

## **Overview Document**

# **IFA Access Rules Changes in Conjunction with Harmonised Allocation Rules**

This overview contains the background to the Harmonised Allocation Rules (hereafter referred to as “HARs”) project, and a summary of the main proposed changes to the IFA Access Rules set out in the 2<sup>nd</sup> March 2015 consultation draft. Market participants are advised however to refer to the consultation draft in full as there will be various other changes not included in this overview. Market Participants are also advised to refer to the parallel ENTSO-E consultation related to the HARs.

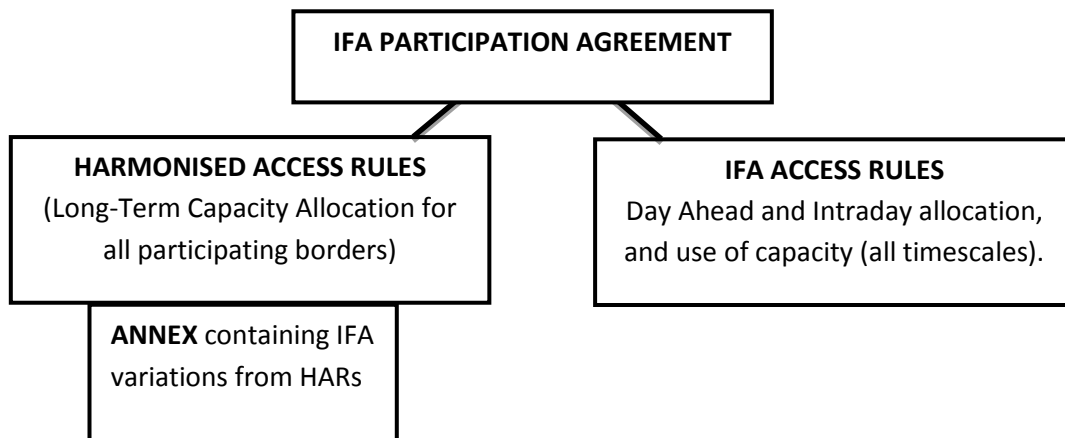
## **Introduction**

The French and British electricity transmission systems are connected by a 2000MW HVDC link between Les Mandarins in France and Sellindge in England known as the Interconnexion France-Angleterre (IFA). This interconnector jointly owned and operated by National Grid Interconnectors Limited (NGIC) and Réseau de Transport d'Electricité (RTE), supports electricity trading in both the GB to France and France to GB directions. The IFA Access Rules, established by NGIC and RTE (current version [9.0](#)), govern the allocation of rights to use the interconnector by explicit auction across all timescales, as well as setting out more general terms of use.

The Network Code on Forward Capacity Allocation (hereafter referred to as ‘NC FCA’), whilst still in development, proposes the establishment of a single platform for the allocation of Long Term Transmission Rights on a harmonised basis throughout the EU. ENTSO-E has been asked by the Agency for the Cooperation of Energy Regulators (hereafter referred to as ‘ACER’) to develop Harmonised Allocation Rules for Forward Capacity Allocation, in advance of the FCA coming into force. TSOs that participate in the HARs ahead of the FCA becoming binding will essentially be participating on a voluntary basis. ENTSO-E’s HARs consultation draft is based on the 2<sup>nd</sup> April 2014 draft of the FCA and associated ACER recommendations, and on the understanding that should FCA be amended further then the HARs will be subject to the associated amendments as necessary. The comitology process for FCA is expected to be progressed further this year, with a likely coming into force in 2016. Transmission System Operators (hereafter referred to as ‘TSOs’) including NGIC and RTE have been involved in drafting the HARs, and these HARs will be submitted for approval to the National Regulatory Authorities, including the Office of Gas and Electricity Markets (hereafter referred to as “Ofgem”) and the Commission de Régulation de l'énergie (hereafter referred to as “CRE”) following the consultation process

In line with the FCA NC, the HARs document sets out the rules for Long Term capacity allocation only. Where a particular border cannot adopt any particular aspect of the HARs then it is an accepted principle that a local variation to the HARs may be possible, subject to approval by the relevant NRA(s). A number of local variations will be required by IFA, and these can be viewed in the IFA border specific annex within the parallel ENTSO-E HARs consultation documentation.

