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Date: 18 October 2019

Dear John,

Approval of the IFA2 Access Rules and the IFA2 Charging Methodology for the Interconnexion France-Angleterre2 (IFA2) interconnector to apply only in the event the UK leaves the EU without a deal

On 24 September 2019, National Grid IFA2 Limited (NGIFA2) submitted a set of Access Rules (IFA2 Access Rules) and a Charging Methodology (IFA2 Charging Methodology) for the IFA2 interconnector¹ to the Authority² for approval. The Authority is the designated Regulatory Authority (RA) for Great Britain (GB). On 3 October, NGIFA2 submitted an updated version of the IFA2 Access Rules, superseding the Access Rules submitted on 24 September 2019.

The IFA2 Access Rules were submitted pursuant to Standard Licence Condition (SLC) 11A of the NGIFA2 electricity interconnector licence (the Licence)³ which requires NGIFA2 to establish and maintain 'Access Rules', that set out the terms and conditions for access to, and including use of, the interconnector.

The IFA2 Charging Methodology was submitted pursuant to SLC 10 of the Licence which requires NGIFA2 to establish and maintain a 'Charging Methodology' which sets out the methods for calculation of charges imposed for access to and use of the licensee's interconnector.

¹The IFA2 interconnector is a 1000MW high voltage direct current (HVDC) link, connecting the transmission systems of Great Britain (GB) and France. IFA2 is jointly owned and operated by National Grid IFA2 Limited (NGIFA2) and Réseau de Transport d'Électricité (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 IFA2 Access Rules and the IFA2 Charging Methodology on the basis that we are satisfied they meet the relevant Access Rules and Charging Methodology objectives as required under NGIFA2's licence⁴. This letter contains the relevant Directions (attached as Annex 1 and Annex 2), approving the IFA2 Access Rules and the IFA2 Charging Methodology.

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 Access Rules and Charging Methodology

Access Rules

The proposed access rules set out the general terms and conditions for the use of IFA2 interconnector's capacity in the long term, day ahead and intraday timeframes. Furthermore, they outline the terms on which registered participants may participate in auctions for IFA2 capacity and the rules for nominating Physical Transmission Rights (PTRs).

The provisions within the IFA2 Access Rules are identical to the provisions set out in the modified Access Rules for IFA approved on 18 October 2019 and applicable to the IFA interconnector.

Charging Methodology

The proposed IFA2 Charging Methodology sets out the principles of explicit auctions and how these will be applied to allocate capacity on the interconnector. For example, it outlines how holders of capacity may nominate capacity and information on secondary trading. It also outlines payment obligations relating to the use of capacity. Lastly, the methodology states that IFA2 can provide ancillary services to the relevant TSOs.

⁴ The 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.

The provisions within the IFA2 Charging Methodology are identical to the provisions set out in the modified Charging Methodology for IFA approved on 18 October 2019 and applicable to the IFA interconnector.

Consultation Responses

In accordance with the applicable legal and regulatory framework, NGIFA2 ran separate public consultations on the IFA2 Access Rules and the IFA2 Charging Methodology between 2 August to 30 August.⁵ There were two responses to the IFA2 Access Rules consultation. No responses were submitted in relation to the IFA2 Charging Methodology. Following the consultations, NGIFA2 submitted the IFA2 Access Rules and the IFA2 Charging Methodology to the Authority for approval.

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 that Charging Methodology and Access Rules shall be transparent, objective, non-discriminatory and compliant with the Electricity Regulation⁶ 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, 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 IFA2 Access Rules and the IFA2 Charging Methodology submitted to Ofgem on 3 October 2019 and the 24 September 2019 respectively. We have concluded that these documents meet the relevant Access Rules and Charging Methodology objectives.

⁵ The IFA2 Access Rules and IFA2 Charging Methodology consultations can be found here: <http://ifa1interconnector.com/notices/consultation/>.

⁶ 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.

In reaching our decision on the proposed IFA2 Access Rules, we have consulted and closely cooperated with the Commission de Régulation de l'Énergie (CRE), the French Regulatory Authority, to develop a Joint Opinion⁷ (the Joint Opinion) on NGIFA2's proposal. The Joint Opinion was agreed on 17 October 2019. It is included as a subsidiary document to this decision letter.

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 IFA2 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.

Next steps

Publication of the IFA2 Access Rules and IFA2 Charging Methodology

In accordance with SLC 11A(14) and SLC 10(15) of the Licence, NGIFA2 is required to publish (at least on its website) the approved Access Rules and Charging Methodology for a period of 28 days prior to their coming into effect (the Publication Period).

The IFA2 Access Rules and IFA2 Charging Methodology shall apply from not less than 28 days after the publication of the IFA2 Access Rules and IFA2 Charging Methodology by NGIFA2 in the event that the UK leaves the EU without a deal.

Future modifications

NGIFA2 should keep the IFA2 Access Rules and the IFA2 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,

⁷ Joint Opinion of the Commission de Régulation de l'Énergie (CRE) and the Gas and Electricity Markets Authority (GEMA - Great Britain) on the proposed IFA2 Access Rules in case of GB decoupling.

Natasha Zoe Smith

Head of European Markets

ANNEX 1

Direction issued to National Grid IFA2 Limited pursuant to paragraph 7 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 7 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 IFA2 Limited (the Licensee) in relation to the IFA2 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(1) requires that the Licensee, sufficiently in advance of a new interconnector capacity becoming operational, or by such date as the Authority may direct in writing, prepare and submit for approval by the Authority a statement setting out the Access Rules. The licensee may, subject to the approval of the Authority, submit a statement which includes both the Charging Methodology and Access Rules.
4. Standard Licence Condition 11A, paragraph 5, 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 5, 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 IFA2 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 IFA2 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 IFA2 Access Rules shall be published 28 days prior to coming into effect.
8. The Authority therefore hereby directs that, pursuant to paragraph 7 of Standard Licence Condition 11A of the Licence, the Licensee's IFA2 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. 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 IFA2 Limited pursuant to paragraph 7 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 7 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 IFA2 Limited (the Licensee) in relation to the IFA2 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 5, 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 5, on 24 September 2019 the Licensee furnished the Authority with a report setting out the Licensee's proposed IFA2 Charging Methodology.
6. The Authority therefore hereby directs that, pursuant to paragraph 7 of Standard Licence Condition 10 of the Licence, the Licensee's IFA2 Charging Methodology is approved.

7. Standard License Condition 10, paragraph 15 requires that, unless the Authority directs otherwise, the IFA2 Charging Methodology shall be published 28 days prior to coming into effect.

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. 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**