



DELIBERATION NO. 2019-227

Deliberation of the Commission de régulation de l'énergie (French Energy Regulatory Commission) dated 17 October 2019 approving the change to the IFA/IFA 2 access rules in the event of Great Britain remaining or leaving the single day-ahead market coupling

Present: Jean-François Carencu, President, Christine Chauvet, Catherine Edwige, Ivan Faucheux and Jean-Laurent Lastelle, Commissioners.

1. CONTEXT, LEGAL FRAMEWORK AND REFERRAL TO CRE

1.1 Reminder of the context

1.1.1 Interconnexion France-Angleterre (“IFA”) and Interconnexion France-Angleterre 2 (“IFA 2”) project

The French and British transmission networks have been connected by a undersea DC cable with a capacity of 2,000MW since 1986. This cable, referred to as the Interconnexion France-Angleterre (hereinafter “IFA”), is jointly operated by the French and British transmission system operators (hereinafter “TSOs”) Réseau de transport d'électricité (hereinafter “RTE”) and National Grid Interconnectors Limited (hereinafter “NGIC”) (hereinafter referred to as the “IFA TSOs”) respectively.

By a Deliberation dated 2 February 2017¹ in addition to the Deliberation dated 1 December 2016 approving RTE's investment programme, the Commission de régulation de l'énergie (French Energy Regulatory Commission, hereinafter “CRE”) approved the project called Interconnexion France-Angleterre 2 (hereinafter “IFA 2”). This new interconnection, consisting of a 1,000 MW DC undersea cable developed in partnership by RTE and National Grid IFA 2 Limited, is under construction with commissioning currently planned for the second half of 2020.

1.1.2 Regulatory framework applicable to IFA/IFA 2

Current IFA access rules

Allocation of capacity on IFA for short- and long-term time frames has been open to third parties since 2001.

Allocation and nomination of long-term transmission rights on the IFA are governed by different methodologies under Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on the allocation of future capacity² (hereinafter “FCA regulation”).

For the day-ahead time frame, IFA's capacity is allocated implicitly by means of the single day-ahead market coupling. The single day-ahead market coupling, which had been extended to Great Britain (hereinafter “GB”) on February 2014³, was established as the target model for allocating day-ahead capacity by Commission Regulation

¹ Deliberation of the Commission de régulation de l'énergie dated 2 February 2017 concerning the decision on the “IFA 2” interconnection project: <https://www.cre.fr/Documents/Deliberations/Decision/projet-d-interconnexion-IFA-22>

² Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing guidelines on future capacity allocation: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32016R1719&from=EN>

³ Deliberation of the Commission de régulation de l'énergie of 2 October 2013 approving the implicit daily allocation method for interconnection capacity within the North-West region and approving amendments to the France-England interconnection access rules: <https://www.cre.fr/Documents/Deliberations/Approbation/interconnexions>

(EU) 2015/1222 of 24 July 2015 establishing a guideline for capacity allocation and congestion management⁴ (hereinafter “CACM regulation”).

For the intraday time frame, IFA’s capacity is allocated by means of explicit auctions. The IFA access rules relating to the intraday allocation, version 12 of which is currently in force⁵, are approved by the regulatory authorities concerned, CRE for France and the Office of Gas and Electricity Markets (hereinafter “Ofgem”) for GB. These rules also govern day-ahead nomination, in the event of explicit fallback auctions, and intraday nomination.

IFA access rules in the event of Great Britain’s decoupling

On 29 March 2017, the United Kingdom (hereinafter referred to as the “UK”) notified the European Council of its intention to withdraw from the European Union (hereinafter “EU”) pursuant to Article 50 of the EU Treaty. In accordance with the provisions of said Article, the UK should have left the EU on 29 March 2019.

If no withdrawal agreement had entered into force on that date and the deadline had not been extended, the European legislation would no longer have been applicable to the UK and interconnections between France and the UK after 29 March 2019. To prepare for this scenario, the IFA TSOs developed a version of the IFA access rules based on applicable national law (hereinafter “rules in the event of GB’s decoupling”). This version, approved by CRE by a decision dated 14 March 2019⁶, ensures that allocation mechanisms may, under conditions, be implemented including in the event of GB leaving the single day-ahead market coupling resulting from the UK leaving the EU without a deal. In particular, it provides for the introduction of a day-ahead capacity allocation in the form of explicit auctions.

