6th August 2021

Dear RTE

Thank you for the opportunity to respond to the proposals on the formulation of a coordinated capacity calculation methodology for the GB-FR border, the 'Interim Solution'. We understand the need for robust planning of the onshore network, particularly in light of the additional cross-border capacity that is due to come online in coming years, and also the work that needs to be done in this area to meet the requirements of the UK-EU Trade and Cooperation Agreement (TCA).

There are some areas where we have reason for concern, however, which we have outlined below;

1) Impact on orderly functioning of the GB and FR electricity markets

The timetable for release of interconnector capacity has been refined over time (in particular with relation to the IFA interconnector) to take into account factors such as market liquidity in the various wholesale products available to the market. The Interim Solution will place considerable constraints on the flexibility to offer capacity to market participants in the way the market has come to expect. In particular;

a) The 35% limit on long-term capacity sales that will apply until the capacity calculation in Sept Y-1 will prevent the ability to offer long-term capacity products (annual, seasonal capacity) in the volumes and timescales that are expected by the market. We feel that greater justification of the 35% should be provided. Given that the GB-FR border has historically never been subject to restrictions (with cross-border capacity at 2GW), the increase to 3GW (with the additional of Eleclink) at a common connection point could justify a limit of 66%.

   We also note that the calculations described in the 'Hypothesis' document use a reference import/export capacity set to 0MW. Given that the minimum guaranteed level is 35%, we would suggest this value, or a higher value in line with the point raise in a) above, is used in the reference situation.

b) The second calculation of available capacity at M-1 is likely to lead to a significant proportion of capacity being released to the market in a relatively short period. This may have a negative impact on market participants' ability to match that capacity in the market and lead to undesirable price volatility. Our preference would be to move this calculation step earlier if possible, to allow more flexibility with regards to the release of capacity to market participants.

Historically, IFA (and more recently IFA2) have been able to publish a full timetable of the auctions they expect to run for the following year, by December Y-1. This brings a degree of certainty to market participants and allows for more reliable business planning (revenue forecasting etc). Are RTE able to provide any information regarding what form this auction timetable publication should take following the introduction of the Interim Solution?

2) Establishment of price-signals for remedial actions and compensation principles

We consider that it is important that economic signals are established that reflect the costs imposed on interconnector operators when their assets are restricted below their technical availability, as this will provide a natural incentive to minimise any periods of restriction. Compensation for the unavailability of capacity at delivery will ensure that costly remedial actions are fully considered as well as highlighting the need for long-term network investment.

Further to this consultation response, we have separately engaged with RTE around the subject of financial compensation, in a letter and accompanying presentation shared on the 30th July.

A compensation mechanism that would operate in this circumstance could potentially reflect the NGESO proposal currently being consulted on that would apply if restrictions were imposed by the GB system operator.

Any compensation mechanism agreed should be applied equally to each interconnector TSO operating on that border, regardless of that asset's ownership structure, to avoid any potential discrimination.

3) Market impact in event of unplanned onshore outages

With regards the comment in Article 14 regarding curtailment procedures being implemented in the event of an unplanned outage to critical onshore elements that limit I/C capacity below that which has been already allocated; is it intended that this would impact the principles around firmness that are currently applied to IFA and IFA2 capacity? For example, would there be an intention to invoke curtailment of capacity rights and/or nominations in the intraday timescale?

In this scenario we would encourage the use of SO-SO mechanisms already available to manage the scheduled flow over the interconnector such as Emergency Assistance or Cross-Border Balancing, rather than passing the cost of an onshore transmission issue onto interconnector TSOs or their customers.

We look forward to the outcomes of this consultation and to our continuing work ensuring the efficient operation of our joint assets for the benefit of consumers in both interconnected markets.

Kind Regards

S H Baxter

Simon Baxter

Commercial Strategy Manager

On behalf of National Grid Interconnectors Limited and National Grid IFA2 Limited