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FRANCE-UK-IRELAND

ELECTRICITY REGIONAL INITIATIVE

WORK PLAN 2011-2014

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**Disclaimer**

ACER and the Electricity Regional Initiative coordination group have completed the elaboration of a European Energy Workplan 2011-2014. The European Energy Workplan consists of four cross-regional roadmaps which identify milestones and responsibilities for implementation of a common European approach to cross-border electricity trading by 2014.

To agree the four cross-regional roadmaps, the seven electricity regions developed a regional input to the European Energy Workplan. The seven regional inputs were developed in discussion with TSOs and Member States and consulted on with regional stakeholders. The regional inputs explain each region’s contribution to completing the internal electricity market. The four cross-regional roadmaps have been developed and agreed on the basis of the regional inputs.

As a result of this process the cross-regional action plans and regional inputs may not be completely consistent. However**, ACER and the National Regulatory Authorities have agreed that the European Energy Workplan consists of only the four cross-regional roadmaps. This means that, if any inconsistency remains between the seven regional inputs and the four cross-regional roadmaps, stakeholders should consider that the cross-regional roadmaps prevail.**

# Introduction

This is the France-UK-Ireland (FUI) electricity region input to the European Energy Workplan 2011-2014 (“the Workplan”). The FUI electricity region input was jointly prepared by all relevant National Regulatory Authorities, in discussion with Member State representatives and Transmission System Operators.

The FUI region consists of France, the United Kingdom and the Republic of Ireland, with Ofgem acting as the lead regulator. There are three distinct electricity markets, the British Electricity Transmission and Trading Arrangements (BETTA) market in Great Britain, the Single Electricity Market (SEM) in the Republic of Ireland and Northern Ireland and the French electricity market.

There is one cross-border interconnector within the FUI region, the IFA interconnector between Great Britain and France. The Moyle interconnector connects the SEM and BETTA markets but is within the United Kingdom. However, the UK government has agreed to treat Moyle as if the Electricity Regulation applies. The BritNed interconnector became operational in April 2011 and connects GB with the Netherlands. Significant additional interconnector investment is planned and under construction, which will improve connection within the FUI region and with other North Seas countries. The East West Interconnector (EWIC) between the Ireland and Great Britain is under construction and commercial operation is planned for Q3 2012.

On the 4 February 2011 the European Council concluded that *“The internal market should be completed by 2014 so as to allow gas and electricity to flow freely.*” As a result, both ACER and the European Commission have asked regulators, to contribute to elaborate a “European Energy Workplan 2011-2014” on a regional basis.

This paper sets out the contribution that FUI region will make to achieve the 2014 objective in each of the following areas:

**Priority I: Implementation of the CACM FG target model**

1. Long term capacity allocation
2. Day-ahead: Single European price market coupling
3. Intraday trading
4. Cross-border balancing
5. Capacity calculation

**Priority II: Interconnections and available capacity**

1. Framework for interconnector investment
2. New interconnector projects

**Priority III: Regional reporting**

1. Regional Investment Plan
2. Regional transparency report
3. Regional report on the management and use of interconnections

# Priorities and deliverables for 2011-2014

## Priority I. Implementation of the CACM FG target model

### Deliverable I.1 - Long term capacity allocation

Regional TSOs have established a project to produce common and coordinated auction rules for the region with the long-term objective to establish a pan-European auction office. The first step of the TSO project is to align the access rules access rules for Moyle and EWIC and to ensure regional coordination of long-term capacity allocation rules (i.e. the quick wins).

Once the quick wins have been implemented, the FUI region TSOs and NRAs will follow the cross-regional roadmap and align all regional actions with the cross-regional timelines.

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| DELIVERABLE I.1 Long term | | |
| **ACTION** | **RESPONSIBLE** | **DEADLINE** |
| Implementation of quick wins to coordinate long-term auction rules in the FUI region | FUI TSOs | Q4 2011 |
| Follow the cross-regional roadmap for long-term capacity allocation | FUI TSOs / NRAs | See cross-regional roadmap for long-term |

### Deliverable I.2 - Day-ahead: Single European price market coupling

In April 2011, price coupling was introduced on the BritNed interconnector between Great Britain and the Netherlands via an interim embedded solution. FUI regulators agree to a coordinated approach to price coupling as a part of the NWE project by the end of 2012.

