

Nick Pittarello
Customer, Policy and Regulation
Manager
Nemo Link Limited
35 Homer Road
Solihull
B91 3QJ
United Kingdom

Email: Natasha.Zoe.Smith@ofgem.gov.uk

Date: 11 February 2021

Dear Nick,

**Approval of the modified Access Rules and the modified Charging Methodology for
the Nemo Link interconnector pursuant to Standard Licence Condition 11A and 10
of the Electricity Interconnector Licence**

On 27 November 2020, Nemo Link Limited (NLL) submitted modified Access Rules and a modified Charging Methodology for the Nemo Link interconnector¹ to the Authority² for approval. On 19 January 2021, NLL submitted updated versions of the modified Access Rules and the modified Charging Methodology, superseding the methodologies previously submitted on 27 November 2020.

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

² The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem", "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

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

We have decided to approve the modified Access Rules and the modified Charging Methodology on the basis that we are satisfied that modifications to both documents better achieve the relevant objectives as required under the Licence⁴. The relevant Directions approving the modified Access Rules and the modified Charging Methodology can be found in Annexes 1 and 2 of this letter.

The proposed modifications to the methodologies

Access Rules

On 27 November 2020, NLL submitted the modified Access Rules for the Nemo Link interconnector to the Authority for approval. On 19 January 2021, NLL submitted an updated version of the modified Access Rules, superseding the version previously submitted on 27 November 2020.

These Access Rules look to further build upon the NLL Access Rules approved by Ofgem on 18 October 2019⁵ by introducing the following amendments:

- Amending the day ahead (DA) explicit auction start time from 08:40 to 08:00 GMT/BST (from 09:40 to 09:00 CE(S)T) to better facilitate cross border trade opportunities for market participants by taking into account other auction timings, in particular the GB power exchanges' (PXs) day ahead energy auctions⁶.
- Changing the long term (LT) nomination gate closure time from 08:00 to 07:45 GMT/BST (from 09:00 to 08:45 CE(S)T) to operationally accommodate the amendment of the DA explicit auction start time.
- Moving the day ahead firmness deadline (DAFD) from 10:00 to 08:00 GMT/BST (from 11:00 to 09:00 CE(S)T).
- Furthermore, NLL proposed some minor amendments to improve the readability of the document.

⁴ Please see the heading entitled "Regulatory framework" below for further details.

⁵ The decision letter on the NLL Access Rules approved by Ofgem on 18 October 2019 can be accessed here: <https://www.ofgem.gov.uk/ofgem-publications/157415>

⁶ EPEX SPOT GB DA auction gate closure is at 09:20 GMT/BST (10:20 CE(S)T) and Nord Pool GB DA auction gate closure is at 09:50 GMT/BST (10:50 CE(S)T).

Charging Methodology

On 27 November 2020, NLL submitted the modified Charging Methodology to the Authority for approval. On 19 January 2021, NLL submitted an updated version of the modified Charging Methodology, superseding the version previously submitted on 27 November 2020.

The modified Charging Methodology has been updated to reflect that DA auctions have moved from implicit to explicit arrangements and to include NLL's intraday trading arrangements. Furthermore, it also introduces amendments to improve the clarity, readability and consistency of the document.

Consultation responses

In accordance with the applicable legal and regulatory framework, NLL conducted two public consultations ahead of the submission. The first⁷ consultation was in relation to the proposed changes to the Charging Methodology and was held between 1 April 2020 and 1 May 2020. The second consultation⁸ addressed the proposed changes to the Access Rules and was held between 16 October 2020 and 13 November 2020.

In terms of the modified Access Rules, NLL received six written responses from market participants. Market participants overwhelmingly supported proposed changes to the DA explicit auction timing, the LT nomination gate and the DAFD. In particular, all six market participants who responded to the consultation supported the amended DA explicit auction timing as it means they will have more time to place their bids and offers with the GB PXs, and as a result will be better able to hedge their positions. The proposal to move the DAFD was also unanimously welcomed by market participants as they believe this will remove uncertainties caused by a potential outage on the interconnector during or after the DA auction.

In terms of the modified Charging Methodology, NLL received one written response, seeking clarification on some procedures and definitions to which NLL responded, which resulted in no material changes.

⁷ The consultation for the Charging Methodology is available here: <https://www.nemolink.co.uk/consultation-notices/consultation-on-nemo-link-charging-methodology-statement/>

⁸ The consultation for the Access Rules is available here: <https://www.nemolink.co.uk/consultation-notices/nemo-link-consults-on-changes-to-non-iem-explicit-day-ahead-auctions/>

Regulatory framework

SLC 11A and SLC 10 of the Licence introduce relevant Access Rules and Charging Methodology objectives, against which the Authority assesses the Access Rules and the Charging Methodology and any proposed modifications. The relevant objectives are that the Access Rules and the Charging Methodology shall be transparent, objective, non-discriminatory and compliant with Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) (the Electricity Regulation) and any relevant legally binding decision of the European Commission and/or the Agency for the Cooperation of Energy Regulators.

