



Charging Methodology Statement for Nemo Link

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1. INTERCONNECTOR CHARGING METHODOLOGY

Standard Licence Condition (SLC) 10 of the Electricity Interconnector Licence requires Nemo Link (NLL) to establish a methodology showing the methods and principles on which charges for the use of Nemo Link are based. This updated version includes the development of an intraday product and United Kingdom leaving the EU Internal Energy Market after December 2020 in accordance with SLC 10(11) – (14) of the Licence.

2. OBJECTIVES OF THE CHARGING METHODOLOGY

The interconnector charging methodology must comply with the objectives set out in SLC 10(4) of the Licence (“relevant objectives”). NLL also aims to promote the efficient use of the interconnector within the context of the differing market structures to which it connects.

3. EXPLICIT AUCTION PRINCIPLES

The explicit auction mechanism describes auctions where participants may gain Physical Transmission Rights (PTRs) to nominate transfers on Nemo Link, with nominations to be made in a subsequent step. In the explicit auction process, participants declare how much they are willing to pay for capacity and place bids accordingly. These bids are then ordered by price and, starting from the highest one, allocated until all the available capacity is accounted for, whereupon the price for the capacity payable by all successful bidders is set to the bid price of the lowest allocated bid. This methodology both reflects and applies the widely-recognised principle typically characterised as “clearing” or “marginal pricing”. Rules associated with long term, day ahead and intraday auctions are described in detail in the Nemo Link Access Rules.

4. ELIGIBILITY AND USE OF THE INTERCONNECTOR

Nemo Link has a maximum physical capacity of 1013MW (and up to 1033MW for 5 hours per day through an overload capability) in each direction, measured at mid-Channel. The Joint Allocation Office (JAO) will allocate explicit cross border long term, day ahead, and intraday transmission capacity on Nemo Link. Customers wishing to trade on Nemo Link are required to sign the JAO Participation Agreement, which is available on the JAO website¹. The charge payable to JAO will be the unit price of the capacity multiplied by the number of units of capacity (MW) multiplied by the relevant time period. Signature of the JAO Participation Agreement also entitles customers with long term transmission rights to receive the clearing price of the explicit day ahead auction, under Use-It-Or-Sell-It (UIOSI) provisions, in the event customers opt not to nominate capacity.

Customers with PTRs gained through explicit auctions wishing to nominate capacity are additionally required to sign the Nomination Participation Agreement with Nemo Link. Signature of this document allows customers to use the Regional Nomination Platform systems to nominate flows across the interconnector. It also requires:

- a) Accession to the Access Responsible Party (ARP) contract with Elia in Belgium; and
- b) In GB:
 - Accession to a Use of System Interconnector Agreement with GB ESO and the Framework Agreement established under the Connection and Use of System Code.
 - Accession to the Framework Agreement as defined in the Balancing and Settlement Code (BSC) together with full details of the Production and Consumption Interconnector Balancing Mechanism Units (BMUs) registered to the PTR holder under the BSC.

– ¹ <http://www.jao.eu/support/resourcecenter/overview>

5. CAPACITY RIGHTS

Rights relate to a particular period and direction and to each hour within that period. Advance purchase of such capacity rights will be available in a series of capacity product auctions on a directional basis ranging from up to one year ahead to a few hours ahead of real time. Capacity will be offered in multiples of 1MW per period. The range of products offered will be reviewed periodically and any changes notified to Users.

Nemo Link will always make annual and monthly products available. The long term capacity offered will be a function of the applicable capacity calculation methodology, market splitting rules, any planned outages, and Nemo Link's commercial considerations. A timetable for Long Term Auctions is available on the Nemo Link website and details of planned outages will be provided ahead of any auction.

Day Ahead auctions will take place each day at a time communicated on the Nemo Link website. A schedule of intraday auctions is also available on the Nemo Link website. Any changes to auction times will first be subject to consultation with market participants.

Capacity rights unsold in longer term auctions may be offered for sale again in auctions closer to the time in which the capacity right applies, subject to the applicable DA/ID capacity calculation methodology or unplanned outages. This ensures that all possible capacity remains available to the market up to and on the day of use.

6. SECONDARY TRADING

A customer holding explicit capacity may relinquish this capacity for use by other eligible Users. The process for the return of such capacity is defined in the Nemo Link Access Rules.

A customer holding explicit capacity may wish to transfer this capacity for use by other eligible Users. The process for the transfer of such capacity is defined in the Nemo Link Access Rules.

7. USE OF CAPACITY

A customer holding explicit capacity is entitled to use such capacity by nominating a cross-border transfer between Belgium and GB of one or more unit(s) up to the maximum amount which is available to it i.e. those units which it has secured by successfully participating in auctions and/or via the secondary trading processes. In accordance with its entitlement a customer may nominate capacity in one or both direction(s) as required. Nominations are conducted on the Regional Nomination Platform (RNP) separately for each timescale.

8. UNUSED CAPACITY

Unused long term capacity rights (rights that are not nominated) cease to be reflected in the participant's entitlement and are made available to the explicit daily auction with the proceeds (if any) being returned to the original capacity holder in accordance with the Nemo Link Access Rules.

If participants do not exercise their day ahead capacity rights, Use-It-Or-Lose-It (UIOLI) principles will be applied as described in the Nemo Link Access Rules. The UIOLI provisions are designed in such a way that any capacity sold as part of the explicit daily auction, which is unused in any hour, ceases to be reflected in a participant's rights documents and is made available to the Intraday auction process, with the proceeds (if any) not being returned to the original capacity holder.

If participants do not exercise their intraday capacity rights, UIOLI principles will be applied as described in the Nemo Link Access Rules. The UIOLI principles for intraday mean an automatic application by which the underlying cross zonal capacity of the non-nominated PTRs are not available for further capacity allocation and the PTR holders that do not nominate, also do not have rights to receive a pay-out.

9. CURTAILMENT

In situations where more capacity rights have been sold than can be physically delivered, typically in the event of an unplanned outage, a process will be applied whereby the explicit capacity rights and/or nominations are reduced to limit the surplus. This process is known as “Curtailement”. Participants will be compensated for purchased capacity which Nemo Link has not been able to deliver in accordance with the applicable Nemo Link Access Rules.

10. ANCILLARY SERVICES AND COOPERATION BETWEEN TSOS

The interconnector circuits can provide ancillary services to Elia and GB ESO and/or facilitate the exchange of energy between them as part of trilateral operational agreements. The facility and terms of such services or operational cooperation may be agreed from time to time between NLL, GB ESO and/or Elia.