

DELIBERATION

Deliberation by the French Energy Regulatory Commission of 27 October 2016 delivering its opinion on the capacity split rules at the electrical interconnection between France and Great Britain

Present: Philippe de LADOUCKETTE, Chairman, Christine CHAUVET, Catherine EDWIGE, Hélène GASSIN, commissioners.

In accordance with the provisions of point 2.6 of the guidelines annexed to Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity: *"The TSOs¹ shall define an appropriate structure for the allocation of capacity between different timeframes. This may include an option for reserving a minimum percentage of interconnection capacity for daily or intra-daily allocation. Such an allocation structure shall be subject to review by the respective regulatory authorities. In drawing up their proposals, the TSOs shall take into account:*

- *the characteristics of the markets;*
- *the operational conditions, such as the implications of netting firmly declared schedules;*
- *the level of harmonisation of the percentages and timeframes adopted for the different capacity-allocation mechanisms in place".*

In a letter received on 19 October 2016, the French TSO Réseau de transport d'électricité (RTE) submitted to CRE for its opinion a proposal for amending the capacity split rules at the France - Great Britain border.

1. BACKGROUND

1.1 Characteristics of the electrical interconnection between France and Great Britain

The interconnection between France and Great Britain, known as IFA (Interconnexion France-Angleterre), is a 2000 MW High Voltage Direct Current (HVDC) link connecting the French transmission network to the British transmission network. The interconnector is jointly owned by RTE and National Grid Interconnectors (NGIC). It is approximately 70 km length, with 45 km of subsea cable, and it is made up of four poles (500 MW each) which can operate in import or export mode between France and England.

1.2 Capacity allocation principles

All of the interconnector's capacity is offered to the market based on the IFA Access Rules (dealing with day-ahead and intraday timeframes) and the Allocation Rules for Forward Capacity Allocation. For each direction, products are proposed for different timeframes in year Y:

- annual products:
 - Calendar Year product from 01/01/Y to 31/12/Y;
 - Financial Year product from 01/04/Y to 31/03/Y+1;
- seasonal products:
 - Summer product from 01/04/Y to 30/09/Y;
 - Winter product from 01/10/Y to 31/03/Y+1;

¹ Electricity transmission system operators

- quarterly products:
 - Q1 product from 01/01/Y to 31/03/Y;
 - Q2 product from 01/04/Y to 30/06/Y;
 - Q3 product from 01/07/Y to 30/09/Y;
 - Q4 product from 01/10/Y to 31/12/Y;
- monthly product, covering each month;
- week-end product, covering Saturday and Sunday;
- day-ahead product, every day;
- intraday products:
 - ID1 product every day from 00:00 to 14:00;
 - ID2 product every day from 14:00 to 24:00.

Additional products such as Week 5 days and Week 7 days may be proposed as required.

The volume offered at each long-term timeframe (annual to monthly) corresponds to a portion of the total capacity available at the interconnection, i.e. 2000 MW. This portion is defined for each product in the split rules which are addressed in the present deliberation. For each timeframe, any transmission rights returned by market participants are added to these volumes.

2. AMENDMENTS TO THE CAPACITY SPLIT RULES AT THE FRANCE – GREAT BRITAIN INTERCONNECTION

RTE, in consultation with NGIC, submitted a proposal to amend the rules for splitting capacity between the different timeframes at the IFA interconnection. This proposal aims to better meet market participants' expectations and to bring these rules in line with those in effect at the other French borders.

2.1 Capacity split proposed

The current split rules, which received a favourable opinion by CRE during its deliberation of 13 November 2012, specify the following distribution of capacity between the different timeframes:

- Calendar Year product: 550 MW;
- Financial Year product: 350 MW;
- seasonal product: 300 MW;
- quarterly product: 300 MW;
- monthly product: 300 MW;
- day-ahead product: 200 MW.

The new capacity split rules proposed by RTE specify:

- the elimination of the Financial Year product and the deferral of the corresponding capacity to the Calendar Year product, to which is thus attributed 900 MW;
- the transfer to the day-ahead product of 100 MW previously reserved for the seasonal product.

Therefore, the new capacity split shall be as follows:

- Calendar Year product: 900 MW;
- seasonal product: 200 MW;
- quarterly product: 300 MW;
- monthly product: 300 MW;
- day-ahead product: 300 MW.

The Financial Year product and the Winter seasonal product have already been allocated until March 2017, and the new capacity planned for the Calendar Year product (900 MW) must be allocated as from 2017. Therefore, RTE proposes the following interim split for the period 1 January to 31 March 2017:

- Calendar Year product: 900 MW;
- Financial Year product: 350 MW;
- seasonal product: 300 MW;
- quarterly product: 0 MW;
- monthly product: 200 MW;
- day-ahead product: 250 MW.

2.2 CRE's analysis

The proposed amendments to the split rules were the subject of an informal consultation by RTE of the main market participants active at the IFA interconnection. However, the limited time period between the date at which the amendment of the split rules was initiated and the annual auctions of November 2016, for which the new rules must be implemented in order to reach the target split in 2017, did not enable RTE to hold an open consultation of market participants about their expectations. CRE reiterates that, within the framework of the implementation of Regulation (EU) No 2016/1719 of the Commission of 26 September 2016 establishing a guideline on forward capacity allocation (FCA), proposals subject to public consultation must be drafted by the TSOs of each Capacity Calculation Region concerning the type of capacity products offered (Article 31) and the splitting of these products between the different allocation timeframes (Article 16). CRE considers that the implementation of these provisions provides an opportunity to globally re-examine the relevance and consistency of the capacity split rules at the different French borders.

The new capacity split rules submitted for CRE's opinion keep the same proportion of capacity offered in the annual timeframe, which complies with the preferences expressed by most market participants consulted by RTE during its informal consultation. These changes are also in keeping with the harmonisation of the rules applicable at the other French borders, since the "Financial Year" product specific to the IFA interconnection is eliminated, and the increase from 200 MW to 300 MW of capacity allocated in the day-ahead timeframe brings the day-ahead allocation / long-term allocation ratio closer to that which is generally applied at the other borders.

It should be noted that, although the capacity split rules are not required to be approved formally by the British regulatory authority², that authority has been consulted by CRE about the proposed amendments and has not made any objections.

3. CRE'S DECISION

CRE issues a favourable opinion on the new capacity split rules at the interconnection between France and Great Britain, to be applied in 2017.

Besides, in the first quarter of 2017, CRE plans to hold a consultation with market participants about the split rules at the French borders; this consultation may give rise, as required, to a deliberation for establishing guidelines.

Paris, 27 October 2016

For the Energy Regulatory Commission,

The Chairman,

Philippe de LADOUCKETTE

² OFGEM (Office of Gas and Electricity Markets)