Since 29 March 2019, the UK’s withdrawal from the EU has been the subject of several extensions. On the date of this deliberation, the UK’s withdrawal from the EU must take place on 31 October 2019 (at 24:00 Central European Standard Time). Therefore, unless this deadline is extended or a withdrawal agreement comes into force by 31 October 2019, the IFA access rules in the event of GB’s decoupling approved by CRE on 14 March 2019 will come into force on 1 November 2019. The first explicit day-ahead auction on IFA would therefore take place on 1 November 2019 for physical delivery on 2 November 2019.

IFA 2 access rules

The regulatory framework governing capacity allocation for different periods will apply to IFA 2 as soon as it is commissioned.

1.1.3 Transfer of allocation to the Joint Allocation Platform (JAO)

Since the opening of the allocation of IFA’s capacities to third parties in 2001, the explicit allocation and nomination of IFA capacities for short- and long-term time frames have been carried out via the Capacity Management System IFA platform (hereinafter referred to as the “CMS IFA”). However, this platform must evolve to allow the integration of the IFA 2’s allocation processes.

On other French borders, the explicit allocation of capacities for various time frames is carried out on the Joint Allocation Office platform (hereinafter “JAO”). The IFA TSOs thus decided to transfer the allocation *via* explicit auctions of capacity rights on the FR-GB border from the CMS IFA platform to the JAO platform. This decision is also in line with the proposal for the establishment of JAO as the joint allocation platform for long-term transmission rights pursuant to Chapter 4 of the FCA regulation, which was approved by CRE on 12 October 2017⁷.

As a result, the IFA TSOs took steps to transfer IFA’s capacity allocation processes for short- and long-term time frames from the CMS IFA platform to the JAO platform on 1 December 2019. The nomination of capacity rights for the different time frames will take place on a dedicated platform (Regional Nomination Platform, hereinafter referred to as the “RNP”). This transfer will be performed regardless of whether GB remains in or leaves the single day-ahead market coupling. In particular, in the event of GB’s decoupling, the explicit auctions allocation of day-ahead capacities will be carried out by JAO.

The IFA TSOs organised a public consultation on the proposed changes to the following two sets of access rules:

⁴ Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing guidelines on capacity allocation and congestion management:

<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32015R1222&from=FR>

⁵ <http://ifa1.interconnector.com/media/1061/ifa-access-rules-v12-live-from-1-jan-2018.pdf>

⁶ Deliberation of the Commission de régulation de l’énergie dated 14 March 2019 approving RTE’s proposal on the France-England Interconnection access rules in the event of GB leaving the single daily market coupling: <https://www.cre.fr/Documents/Deliberations/Approbation/Approbation-des-regles-IFA-en-cas-de-sortie-de-la-Grande-Bretagne-du-couplage-journalier-europeen>.

⁷ Decision by the CRE dated 12 October 2017 approving the proposal of all transmission system operators relating to the functional requirements concerning the single long-term transmission rights allocation platform and the methodology for sharing the costs arising from the establishment and operation of this platform: <https://www.cre.fr/Documents/Deliberations/Approbation/approbation-des-exigences-fonctionnelles-de-la-sap>

- between 31 May 2019 and 28 June 2019 for the IFA/IFA 2 access rules in the event that GB remains in the single day-ahead market coupling; and
- between 2 August 2019 and 30 August 2019 for the IFA/IFA 2 access rules in the event of GB's decoupling.

1.2 Competence and referral to CRE

On the one hand, pursuant to Article 37(6) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 on the common rules for the internal electricity market⁸, regulatory authorities shall lay down or approve methods for establishing cross-border infrastructure access, including capacity allocation and congestion management procedures.

On the other hand, in application of the provisions of Article 30 of Appendix I to Decree 2006-1731 of 23 December 2006 approving the specifications for the concession of the public electricity transmission network, CRE is competent to approve the capacity allocation rules for interconnections.

In a letter received on 10 October 2019, RTE submitted the following to CRE for approval:

- on the one hand, access rules in the event of GB remaining in the single day-ahead market coupling including “Rules for intraday capacity allocation on IFA/IFA 2” and “Nomination rules for explicit day-ahead and intraday auctions on IFA/IFA 2”; and
- on the other hand, the “IFA/IFA 2 access rules” applicable in the event that GB no longer participates in the single day-ahead market coupling, including the allocation and nomination rules for long-term, day-ahead and intraday time frames.