This means, as a first step, implementing a coordinated price coupling on IFA and BritNed interconnectors. Following this, price coupling will be extended to all regional interconnectors in a coordinated way.

To implement coordinated price coupling, National Grid Interconnector Limited (NGIL) launched a procurement process in 2011 to select a market coupling service provider. The service provider will create a GB Hub with open access to all regional interconnectors (existing and future) and all regional power exchanges. The GB Hub will provide the interface to the single European coupling algorithm. It is fully anticipated that BritNed will participate in the coordinated price coupling, but will continue to operate its embedded solution in the interim.

While day-ahead market coupling is relatively straight forward to implement between GB and France, implementing it for GB and SEM is more challenging and will take more time. Important features in the SEM market design that are incompatible with day-ahead coupling include, no firm day-ahead prices, the use of complex bids combining commercial and technical information, centralised scheduling and dispatch resulting in longer gate closures, and explicit capacity payments.

Given the significant implications for the SEM market design, the priority of SEM regulators is to balance the benefits of quick implementation against the potentially significant costs. SEM regulators will investigate two broad options to implement market coupling (i) minimum changes to the design of SEM but may require some degree of flexibility in the day-ahead network code (ii) more substantial changes to the SEM design which would involve higher costs for consumers, but ensure greater consistency with the anticipated network code.

As a result of these considerations, and the fact the SEM and GB face significantly different challenges to implementation, a two-phase approach has been identified as the fastest and most efficient approach to rollout price coupling in the region. SEM may (as a part of FUI) provide for transitional arrangements for day-ahead market coupling which are defined in section 1.2 of CACM.

Overall, the FUI region is committed to the goal of implementing CACM FG target model by the end of 2014.

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| DELIVERABLE I.2 Day-ahead: Single European price market coupling | | |
| **ACTION** | **RESPONSIBLE** | **DEADLINE** |
| **GB-CWE Border** | | |
| Procurement of the GB hub – conclude tender process (Jun-Dec 2011) to select a service provider to introduce day-ahead market coupling on IFA | NGIL | Q4 2011 |
| Regulators’ commitment to NWE project | FUI NRAs | Q4 2011 |
| Participate in the NWE TSO and PCR projects to introduce single price coupling in the region | TSOs/NRAs  GB/France | Q4 2012 |
| **GB-SEM Border** | | |
| SEM regulators will instruct SEM TSOs and MO to actively engage with NWE TSO and PCR initiatives | SEM NRAs | Q2 2011 |
| Develop options to implement CACM FG target model, including consultation with market participants | PXs / TSOs / FUI NRAs | Q2 2012 |
| SEM regulators decision on preferred option | SEM NRAs | Q4 2012 |
| Implementation of market coupling | PXs / TSOs / FUI NRAs | 2014 |

### Deliverable I.3 - Intraday trading

Intraday capacity is currently allocated using explicit auctions on IFA and BritNed. France and GB are both active members of the NWE intraday project to introduce an implicit intraday solution by the end of 2012, and implement the CACM FG target model by 2014.

An intraday solution has been agreed for SEM interconnectors and will be in place by mid 2012. However, as with day-ahead, the SEM market design places constraints on the SEM-GB interconnectors to move at the same speed in introducing the CACM FG target model. Therefore, we will adopt a two-phase approach to implementing the intraday target model in the FUI region.

SEM may (as a part of FUI) provide for transitional arrangements for intraday which are defined in section 1.2 of CACM.

FUI regulators are working to develop an efficient intraday solution between SEM and GB/NWE, and Ireland plans to join the NWE Intraday project at the appropriate time. Given the SEM design and high levels of intermittent generation, the hybrid model combining implicit continuous and implicit auctions being discussed for the MIBEL market may provide the basis for a solution.

