

- sent by email only –

**Addressee**

Office of Gas and Electricity Markets (Ofgem)  
9 Millbank London SW1P 3GE

March 31st, 2017

**XBID TSOs regarding the OFGEM consultation on proposed approach to cost recovery in relation to Capacity Allocation and Congestion Management mechanisms for electricity Interconnectors within the XBID Project**

Dear Sir or Madam,

The Transmission System Operators (TSOs) of the Cross-Border Intraday (XBID) project appreciate the initiative taken by Ofgem to commence consultation on cost recovery relating to Capacity Allocation and Congestion Management mechanisms for electricity Interconnectors within the XBID Project and would like to take this opportunity to provide some specific feedback.

We recognize that Article 9 of CACM stipulates that capacity allocation and congestion management costs in accordance with Articles 75 to 79 shall be subject to individual approval by each regulatory authority or other competent authority of the Member States concerned.

The Transmission System Operators (TSOs) of the Cross-Border Intraday (XBID) project however want to stress that there is a risk that if common costs of the Cross-Border Intraday (XBID) project and regional costs relevant for all Local Implementation Projects (LIP) of the Cross-Border Intraday (XBID) project will be viewed differently by the individual NRAs that this will result in unequal treatment and market distortions. Different views may indeed arise since Article 76 of CACM Regulation states that costs of establishing, updating or further developing the continuous trading matching algorithm and single intraday coupling shall be borne by NEMOs, whereas Ofgem's proposal states that Interconnector TSOs shall bear GB's share of the development costs associated with establishing the Cross Border Intraday (XBID) Project.

The Transmission System Operators (TSOs) of the Cross-Border Intraday (XBID) project want to therefore stress the importance of shared and common guidelines between all NRAs/ACER regarding a reasonable, clear and non-discriminatory mechanism of cost-sharing and recovery for the common costs of the Cross-Border Intraday (XBID) project and regional costs relevant for all Local Implementation Projects (LIP) of the Cross-Border Intraday (XBID) project. These guidelines are a precondition to avoid a possible breach of Article 3 of CACM regarding the Objectives of capacity allocation and congestion management cooperation which specifies that ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants. They shall clearly distinguish between the entities bearing the costs (which are then involved in the cost sharing rules), and the cost recovery rules.

*The Transmission System Operators (TSOs) of the Cross-Border Intraday (XBID) project believe in order to ensure a fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants, an alignment between all individual NRAs is required regarding:*

- 1. the periods that should be considered in the framework of cost recovery and cost sharing. More specific all NRAs should have the same time periods and indicate which principles should be applied for each period.*

2. *the treatment of development and operational costs.*

*An alignment between all individual NRAs will not only avoid distortions between countries and a possible breach of Article 3 of CACM but will also avoid introducing complexity in drafting the Intra-Day Operational Agreement (IDOA) and avoid a significant reduction in operational efficiency due to the need to implement a complex follow up for a wide range of different cost sharing and recovery schemes.*

The Transmission System Operators (TSOs) of the Cross-Border Intraday (XBID) project remain at the disposal of Ofgem for any further exchange or meeting related to this feedback.

Yours faithfully

Jean Verseille, Chair, TSO Steering Committee

On behalf of:

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