



## **Consultation on Nemo Link Brexit Contingency Proposals**

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This consultation describes the contractual framework underpinning continued trade on the Nemo Link Interconnector in the event of a Brexit scenario where Great Britain is no longer part of the Internal Energy Market, and invites feedback from all potential customers and stakeholders on the contingency proposals.

**November 2018**

## INTRODUCTION

- 1 Nemo Link Limited (NLL) and Elia System Operator are responsible for the transmission of electricity across the Anglo-Belgian Interconnector. This interconnector connects the national electricity systems of Belgium (owned and operated by Elia) and Great Britain (owned by three companies but operated by National Grid Electricity System Operator (NGESO)). NLL is a 50:50 joint venture between Elia and National Grid Plc holding an Interconnector Licence to operate Nemo Link in GB and designated as a Transmission System Operator (TSO) under the European Third Package.
- 2 In May 2018, Nemo Link and Elia launched a consultation on the proposed contractual and trading framework that held at its core the underlying assumption that GB would remain part of the EU's Internal Energy Market, an assumption that also holds if a transition period is agreed. NLL continues to believe that this will remain the case, however, as a responsible business, it is only right that clarity is available to market participants and stakeholders on what to expect should this assumption not be accurate. This document outlines contingency proposals for the scenario that GB is no longer part of the Internal Energy Market, as a result of Brexit negotiations between the UK and the EU.
- 3 This document sets out the context and the anticipated position that could emerge, and the initial structure of the contractual framework to enable continued trade if GB exits the Internal Energy Market.
- 4 Respondents are requested to submit any comments or questions on the Brexit Contingency Proposals by email to the following address by 14<sup>th</sup> December 2018.  
  
Email: [customer.service@nemolink.co.uk](mailto:customer.service@nemolink.co.uk)
- 5 Further information about Nemo Link is available on the Nemo Link website:  
  
<http://www.nemolink.co.uk>

## CONTEXT

- 6 Nemo Link expects to begin commercial operations in Q1 2019. The intention is to begin offering interconnector capacity implicitly into the Day Ahead market as part of Multi-Regional Coupling (MRC). This means that Nemo Link capacity will be allocated through Nominated Electricity Market Operators. Nemo Link will therefore commence commercial operation at a time when GB is a part of the Internal Energy Market and the proposed access rules that govern that regime can be found in Nemo Link's May consultation<sup>1</sup> and are wholly consistent with the relevant EU guidelines.
- 7 As of the date GB leaves the Internal Energy Market, European energy law will no longer apply to GB, and GB's electricity markets will be decoupled from the Internal Energy Market. The act of leaving the Internal Energy Market means that, according to the EC communication of 27 April 2018<sup>2</sup>, GB will no longer be part of Multi-Regional Coupling, and hence market participants will no longer be able to purchase capacity implicitly (with capacity and energy automatically matched through power exchanges), and will instead only be able to purchase Nemo Link interconnector capacity through explicit Day Ahead auctions. Market participants successful in acquiring capacity through explicit auctions would then be required to nominate that capacity in a second step or lose the right to use the capacity (use it or lose it).
- 8 The key processes to enable daily allocation through explicit trading are already documented by the Joint Allocation Office and are in use on Swiss borders, and the Greek-Italian border<sup>3</sup>. Nemo Link proposes to adopt these processes by developing a stand-alone document only for the GB-Belgium border, which would nevertheless adopt the processes already established in JAO's explicit auction Daily Allocation Rules (DAR).