The examination of these two sets of access rules is the subject of this decision.

2. DESCRIPTION AND ANALYSIS OF THE IFA/IFA 2 ACCESS RULES PROPOSALS

This section first examines the proposal for changes to the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling (2.1) and, secondly, the proposal for changes to the IFA/IFA 2 access rules in the event of GB's decoupling (2.2).

2.1 Proposal for a change to the IFA/IFA 2 access rules in the event that GB remains in the single day-ahead market coupling

2.1.1 Description of the changes proposed by the IFA TSOs

The main change proposed by the IFA TSOs with regard to the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling is motivated by the transfer of explicit allocations to the JAO platform. This transfer translates into:

- for the intraday capacity allocation rules on IFA/IFA 2, the harmonisation of the terminology and of the description of the processes to align with the transfer of explicit intraday allocation from the CMS IFA platform to the JAO platform; and
- for the nomination rules for explicit day-ahead auctions, in the event of explicit fallback auctions, and intraday on IFA/IFA 2, the establishment of the dedicated RNP nomination platform.

The IFA TSOs also propose changes to the design of intraday auctions and nomination gates. The design envisaged corresponds to four explicit auctions spread throughout the day and twenty-four nomination gates, which will close seventy-five minutes before the delivery time.

Lastly, the compensation conditions for transmission rights holders in the event of a curtailment in capacity rights and in the event of the cancellation of a nomination gate are aligned for the day-ahead period, on the one hand, and the intraday period, on the other hand.

⁸Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on the common rules for the internal electricity market repealing Directive 2009/72/EC but this repeal will only take effect on 1 January 2021.

2.1.2 Feedback from the public consultation conducted by the IFA TSOs

The IFA TSOs organised a public consultation on the proposed changes to the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling between 31 May 2019 and 28 June 2019. In particular, the purpose of this public consultation was to collect the opinions of market players on the appropriate number and timing for auctions and nomination gates for the intraday time frame. When referring these rules to CRE, a consultation report summarising the responses received and the position of the IFA TSOs on the issues raised by the respondents was also provided to.

Four respondents participated in the afore-mentioned public consultation. Respondents expressed various expectations regarding the appropriate number and timing for intraday auctions. On the other hand, consensual feedback to set up twenty-four nomination gates was obtained. The IFA TSOs took the feedback into account in order to draw up their design proposal for intraday auctions and nomination gates.

Further comments were made by the respondents on the target model for intraday allocation, the harmonisation of auction times with other interconnections linking GB to the European continent, and the need for ongoing customer support on the JAO platform. With regard to the last point, the IFA TSOs committed to working with the JAO platform to improve the terms of service for auction participants.

2.1.3 CRE analysis

CRE carried out a detailed analysis and assessment of the changes proposed to the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling, in coordination with Ofgem.

CRE is in favour of the transfer to the JAO platform of the intraday explicit capacity allocation, in parallel with the transfer of the long-term explicit capacity allocation, as market players will thus be able to have a single platform for explicit auctions on IFA/IFA 2 for all time frames.

CRE considers that the change to the design of intraday auctions and nomination gates meets the needs expressed by market players in the context of the public consultation.

Finally, the compensation conditions for transmission rights holders comply with the provisions of Article 72 of the CACM regulation, which applies as long as the UK is part of the EU.

2.2 Proposal for changes to the IFA/IFA 2 access rules in the event of Great Britain's decoupling

2.2.1 Description of the proposed changes

In comparison to the IFA access rules in the event of GB's decoupling adopted on 14 March 2019, which introduced, in particular, an explicit allocation of capacities to the day-ahead auction⁹, the main change proposed by the IFA TSOs corresponds to the transfer of the explicit allocation of capacities to the short- and long-term time frames from the CMS IFA platform to the JAO platform. This transfer translates into:

- on the one hand, the change to the format of the rules which now contain separate sections between allocation and nomination of capacities for different time frames; and
- on the other hand, the harmonisation of the terminology and of the description of the processes in the intraday, day-ahead and long-term allocation and nomination rules.

As for the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling, the IFA TSOs propose a change to the design of the intraday auctions and nomination gates.

