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for energy consumers

To all interested stakeholders

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Dear Colleagues,

## **Preparing for the end of the transition period: Confirmation of the applicable electricity interconnector Access Rules**

This letter sets out our confirmation of the electricity interconnector trading arrangements at the end of the transition period, and the applicable Access Rules. The Access Rules are required pursuant to Standard Licence Condition 11A of the electricity interconnector licence ("the Licence")<sup>1</sup> which requires interconnectors to maintain 'Access Rules', that set out the terms and conditions for access to, and including use of, the interconnector.

For the avoidance of doubt, these Access Rules will come into effect on 31 December 2020, which is the date on which the transition period provided for by Article 126 of the UK-EU withdrawal agreement (the "Agreement") ends.

### **Background**

In 2019 contingencies were prepared to ensure the electricity interconnectors would continue to flow if Great Britain ("GB") no longer had access to the Internal Energy Market ("IEM"). We approved modifications to the Access Rules for the IFA, Nemo Link, BritNed, IFA2 and

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<sup>1</sup>[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_Interconnector_Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf)

ElecLink electricity interconnectors (hereon referred to as the “Rules”) to apply in the event that the UK leaves the EU without a deal.<sup>2</sup>

The UK left the EU on 31 January 2020 (“Exit day”<sup>3</sup>) at 11:00pm GMT, when the Agreement came into force. The Agreement sets out the transitional arrangements governing the UK-EU relationship. Article 126 of the Agreement provides for a transition period, ending on 31 December 2020. This date is reflected in section 39(1) of the European Union (Withdrawal Agreement) Act 2020<sup>4</sup> and is referred to as the “IP completion day”. The transition period started on Exit day and ends on the IP completion day. During the transition period, the UK and all relevant parties in the energy sector are still bound by EU law.

At the end of the transition period it is expected that we will no longer be part of the IEM, and therefore will no longer participate in single day-ahead market coupling (“SDAC”) and single intraday coupling (“SIDC”) on GB electricity interconnectors. It is therefore expected that the Rules will come into effect at the end of the transition period, 31 December 2020 at 11:00pm GMT.

The interconnectors linking GB to the island of Ireland (EWIC and Moyle) have not yet consulted on proposed changes to Access Rules, and we do not expect to receive a submission ahead of the end of the transition period. In event that GB is no longer part of the IEM it is expected that the EWIC and Moyle interconnectors will continue to allocate implicit cross border capacity via intraday trading, as set out in their Access Rules. There will be no allocation of cross border capacity by these interconnectors in the day ahead timeframe. These arrangements will be reviewed during 2021.

### **End of transition period arrangements**

At the end of the transition period it is expected that we will no longer have access to the IEM, and therefore will be in similar circumstances as when preparing contingencies in case the UK were to leave the European Union (EU) without a deal. EU legislation such as Commission Regulation (EU) 2015/1222 of 24 July 2015 on capacity allocation and congestion management (“the CACM guideline”) and Commission Regulation (EU) 2016/1719 of 26 September 2016 on establishing a guideline on forward capacity allocation (“the FCA guideline”) will cease to apply within GB at the end of the transition period. The CACM guideline sets out the legal framework that underpins GB’s participation in SDAC and in SIDC. The FCA guideline sets out the legal framework for the harmonised allocation of cross-zonal capacity in the forward electricity markets and the participation in a single allocation platform.

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<sup>2</sup><https://www.ofgem.gov.uk/publications-and-updates/approval-modified-access-rules-ifa-nemo-link-britned-ifa2-and-eleclink-interconnectors-apply-event-uk-leaves-eu-without-deal>

<sup>3</sup> The term “Exit day” is defined in section 20(1) of the European Union (Withdrawal) Act 2018

<sup>4</sup> Available at <https://www.legislation.gov.uk/ukpga/2020/1/contents/enacted>

We are satisfied that the Rules as consulted upon in 2019 are appropriate for the end of the transition period, and will allow users to continue trading over the interconnectors. The modifications to the Rules were approved on the basis that they achieve the relevant objectives of being transparent, objective, non-discriminatory and compliant with the Electricity Regulation<sup>5</sup> and any relevant legally binding decision of the European Commission and/or the Agency for the Cooperation of Energy Regulators (the Agency) as required under Standard Licence Condition 11A(4) of the Licence. In coming to our decision we consulted and closely cooperated with the relevant regulatory authorities, and we do not consider there to be a need to revise or review these preparations ahead of the end of the transition period.

### **Next Steps**

The Rules will come into effect as of the end of the transition period, 31 December 2020 at 11:00pm. The Rules will be published on the websites of the relevant interconnectors prior to their coming into effect.<sup>6</sup>

The Rules were developed as “Day 1” arrangements for the end of the transition period. Therefore, we expect to work with the relevant parties to improve these trading arrangements, with the aim to deliver more efficient arrangements on an enduring basis. If the UK government concludes a Free Trade Agreement (“FTA”) with the EU we will work with the relevant parties to develop and implement any future trading arrangements and updated rules in line with the requirements of the FTA.

Yours sincerely,

Natasha Zoe Smith

**Head of European Markets**

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<sup>5</sup> See Regulation (EC) No 714/2009 in force at the time and since repealed and recast as Regulation (EU) 2019/943, on conditions for access to the network for cross border exchanges in electricity. By application of the European Union (Withdrawal) Act 2018 and the European Union (Withdrawal Agreement) Act 2020, the Electricity Regulation will become retained EU law after the IP completion day. By application of the Electricity and Gas (Internal Markets and Network Codes) (Amendment etc) (EU Exit) Regulations 2020, the Electricity Regulation is amended to take into account the impact of the IP completion day. The terms of the Electricity Regulation will therefore be different before and after the IP completion day. Despite the terms of the Electricity Regulation, and as a result, the criteria for assessment changing our previous decisions on the Rules remain valid.

<sup>6</sup> BritNed has reviewed and consulted upon changes to the “Modified access rules for the BritNed interconnector to apply in case the UK leaves the EU without a deal” as approved on 17 December 2019 (Link to decision [here](#)). We are currently assessing these changes in line with the relevant objectives as outline in SLC11A(4). When a decision is made this will be published on our website, with a clear implementation timeline. If a decision is not made ahead of the end of the transition period, we expect the rules as approved on 17 December 2019 will come into effect.