

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

Email: Leonardo.Costa@ofgem.gov.uk

Date: 10 January 2020

Dear colleagues,

Request for amendment to the common settlement rules for intended exchanges of energy between synchronous areas

Decision to approve the common settlement rules for all unintended exchanges of energy between synchronous areas

On 15 June 2019, we¹ received two proposals from all asynchronously connected Transmission System Operators (TSOs)² in accordance with Article 50(4) and Article 51(2) of Commission Regulation (EU) 2017/2195³ establishing a guideline on electricity balancing (the EBGL Regulation). These proposals respectively are:

- (a) common settlement rules for intended exchanges of energy between synchronous areas as a result of the frequency containment process and of ramping restrictions (the settlement rules for intended energy exchanges); and
- (b) common settlement rules for all unintended exchanges of energy between synchronous areas (the settlement rules for unintended energy exchanges).

¹ The terms “we”, “us”, “our”, “Ofgem” and “the “Authority” are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

² Asynchronously connected TSOs are those TSOs that host at least one HVDC interconnector connecting two synchronous areas. In GB, the relevant asynchronously connected TSOs can be found in our decision regarding assignment of TSO obligations. This decision is accessible at: <https://www.ofgem.gov.uk/publications-and-updates/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-balancing-regulation-within-gb>

³ Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing. The EBGL came into force on 18 December 2017. Accessible at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2195&from=EN>

This letter sets out our decision to request amendments to the settlement rules for intended energy exchanges in accordance with Article 6(1) of the EBGL Regulation and to approve the settlement rules for unintended energy exchanges in accordance with Article 5(3)(m) of the EBGL Regulation. This letter furthermore outlines the necessary next steps that must be taken.

Background

Asynchronously connected TSOs are all TSOs that host at least one HVDC interconnector connecting two synchronous areas.

In accordance with Article 50(4) of the EBGL Regulation, asynchronously connected TSOs who are intentionally exchanging energy between synchronous areas must develop a proposal for common settlement rules for intended exchanges of energy as a result of one or both:

- (i) the frequency containment process pursuant to Articles 172 and 173 of Commission Regulation (EU) 2017/1485⁴ establishing a guideline on electricity transmission system operation (the SOGL Regulation);
- (ii) ramping restrictions pursuant to Article 137 of the SOGL Regulation.

In accordance with Article 51(2) of the EBGL Regulation, asynchronously connected TSOs must also develop a proposal for settlement rules applicable for all unintended exchanges of energy. An unintended exchange of energy is the difference between the metering data and the sum of intended exchanges of energy between the relevant asynchronously connected TSOs. The sum of intended energy exchanges includes:

- (i) intended energy exchange according to aggregated netted external schedule between relevant asynchronously connected TSOs;
- (ii) intended energy exchanges referred to in Articles 50(1) and 50(4) of the EBGL Regulation; and
- (iii) intended energy exchanges as a result of bilateral or multilateral agreements between relevant asynchronously connected TSOs not covered by the previous points.

The application of these settlement methodologies does not preclude the possibility to settle the exchanges of energy in accordance with Chapter 4 of Title V of the EBGL Regulation. In GB, interconnectors are balancing mechanism units under the Balancing and

⁴ Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation. The SOGL Regulation came into force on 14 September 2017. Accessible at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1485&from=EN>

Settlement Code (BSC) and therefore intended and unintended exchanges are settled in a similar manner to other balancing responsible parties.

Article 5(6) of the EBGL Regulation requires the relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and take decisions within six months following the receipt of a proposal by the last Regulatory Authority concerned. The proposals were received by the last relevant Regulatory Authority concerned on 10 July 2019. A national decision on these proposals is therefore required by 10 January 2020.

Decision

We have reviewed the proposal submitted to us in line with the requirements of the EBGL Regulation, the wider objectives of the Regulation (EU) 2019/943⁵, and our statutory duties and obligations.

As required by Article 5(6) of the EBGL Regulation, we have consulted, closely cooperated and coordinated with the other concerned Regulatory Authorities in order to reach agreements on the settlement rules for intended energy exchanges and settlement rules for unintended energy exchanges. The agreements for the proposals were reached on 4 December 2019. The agreements are attached as annexes to this decision letter and constitute the reasons for our decision.

In line with these agreements, we hereby adopt the following decisions:

- request the relevant TSOs to amend the proposal for settlement rules for intended energy exchanges in line with the request set out in the agreement from the relevant Regulatory Authorities.
- approve the asynchronously connected TSOs' proposal for the settlement rules for unintended energy exchanges.

Decision not to undertake an Impact Assessment

We have not undertaken an Impact Assessment for this proposal. This is because the proposal does not have a significant impact on consumers or on persons engaged with the generation, transmission, distribution or supply of electricity in GB. In accordance with Article 44(4) of the EBGL Regulation, the interconnectors intended and unintended exchanges in GB will continue to be settled in a similar manner to other balancing

⁵ Regulation (EU) 2019/943 on the internal market for electricity (recast) can be accessed here: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0943&from=EN>

responsible parties under the BSC, in line with Title V Chapter 4 of the EBGL Regulation. Accordingly, we consider that an Impact Assessment is unnecessary.

Next Steps

In accordance with Article 6(1) of the EBGL Regulation, the relevant TSOs must make the necessary amendments to the proposal for settlement rules for intended energy exchanges to address the points set out in the agreement from all relevant Regulatory Authorities. The amended proposal must be submitted to us and to ACER⁶ within two months of this decision, i.e by 10 March 2020.

In accordance with Article 7 of the EBGL Regulation, the relevant TSOs shall publish on the internet the approved asynchronously connected TSOs' proposal for the settlement rules for unintended energy exchanges.

If you have any queries regarding the information contained within this letter or the annexed agreements, please contact Chris Statham (Christopher.Statham@ofgem.gov.uk).

Yours faithfully,

Leonardo Costa
Senior Manager SO/DSO

⁶ ACER is the Agency for the Cooperation of Energy Regulators in the European Union.