At the end of the transition period⁹ the legal and regulatory frameworks changed. We have taken these changes into account when assessing the modified Access Rules and the modified Charging Methodology, considering also impending amendments to the relevant licence conditions¹⁰. This includes considering the Electricity Regulation, as amended after the end of the transition period by application of The Electricity and Gas (Internal Markets and Network Codes) (Amendment etc.) (EU Exit) Regulations 2020¹¹.

The Authority's decision

We have reviewed the modified Access Rules and the modified Charging Methodology submitted to Ofgem on 19 January 2021 and have concluded that they meet the relevant Access Rules and Charging Methodology objectives.

In reaching our decision we have considered the consultation responses and have closely cooperated with the Commission de Régulation de l'Energie et du Gaz (CREG), the Belgian regulatory authority, to ensure we make consistent regulatory decisions. A Joint Opinion (the Joint Opinion), agreed on 11 February 2021 by Ofgem and CREG, is attached as a subsidiary document to our decision letter¹².

The Authority approves the modified Access Rules, in line with the Joint Opinion, and the modified Charging Methodology on the basis that they meet the relevant Access Rules and Charging Methodology objectives set out respectively in SLC 11A(4) and SLC 10(4) of the Licence.

⁹ Defined as the "IP completion day" in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.

¹⁰ The consultation page for proposed licence changes can be accessed here:

<https://www.ofgem.gov.uk/publications-and-updates/preparing-end-transition-period-statutory-consultation-consequential-licence-modifications-due-end-transition-period>

¹¹ SI 2020/1006.

¹² The Charging Methodology set out in SLC 10 is not required under the Belgium regulatory framework. However, we have closely cooperated with CREG in reaching our decision.

Directions relating to the approval of the modified Access Rules and the 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

Publication

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

To allow for the changes to the DA explicit auction timings, which will better facilitate efficient cross border trade for market participants, to take effect as soon as reasonably practical, we have decided to make an exception and shorten the Publication Period in accordance with SLC 11A(14) and SLC 10(15).

The Authority has therefore decided to direct, in accordance with SLC 11A(14) and SLC 10(15), that the Publication Period should be shortened. The modified Access Rules and the modified Charging Methodology will come into effect when NLL publishes them on its website. We expect NLL to provide a notice of the changes to their market participants as soon as reasonably possible and sufficiently in advance of the changes coming into effect.

Yours sincerely,

Natasha Zoe Smith

**Head of European Wholesale Markets,
Energy Systems Management & Security**

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 (EU) 2019/943 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 Cooperation 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 makes 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 allowed 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 19 January 2021, 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 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 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. The Authority considers that it is important to ensure that the modified Access Rules come into effect as soon as possible on the basis of facilitating efficient cross border trade.
8. The Authority therefore hereby directs that:
 - a) pursuant to paragraph 13 of Standard Licence Condition 11A of the Licence, the Licensee's modified Access Rules are approved; and
 - b) pursuant to paragraph 14 of Standard Licence Condition 11A of the Licence, that the modified Access Rules come into effect when NLL publishes them on its website.
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).

.....
Natasha Zoe Smith

**Head of European Wholesale Markets, Energy Systems Management & Security
Signed on behalf of the Authority and authorised for that purpose by the Authority
on 11 February 2021**

ANNEX 2

Direction issued to Nemo Link 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 Nemo Link Limited (the Licensee) in relation to the Nemo Link 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 (EU) 2019/943 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 Cooperation 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 makes 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 allowed 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 19 January 2021 the Licensee furnished the Authority with a report setting out the Licensee's proposed modified Charging Methodology.
6. After careful consideration of the report and the responses to the public consultation and after consulting and closely cooperating with the Belgian regulatory authority, the Authority has decided that the Licensee's proposed modified Charging Methodology meets the relevant

Charging Methodology objectives for the reasons set out in the letter accompanying this Direction.

7. 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. The Authority considers that it is important to ensure that the modified Access Rules come into effect as soon as possible on the basis of facilitating efficient cross border trade.

8. The Authority therefore hereby directs that:

- c) pursuant to paragraph 14 of Standard Licence Condition 10 of the Licence, the Licensee's modified Charging Methodology is approved; and
- d) pursuant to paragraph 15 of Standard Licence Condition 10 of the Licence, that the modified Charging Methodology come into effect when NLL publishes it on its website.

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).

.....
Natasha Zoe Smith

Head of European Wholesale Markets, Energy Systems Management & Security
Signed on behalf of the Authority and authorised for that purpose by the Authority
on 11 February 2021