The allocation of Daily and Intraday rights and the nominations processes will not be covered under the HARs and are to be retained in the IFA Access Rules. NGIC and RTE have together drafted a new Participation Agreement giving contractual effect to both the HARs and the IFA Access Rules, which is available as part of this consultation pack, and is based on a pro forma developed by ENTSO-E. NGIC and RTE propose that the old User Agreement used to sign up to the IFA Access Rules will be superseded by the new Participation Agreement. The proposed IFA contract structure will be as shown in the following diagram.



In order to achieve conformity of the IFA Access Rules with the HARs, NGIC and RTE have conducted a review of the current IFA Access Rules v9.0, leading to a proposed revised set of rules (Consultation Draft v10.0). The majority of changes within the Consultation Draft are to reflect the new arrangements whereby IFA long term capacity allocation will cease to be conducted under the IFA Access Rules, but will instead be administered under the HARs.

## NGIC Regulatory Requirements

NGIC's Interconnector Licence (Standard Licence Condition 11A) requires it to carry out an annual review of its access rules and this consultation constitutes NGIC's review for 2015. NGIC considers that the proposed Access Rules amendments will satisfy the 'relevant access rules objectives' (in particular the requirement to be 'compliant with the Regulation

and any relevant legally binding decision of the Commission'), by anticipating the harmonised allocation rules elements of the FCA.

NGIC would like to point out that following its Access Rules review in 2014 it concluded that no amendment proposals were necessary in 2014, particularly in light of the plans to conduct this consultation in early 2015.

## **Main changes to the IFA Access Rules**

In order to assist interested parties in understanding how the Long Term processes under the HARs and the Daily and Intraday processes under the IFA Access Rules work together , RTE and NGIC have proposed to change the structure of the IFA Access Rules in order to mirror the structure of the HARs. For such reason a tracked version of the document is of little help and has not therefore been provided within this consultation pack. For practical reasons, some key definitions used in the HARs have been adopted in the IFA Access Rules (for example, Registered Participant instead of User, Auction Tool instead of CMS, Allocation Platform instead of the Operators, Collateral instead of Credit Cover, Rights Documents instead of ICEs, etc.)

Apart from the structural changes, the main changes in the new version of the IFA Access Rules are related to the removal of all provisions specific to long term capacity auctions. This removal affects essentially the following provisions of the IFA Access Rules v9.0:

- “Rule D3: Long Term Auctions”: Completely removed and now covered in the HARs
- “Rule E4: Secondary Market”: Provisions for transfer of Long Term Transmission Rights have been removed, as now covered under the HARs
- “Rule E5: Use-it-or-Sell-It and Use-It-or-Lose-It”: Provisions for Use-It-or-Sell-It have been removed, as now secured under the HARs
- “Rule E7: Curtailment”: Provisions for Curtailment of Long Term Rights and Long Term Nominations have been removed, as now covered under the HARs
- “Rule E8: Curtailment Reconciliation”: Provisions for Curtailment Reconciliation of Long Term Rights and Long Term Nominations have been removed, as now covered under the HARs

Other changes to the IFA Access Rules are related to the adoption of HARs principles. The affected provisions of the IFA Access Rules v9.0 include:

- “Rule B2: Participation Requirements” and “Rule B3: IFA User Agreement”: Participation requirements are now covered under the HARs, the major part of these rules has then been replaced by a cross reference to the HARs provisions which are incorporated into the IFA Access Rules.
- “Rule C2: Invoicing and Payment”: Invoicing and Payment is now to be undertaken on the same basis as described in the HARs and the major part of this rule has then

been replaced by a cross reference to the HARs provisions which are incorporated into the IFA Access Rules.

- “Rule C3: Payment Security”: The Payment Security is now to be undertaken on the same basis as described in the HARs and the major part of this rule has been replaced by a cross reference to the HARs provisions which are incorporated into the IFA Access Rules.
- “Rule D2: Types of Auctions”: This rule has been amended to reflect HARs provisions regarding publication of results.
- “Rule D4: Daily Auctions” and “Rule D5: Intraday Auction”: These rules have been amended to reflect HARs provisions regarding Auction specifications
- “Rule D6: Submission of Bids”: This rule has been amended to reflect HARs provisions regarding bid registration and bid rejection.
- “Rule D7: Allocation”: The allocation of capacity where several bids (at the marginal price) cannot be accepted in full for the total requested capacity has been amended to reflect the provisions defined within the HARs.
- “Rule E4: Secondary Market”: This rule has been amended to reflect HARs provisions regarding Capacity Transfers.

