

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

Direct Dial: 020 7901 7262
Email: Tom.Corcut@ofgem.gov.uk

Date: 5 April 2019

Dear colleague,

Approval of the amended Border Specific Annex to the Harmonised Allocation Rules (Great Britain–France Bidding Zone Border)

On 7 February 2019, we¹ received an amended proposal from the Transmission System Operators (TSOs) of Great Britain (GB) and France (FR) for a GB-FR Border Specific Annex (BSA) to the Harmonised Allocation Rules (HAR), in accordance with Article 52(3) on the Forward Capacity Allocation (FCA Regulation).² The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision, in line with the Regulatory Authority agreement reached by the GB and FR Regulatory Authorities, to approve the amended GB-FR BSA. The letter concludes with an outline of the necessary next steps.

Background

According to Article 52 of the FCA Regulation, the HAR is a set of pan-EU rules for the allocation of capacity in the forward timeframe. Furthermore, Article 52(3) of the FCA Regulation states that the HAR may also contain regional or bidding zone border specific requirements. The relevant TSOs have proposed a revision of the IFA Border Specific Annex (BSA) to the Harmonised Allocation Rules (HAR), extending its scope from 'interconnector specific' to 'Bidding Zone Border' (BZB), so that it applies across all current and future interconnectors crossing the GB-FR BZB⁴. Furthermore, the GB-FR BSA has been revised to ensure a smooth transition to the Allocation Platform⁵ for the delivery of Long Term Transition

¹ 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.

² Commission Regulation (EU) 2016/1719 of 26 September establishing on forward capacity allocation. The FCA Regulation came into force in 16 October 2016. It builds on the Commission Regulation (EU) 2015/122 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation) to maximise efficiency in cross-border electricity trading. Specifically, the FCA Regulation provides a harmonised framework for forward capacity markets to allow market participants to hedge positions before the day ahead timeframe.

³ See TSO decision letter here: <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultation-assignment-transmission-system-operator-obligations-under-requirements-generators-demand-connection-high-voltage-direct-current-and-forward-capacity-allocation-regulations-within-gb>

⁴ Ofgem approved the HAR regional Annexes for the FR-GB BZB on 13 October 2017. The decision letter can be found here:

https://www.ofgem.gov.uk/system/files/docs/2017/10/batch_9_decision_letter_har_sap_ltrrs_final.pdf

⁵ As defined in the Harmonised Allocation Rules, Article 2 (2): "Allocation Platform means either the responsible TSO(s) at the respective Bidding Zone border(s) or an entity appointed and commissioned by them or nominated in accordance to national regulations to act on their behalf and on its own name it being a single allocation

Rights (LTTRs) on the GB-FR BZB. In addition, changes were made to the GB-FR BSA to ensure the clarity of roles between the Allocation Platform, as the platform for the allocation of LTTRs, and the role of TSOs, as the operators of the interconnectors.

The FCA Regulation requires the competent Regulatory Authorities to consult, closely cooperate, and coordinate with each other in order to reach an agreement and take decisions within two months following receipt of an amended proposal by the last Regulatory Authority⁶. The last Regulatory Authority received the amended proposal on 7 February 2019. The GB and FR Regulatory Authorities are therefore required to make a decision on this proposal by 7 April 2019 at the latest.

Our Decision

In our original decision, we requested an amendment to the GB-FR BSA to ensure clarity as to whether TSOs intended to have separate compensation caps per interconnector or the same compensation cap for all of the interconnectors on the GB-FR BZB.

We have reviewed the proposal submitted to us in line with the requirements of the FCA Regulation, the wider objectives of the Regulation (EC) No 714/2009⁷ and our statutory duties and obligations. We consider that it satisfies the requested amendments and has improved the clarity and transparency.

As required by Article 4(9) of the FCA Regulation, we have consulted, closely cooperated and coordinated with the French Regulatory Authority in order to reach an agreement on this proposal. The Regulatory Authority agreement for the proposal was reached on 2 April 2019. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision. In line with the all Regulatory Authority agreement we hereby approve the amended GB-FR BSA.

Decision not to undertake an Impact Assessment

We have not undertaken an impact assessment for this proposal. This is because the proposal merely relates to parameters and processes relevant for the implementation of the FCA Regulation, which has already been subject to an impact assessment. Accordingly, we consider that an impact assessment is unnecessary.

Next Steps

In accordance with Article 4(13) of the FCA Regulation, the GB and FR TSOs must publish the FR-GB BSA on the internet. The FR-GB BSA shall be effective in accordance with the timeline indicated within Section 2. This timeline states that the FR-GB BSA shall come into effect from the sooner of the date on which the first Rights Documents, of the relevant Interconnector, are published by the Joint Allocation Office, or the date published by the Allocation Platform, with a notice published no less than thirty days prior.

If you have any queries regarding the information contained within this letter, or the All Regulatory Authority agreement in the annex, please contact Holly MacDonald at Holly.MacDonald@ofgem.gov.uk.

Yours faithfully,
Tom Corcut
Deputy Director, Wholesale Markets & Commercial

platform or regional platform(s) for the attribution of Long Term Cross Zonal Capacity through the Auctions as defined in the Participation Agreement”.

⁶ Article 4(11) of the FCA Regulation.

⁷ Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>