The IFA TSOs also propose specifying the compensation conditions for long-term capacity rights holders in the event of a capacity curtailment in order to align them with the practices of other interconnections linking GB to the European continent. The purpose of this change is to distinguish between curtailments that occur before or after the day-ahead firmness deadline according to the following scheme:

- if the curtailment takes place before the day-ahead firmness deadline, the holders of transmission rights shall be compensated at the price of the initial auction during which they acquired the long-term rights;
- if the curtailment takes place after the day-ahead firmness deadline,

⁹ All the developments that would result from GB's decoupling, following the UK's withdrawal from the EU without an agreement, are described in the CRE deliberation dated 14 March 2019 referenced in footnote number 6.

- if the curtailment occurred for reasons of force majeure, the holders of reduced rights will be compensated at the original auction price; and
- if the curtailment occurred as a result of an emergency situation, the holders of reduced rights shall be compensated for at the price of the day-ahead explicit capacity auction if it took place, or if not, at the price of the initial auction.

2.2.2 Feedback from the public consultation

The IFA TSOs organised a public consultation on the change to the IFA/IFA 2 access rules in the event of GB's decoupling between 2 August 2019 and 30 August 2019. When referring these rules to CRE, a consultation report summarising the responses received and the position of the IFA TSOs on the issues raised by the respondents was provided.

Two respondents participated in the afore-mentioned public consultation, commenting in particular on the proposal to change the design of the intraday auctions and nomination gates formulated by the IFA TSOs. Similarly to the consultation of the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling, the respondents stressed the need for continuous customer support and the same level of information on the JAO platform as on the CMS IFA platform.

One participant also asked for clarification of the day-ahead explicit auction time. The IFA TSOs indicated that this auction would take place between 9:40 a.m. and 10:00 a.m. on D-1.

2.2.3 CRE and Ofgem analysis

CRE and Ofgem have carried out a detailed analysis and assessment of the proposed changes to the IFA/IFA 2 access rules in the event of GB's decoupling.

CRE and Ofgem acknowledge the transfer of the explicit capacity allocation for different time frames to the JAO platform, including in the event that GB no longer participates in the single day-ahead market coupling. They consider that if the UK were to leave the EU without a withdrawal agreement coming into force, service contracts could be concluded between NGIC and JAO for the provision of allocation services. They also encourage IFA TSOs to contribute to a rapid improvement in the level of customer service of the JAO platform.

Similarly to the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling, CRE and Ofgem consider that the change to the design of the intraday auctions and nomination gates meets the needs expressed by market players.

With respect to the compensation conditions for long-term rights holders in the event of a capacity curtailment, CRE considers that compensation at the initial price paid by the capacity right holder, or at the day-ahead explicit auction when it occurred,¹⁰ is relevant at this stage. CRE notes that it will not be possible to calculate a price differential between GB and France after GB's decoupling until the power exchanges active in the UK are technically coupled or a methodology for establishing a single reference price has been implemented in GB.

However, in the event of one of these two events, CRE asks the IFA TSOs to assess the possibility of amending the IFA/IFA 2 access rules as soon as possible in order to set up a compensation system based on the differential between the reference day-ahead prices in France and GB.

3. CRE AND OFGEM CONCLUSIONS ON THE IFA/IFA 2 ACCESS RULES

3.1 Regulatory authorities' agreement on the IFA/IFA 2 access rules

CRE and Ofgem have coordinated to achieve a common position as regards approval:

- the IFA/IFA 2 access rules in the event that GB remains in the single day-ahead market coupling; and
- the IFA/IFA 2 access rules in the event that GB leaves the single day-ahead market coupling¹¹.

CRE approves these two sets of IFA/IFA 2 access rules.

¹⁰ Except in the case of force majeure, where the price of the original auction is systematically reimbursed to the right holder.

¹¹ This coordination is evidenced by a common position document attached to the deliberation with regard to the IFA/IFA 2 access rules in the event of GB's decoupling.

Once approved by CRE and Ofgem, the IFA TSOs will have to publish these two sets of rules on their respective websites and ensure that they come into force in accordance with the detailed schedule by regulatory authorities in their decisions.

3.2 Entry into force of the IFA/IFA 2 access rules

The transfer of IFA's explicit capacity allocation processes from the CMS IFA platform to the JAO platform is scheduled for 1 December 2019 for IFA and the commercial commissioning date for IFA 2.