## **Consultation and associated Rules change process**

This consultation pack contains the following documents, which have been compiled to support stakeholders through this process:

1. The covering letter,
2. This overview document summarising the main changes,
3. The proposed “IFA Access Rules” **Consultation Draft** document, and
4. IFA participation Agreement.

This suite of consultation documents can be obtained on NGIC’s and RTE’s websites and on the FUI Portal, as follows:

<http://www.nationalgrid.com/uk/Interconnectors/France/consultations/>

[http://clients.rte-france.com/index\\_en.jsp](http://clients.rte-france.com/index_en.jsp)

<http://www.fui-portal.eu/>

For you reference also, below is a link to the ENTSO-E site for the Harmonised Access Rules document and associated consultation material.

[https://consultations.entsoe.eu/markets/fca-harmonisation-of-allocation-rules/start\\_preview?token=38f6b83458aeb2ee5d8d9d9c38b5bfd5595a220](https://consultations.entsoe.eu/markets/fca-harmonisation-of-allocation-rules/start_preview?token=38f6b83458aeb2ee5d8d9d9c38b5bfd5595a220)

ENTSO-E's current intention is that the Harmonised Allocation Rules come into force on 1<sup>st</sup> January 2016 (for all participating borders/Interconnectors). The entry into force of the overall suite of Rules amendments for IFA will be dependent on approval by the NRAs in GB and France, and the timing of IFA's participation will be from when all associated systems changes having been completed. Market participants should note that given the range of IFA capacity products, there is no point in the calendar when all products cease and re-start. Whatever the effective date of the rules change, it will therefore inevitably be 'mid-product' for some products. This possibility has and will continue to be notified to customers in the auction specifications for all auctions with a product period beyond 1<sup>st</sup> January 2016.

## Specific questions list

N°	Related document	Question
Q1	IFA Access Rules	Are you satisfied with the new allocation methodology for the case where several bids cannot be accepted in full for the total requested capacity, as proposed in the HARs (Article 35) and the IFA Access Rules (Rule 29 (Auction Results Determination))?
Q2	IFA Access Rules	We are investigating the possibility to drop the "Transfer of capacity" (Chapter 6 (Transfer of Intraday Units) of the IFA Access Rules) functionality for Intraday products as this is rarely used. Would you be affected by such removal of functionality?  (For the avoidance of doubts, Secondary market (return and resale) for long term products will remain, being covered in the HARs).
Q3	IFA Access Rules HARs	Are you satisfied with the provisions of the HARs (Article 23 (Credit Limit)) and IFA Access Rules (Rule 12 (Credit Limit)) regarding Credit Limit calculation, specifically whereby credits from UIOSI and Resales are not taken into account?
Q4	IFA Access Rules	Do you identify benefit from converging toward the invoicing process in the HARs (Chapter 10 (invoicing and Payment)) rather

	HARs	than having specific provisions in the IFA Access Rules (non-directional invoicing process)?
Q5	IFA Access Rules HARs	Are you satisfied with the current principle of hierarchy curtailment processes (Chapter 10 (Curtailment) of the RARs and Chapter 9 (Curtailment) of the border specific Annex):  1) of the Long Term Transmission Rights (from the shortest product period duration to the longest), and  2) of Nomination Curtailment (Intraday Nominations first, then Daily explicit Nominations (if necessary and available), and finally Long Term Nominations (if necessary).
Q6	IFA Access Rules and Annex	Considering that this project is for early implementation of Harmonised Allocation Rules ahead of FCA obligation, NGIC and RTE are of the opinion that the previously approved Rules (version 9.0) associated with Curtailment and associated compensations continue to be appropriate. Do you consider that there are any other changing external factors that necessarily trigger a need to amend Curtailment Rules ahead of FCA coming into force?

In addition to these questions relating to the proposed amended IFA Access Rules, NGIC and RTE have requested that certain questions be asked by ENTSO-E within its HARs consultation. Certain aspects of the HARs draft are significantly different from the current IFA Access Rules in relation to Long Term capacity auction rules and processes, and we anticipate that market participants will want to consider these differences at this consultation stage.

## Next steps: indicative process and timelines

18<sup>th</sup> March – ENTSO-E planning to hold a Stakeholder workshop.

30<sup>th</sup> March – consultations close.

April-June – review of market participants responses.

End-June expected submission to NRAs for approval.

By end-Sept NRA approvals.

2016 adoption, timescales for IFA dependent on systems development programme.