## CONSULTATION DOCUMENTS

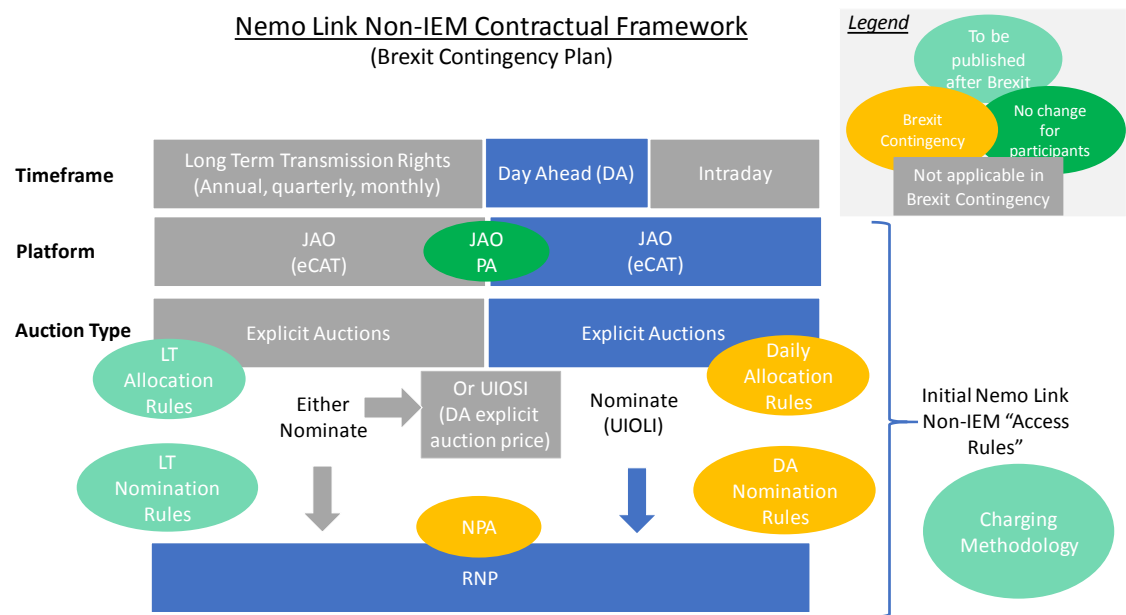
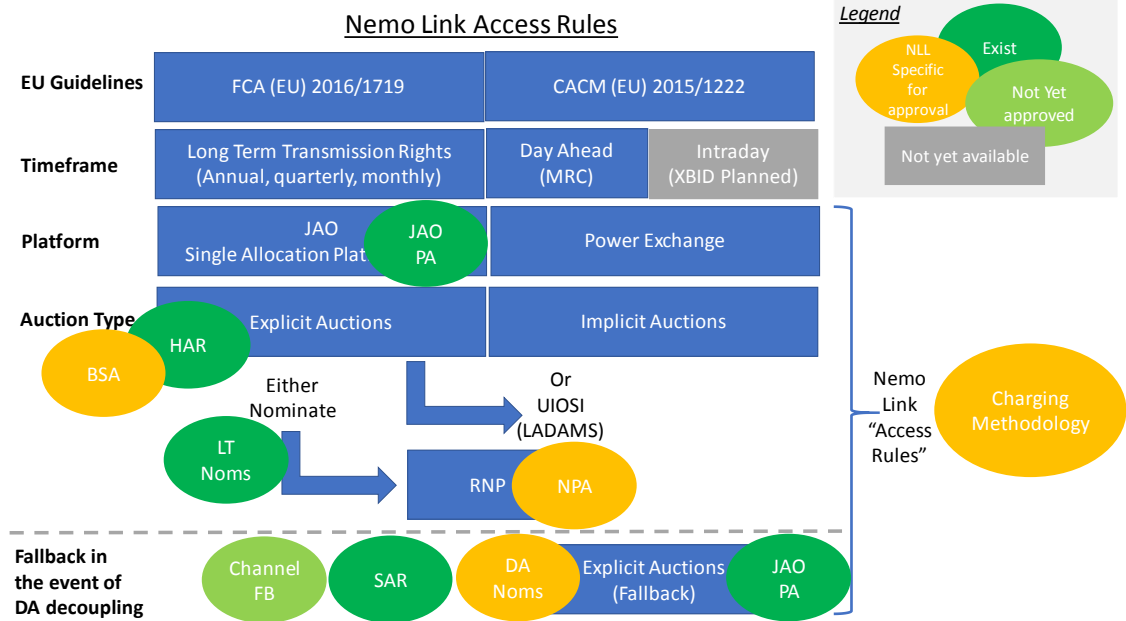
- 9 Trading on Nemo Link will be governed by a number of documents, some already established at EU wide level, some already agreed or in development in the Channel region, and some local to Nemo Link. The diagrams below show for comparison the intended commercial framework as published by Nemo Link in May 2018 which assumes remaining part of the Internal Energy Market, and the Brexit Day Contingency framework in the event GB leaves the Internal Energy Market.

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<sup>1</sup>[http://www.nemo-link.com/wp-content/uploads/2018/05/Contractual-Framework-Consulation\\_For-consultation.pdf](http://www.nemo-link.com/wp-content/uploads/2018/05/Contractual-Framework-Consulation_For-consultation.pdf)

<sup>2</sup> European Commission Directorate-General Energy, Notice to Stakeholders, Withdrawal of the United Kingdom and the Internal Energy Market, Brussels, 27 April 2018

<sup>3</sup> JAO, Rules for Daily Capacity Allocation on Swiss Borders and Italy-Greece Border, version 03/09/2017



**Abbreviations**

- *BSA: Border Specific Annex*
- *CACM: Capacity Allocation and Congestion Management*
- *Channel FB: Channel Fallback Procedure (submitted by Channel Region, but not yet approved)*
- *DA Noms: Day Ahead Nomination Rules*
- *FCA: Forward Capacity Allocation*
- *HAR: Harmonised Allocation Rules*
- *JAO PA: Joint Allocation Office Participation Agreement*
- *LADAMS: Loss Adjusted Day Ahead Market Spread*
- *LT Noms: Long Term Nomination Rules*
- *MRC: Multi-Regional Coupling*
- *NPA: Nomination Participation Agreement*
- *RNP: Regional Nomination Platform*
- *SAR: Shadow Allocation Rules*
- *UIOSI: Use It or Sell It*