Before this date, the following rules apply:

- the IFA rules version 12 in the event that GB remains in the single day-ahead market coupling; and
- the IFA rules as approved by CRE on 14 March 2019 in the event of GB's decoupling. On the date of this decision, the UK's withdrawal from the EU must take place on 31 October 2019 (at 24:00 Central European Standard Time). Therefore, unless this deadline is extended or a withdrawal agreement comes into force by 31 October 2019, the IFA access rules in the event of GB's decoupling approved by CRE on 14 March 2019 will apply from 1 November 2019. The first explicit day-ahead auction on IFA would therefore take place on 1 November 2019 for physical delivery on 2 November 2019.

The two sets of rules that are the subject of this deliberation shall come into force:

- for the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling, on the date of the transfer of IFA's explicit capacity allocation processes to the JAO platform, i.e. on 1 December 2019, and in the absence of GB's decoupling; and
- for IFA/IFA 2 access rules in the event of GB's decoupling, only if GB is decoupled on the date of the transfer of capacities allocation processes on the IFA (1 December 2019) to the JAO platform, or at a later date if GB's decoupling takes place later.

DECISION

In application of the provisions of Article 37(6) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 on common rules for the internal electricity market, regulatory authorities shall lay down or approve methods for establishing cross-border infrastructure access, including capacity allocation and congestion management procedures.

In application of the provisions of Article 30 of Appendix I to Decree 2006-1731 of 23 December 2006 approving the specifications for the concession of the public electricity transmission network, the Commission de régulation de l'énergie (CRE) is competent to approve the electricity interconnection to French borders capacity allocation rules. To this end, it ensures coordination with the UK regulatory authority, the Office of Gas and Electricity Markets (Ofgem).

Réseau de Transport d'Electricité (RTE) referred to CRE on 10 October 2019 for approval:

- on the one hand, the access rules in the event of Great Britain (GB) remaining in the single day-ahead market coupling; and
- on the other hand, the "IFA/IFA 2 access rules" applicable in the event that GB no longer participates in the single day-ahead market coupling.

The main purpose of these rules is to reflect the transfer of explicit allocation of capacities for different time frames to the Joint Allocation Office (JAO) allocation platform on 1 December 2019. They also introduce minor changes to the design of the intraday auctions and the basis for compensation in the event of a capacity curtailment.

CRE considers that the changes proposed by RTE are justified and consistent. Consequently, CRE approves the IFA/IFA 2 access rules applicable, on the one hand, in the event of GB remaining in the single day-ahead market coupling and, on the other hand, in the event of GB leaving the single day-ahead market coupling.

The rules that are the subject of this deliberation shall come into force, subject to their approval by Ofgem:

- for the IFA/IFA 2 access rules in the event of GB remaining in the single day-ahead market coupling, on the date of the transfer of the capacity allocation processes on the IFA to the JAO platform, i.e. on 1 December 2019;
- for the IFA/IFA 2 access rules in the event of GB's decoupling:
 - from the transfer of the capacity allocation processes on the IFA to the JAO platform, i.e. 1 December, if GB's decoupling has taken place by then; and
 - from a possible decoupling of the GB, if it takes place after the transfer of capacity allocation processes on the IFA to the JAO platform.

On the date of this deliberation, the UK's withdrawal from the EU must take place on 31 October 2019 (at 24:00 Central European Standard Time). Therefore, if this deadline is not extended or a withdrawal agreement does not come into force by 31 October 2019, the IFA access rules in the event of GB's decoupling adopted by CRE on 14 March 2019 will apply. The first explicit day-ahead auction on the IFA would therefore take place on 1 November 2019 for physical delivery on 2 November 2019.

RTE will publish these rules on its website.

This deliberation is published on CRE's website and forwarded to the Minister of Ecological Transition and Solidarity, the Minister of Europe and Foreign Affairs, the Directorate-General for Energy of the European Commission and the regulatory authority of the United Kingdom (the Office of Gas and Electricity Markets). It is notified to RTE.

Deliberated in Paris, on 17 October 2019.

**For the Commission de régulation de l'énergie (French Energy
Regulatory Commission)**

The President,

Jean-François Carencio

APPENDIX

The document of the common position of CRE and Ofgem relating to the IFA/IFA 2 access rules in the event Great Britain leaving the single day-ahead market coupling is appended to the deliberation in the original version (English language), the essential elements of its content, which are not legally binding, are re-transcribed in this deliberation.

The referral files submitted by RTE to CRE are appended to this deliberation.