha Zoe Smith

Head of European Markets,

**Signed on behalf of the Authority and authorised for that purpose by the Authority
on 18 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 2, provides that the Licensee shall prepare and submit for approval by the Authority a statement setting out the Charging Methodology for access to (including use of) the Licensee's Interconnector.
3. Standard Licence Condition 10, paragraph 4, requires the Charging Methodology to 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 (the relevant charging methodology objectives).
4. Standard Licence Condition 10, paragraph 9, provides that the Licensee shall review 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 achieves the relevant Charging Methodology objectives.
5. 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.

6. 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.

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. In the event GB no longer participates in single day-ahead market coupling as a result of the UK leaving the EU without a deal on 31 October, the existing Charging Methodology approved by the Authority on 20 October 2017 will apply and remain in force until the modified Charging Methodology approved on the date of this Direction is implemented.

9. 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.

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,

**Signed on behalf of the Authority and authorised for that purpose by the Authority
on 18 October 2019**