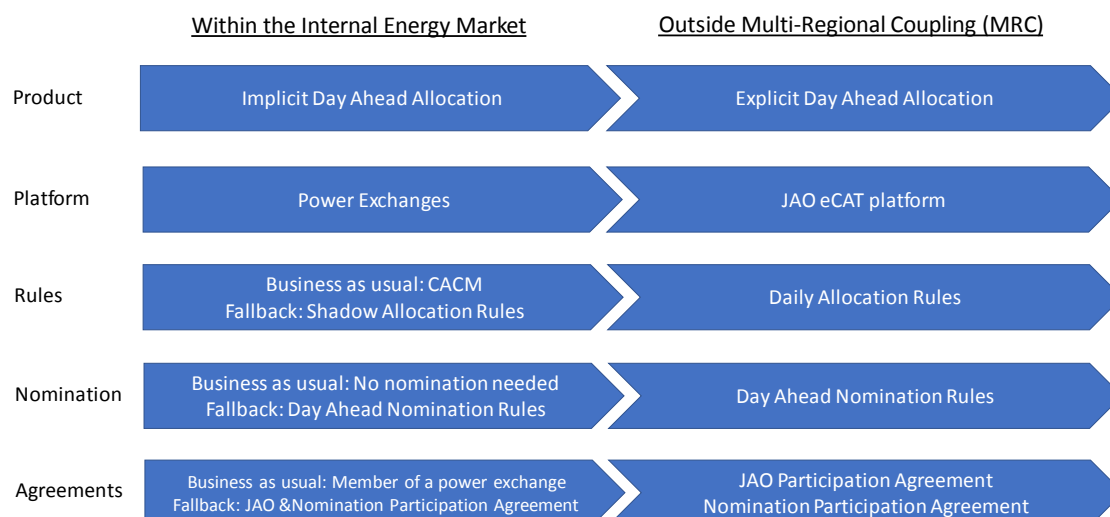
- *XBID: Cross Border Intraday*

- 10 The above diagrams show that, subject to the responses to this consultation, the immediate Brexit Contingency Plan would consist of the following changes to the contractual framework:
- (a) A new set of rules relating to explicit day ahead auctions. These would be based on processes currently in use, called the Daily Allocation Rules (DAR);
  - (b) Slightly amended Daily Nomination Rules (to remove references to Shadow Allocation Rules and replace them with references to Daily Allocation Rules;
  - (c) An alternative version of the Nomination Participation Agreement to include reference to Daily Allocation Rules and to remove references to rules that would not apply if GB leaves the Internal Energy Market e.g. Shadow Allocation Rules, Border Specific Annex etc. To be clear, market participants intending to trade on Nemo Link will be invited to sign both the Nomination Participation Agreement relating to the Internal Energy Market and the Nomination Participation Agreement that would apply in the event GB leaves the Internal Energy Market. This will quickly enable the ability to switch to explicit Day Ahead trading should it become necessary.
- 11 In the event GB left the Internal Energy Market, then Nemo Link would bring forward additional proposals for Long Term and Intraday access rules, once the precise details and relevant legal statutory instruments<sup>4</sup> are understood. These proposals would go through further public consultation ahead of submission to Ofgem and CREG.
- 12 The impact of the Brexit Contingency Plan on market participants is summarised in the diagram below:

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<sup>4</sup> For BEIS views on Brexit, see <https://www.gov.uk/government/publications/trading-electricity-if-theres-no-brexite-deal/trading-electricity-if-theres-no-brexite-deal> published 12th October 2018

### Arrangements for trading in Day Ahead Timescales



13 The relevant documents for the Brexit Contingency Plan are listed in the table below:

Document	Description
<b>JAO Participation Agreement</b>	The contract all customers sign with JAO to acquire cross border transmission capacity across Europe through explicit auctions for long term and day ahead products.
<b>Nomination Participation Agreement</b>	The contract users will sign with Nemo Link to nominate flows using the Nomination Platform (RNP)
<b>Daily Allocation Rules for GB-BE border</b>	Rules for allocating capacity explicitly at the day-ahead stage on a daily basis
<b>Nemo Link's Day Ahead Nomination Rules</b>	The rules that apply for nominating capacity on the RNP for day ahead capacity products

14 Under the Brexit Contingency proposals, customers acquiring transmission capacity on Nemo Link will be invited to sign the JAO Participation Agreement **and** the NLL Nomination Participation Agreement (currently with GB in the IEM, customers have the option only to sign the JAO Participation Agreement):



15 All of the documents in the above table can be found on the NemoLink website and comments are invited on the Nemo Link Brexit Contingency Plan by 14<sup>th</sup> December 2018 to the [customer.service@nemolink.co.uk](mailto:customer.service@nemolink.co.uk) email address.