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| DELIVERABLE I.3 Intraday | | |
| **ACTION** | **RESPONSIBLE** | **DEADLINE** |
| **GB-CWE Border** | | |
| Stakeholder workshop to present interim NWE intraday solution | NWE TSOs/PXs/NRA | Q4 2011 |
| Implementation of interim NWE intraday solution on GB-CWE interconnectors | NWE TSOs/PXs/NRAs | Q4 2012 |
| Implementation of target model as defined by CACM FG and associated Network Code | NWE TSOs/PXs/NRAs | Q4 2014 |
| **GB-SEM Border** | | |
| Implement intraday trading on SEM-GB interconnectors | PXs / TSOs / FUI NRAs | Q3 2012 |
| Develop options for extending the NWE intraday solution to SEM | TSOs / MO | Q4 2012 |

### Deliverable I.4 - Cross-border balancing among TSOs

RTE and National Grid have been working together since 2007 to develop and implement a common tool (known as BALIT) to exchange cross-border balancing (CBB) services across the IFA interconnector. The enduring BALIT solution was implemented across IFA in December 2010. BALIT enables RTE and National Grid to exchange offers for one hour balancing products, up to one hour before delivery. Similar cross-border balancing arrangements are also in place across the Moyle interconnector and will be in place on EWIC.

Regulators in the FUI region are committed to establishing appropriate cross-border balancing services over all FUI interconnectors.

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| DELIVERABLE I.4 Cross-border balancing among TSOs | | |
| **ACTION** | **RESPONSIBLE** | **DEADLINE** |
| Extend CBB solution to SEM interconnectors | FUI TSOs/NRAs | Q4 2012 |
| Implement full balancing services exchange over all FUI interconnectors |  | Q4 2014 |

### Deliverable I.5 - Capacity calculation

All cross-border interconnectors in the FUI region are sub-sea HVDC cables. Each interconnector offers the full technical capacity to the market at the day-ahead stage, including netted or unutilised capacity. Therefore, implementation of flow based capacity calculation will not impact the capacity available to the market on FUI interconnectors.

FUI regulators fully support efforts in other regions to improve cross-border capacity allocation and to making any necessary adjustments to the capacity calculation process for FUI interconnectors. However, at this stage we do not anticipate that introducing flow-based calculation will impact cross-border capacity availability in the FUI region.

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| DELIVERABLE I.5 Capacity calculation | | |
| **ACTION** | **RESPONSIBLE** | **DEADLINE** |
| Observe and support efforts in other regions to improve cross-border capacity allocation, and make adjustments to the FUI capacity calculation process, as and if necessary | FUI NRAs | 2014 |

## Priority II. Interconnections and available transmission capacity

As Great Britain and Ireland are islands, any new cross-border interconnectors will be sub-sea HVDC cables. New investment is taking place, which will link the FUI region with other North Seas countries. The BritNed interconnector between GB and the Netherlands began commercial operation in Q2 2011, and the East West Interconnector between GB and Ireland is expected to commence operation in Q3 2012.

### Deliverable II.1 - Framework for interconnector investment

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| DELIVERABLE III.1. framework for interconnector investment | | |
| **ACTION** | **RESPONSIBLE** | **DEADLINE** |
| Publish conclusions on design of regulated regime for GB interconnection investment | Ofgem | Q4 2011 |
| Participate in North Seas Countries Offshore Grid Initiative | FUI NRAs |  |

### Deliverable II.2 - New interconnector projects

Significant additional interconnector investment is planned and under construction, which will improve connection within the FUI region and with other North Seas countries. The East West Interconnector (EWIC) between the Republic of Ireland and Great Britain is under construction and commercial operation is planned for Q3 2012.

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| DELIVERABLE II.2 Analysis of concrete interconnection projects | | |
| **ACTION** | **RESPONSIBLE** | **PLANNED COMPLETION** |
| East West Interconnector (Ireland/GB) | Eirgrid (NG) | 2012 |

## Priority III. Reporting

At this stage, we recognise the need for developing common reporting processes for all ERI regulators, preferably coordinated by ACER.

### Deliverable III.1 - Regional investment plan

FUI regulators propose that an inter-regional investment plan, between, for example, countries in the North Seas, would reflect more accurately the current planned interconnector investment.

### Deliverable III.2 - Regional transparency report assessing compliance with new transparency requirements

FUI regulators propose that implementation of the foreseen Comitology Guidelines on Fundamental Electricity Data Transparency is dealt with at the national level and that assessing compliance is dealt with at the European level.

### Deliverable III.3 - Regional report on the management and use of interconnections

FUI regulators propose to work with other regions and ACER to agree a coordinated approach to producing regional reports on the management and use of interconnectors. The key challenge FUI regulators have experienced in producing the regional report is access to consistent and up to date data.