



Nemo Link Access Rules Consultation

This consultation proposes adjustments to the Nemo Link Access Rules including curtailment compensation, resales, long term nomination gate opening, and other house-keeping changes aligning to the latest version of the Harmonised Allocation Rules. Feedback is invited from all customers and stakeholders ahead of submission to regulatory authorities.

May 2022

INTRODUCTION

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.

Following the ending of the Transition Period and the UK's exit from the EU, Day Ahead explicit auctions were implemented on Nemo Link and the current version of the Access Rules have been in place since 15th March 2021. Over this time Nemo Link has had the opportunity to review how the arrangements are operating and take into account other developments. Nemo Link therefore proposes the following changes:

1. Changes driven by Nemo Link customer feedback:
 - a. Returning to a Loss Adjusted Day Ahead Market Spread (LADAMS) based compensation for curtailments ensuring operation remains within operational security limits before the firmness deadline (Nemo Link FCA Long Term Rules Article 59); and
 - b. Enabling Long Term right returns in months with a planned maintenance period (Nemo Link FCA Long Term Rules Article 38); and
 - c. Clarifying the treatment of allocated rights when the JAO Participation Agreement has been suspended (Nemo Link FCA Long Term Rules Article 71); and
 - d. Earlier opening of the Long Term nomination gate brought forward from 16:30 CET D-2 to 13:30 CET D-2 (Long Term Nomination Rules Article 6).
2. Changes driven by revised Harmonised Allocation Rules as approved by ACER on 30th November 2021¹.

This document outlines the proposed changes and respondents are requested to submit any comments or questions on the proposals by email to the following email address by 31st May 2022.

Email: customer.service@nemolink.co.uk

¹ [Microsoft Word - ACER Decision XX-2021 on the Harmonised Allocation Rules for Long-term Transmission Rights \(europa.eu\)](#)

CONTEXT

The current version of the Nemo Link Access Rules was approved in March 2021. Having now had the benefit of a number of months operation under the new non-Internal Energy Market regime Nemo Link would like to propose some further amendments, most of which have been suggested by market participants as part of the Nemo Link customer survey, and also a number of amendments to align with changes Harmonised Access Rule changes recently approved by ACER.

This document is divided into sections with each outlining a proposed change. The appendices to this document include track-marked sections of the Access Rules where changes have been made.

Nemo Link's Access Rules are structured as follows:

1. Overall provisions
2. Appendix 1: Rules for Forward Capacity Allocation (Nemo Link FCA Long Term Rules)
3. Appendix 2: Nomination Rules for Long Term Transmission Rights (NRLT)
4. Appendix 3: Rules for Daily Capacity Allocation (DCA)
5. Appendix 4: Rules for Intraday Capacity Allocation (ICA)
6. Appendix 5: Day Ahead and Intraday Nomination Rules

In this consultation Nemo Link is proposing changes to Appendices 1 to 4 of the Access Rules.

CHANGE 1: CURTAILMENT COMPENSATION

This is a proposed change to Article 59 – Compensation for curtailments to ensure operation remains within Operational Security Limits before the Firmness Deadline, of Appendix 1 - Rules for Forward Capacity Allocation.

Currently, market participants receive compensation based on the clearing price of the Day Ahead explicit auction or the Marginal price of the initial auction if the Day Ahead explicit auction is not held. Pre-Brexit, the compensation in this article used to be based on the Loss Adjusted Day Ahead Market Spread (LADAMS), however following exit from SDAC and without the transparency of a single GB Day Ahead price, Nemo Link felt at the time it was not possible to continue with LADAMS. In the approval of Nemo Link's Non-IEM access rules immediately post Brexit, regulatory authorities Ofgem and CREG requested that Nemo Link keep this position under review.

Following further recent feedback from customers it would appear this compensation metric for curtailment is not helpful. Returning to some form of LADAMS will allow market participants to unwind hedges at cost, and limit potentially large exposures through no fault of the market participant.

Therefore, Nemo Link proposes to amend its rules to return to a Day Ahead market spread-based compensation that is more reflective of the actual cost/ opportunity cost of customers buying long term products. The Belgian price would be the BE SDAC clearing price and the GB price would be calculated using a volume weighted average of the EPEX Spot and Nordpool GB Day Ahead market prices (as published by EMR Settlement Limited ²) until a single Day-ahead market price is re-established in GB.

EMR Settlement Limited (EMRS) is a wholly owned subsidiary of Elexon Limited and manages the data, systems and processes for Contracts for Difference (CfD) and the Capacity Market (CM). EMRS calculate the Intermittent Market Reference Price (IMRP) using day-ahead data received from the EPEX SPOT and N2EX power market exchanges and a volume weighted price is calculated for every hour of the day. This data is published on its website and Nemo Link proposes to use this reference price in determining Article 59 compensation.

In September 2021, BEIS consulted on proposals for a single GB reference price³. In the event this price is developed and implemented, Nemo Link proposes to move from the calculated IMRP to the single GB reference price.

The proposed new text for Article 59 is as follows:

In cases of curtailment to ensure operation remains within Operational Security Limits before the Firmness Deadline, the compensation for each affected hour and Registered Participant shall be calculated as the Long Term Transmission Rights in MW per hour corresponding to the difference between the allocated Long Term Transmission Rights held by the Registered Participant before and after the curtailment multiplied by the Loss Adjusted Day Ahead Market Spread (LADAMS).

Where positive, the market spread between the GB and Belgian bidding zones for the relevant hour(s) shall be adjusted to reflect DC losses on the Interconnector such that:

*If GBDAMP > BEDAMP, LADAMS = (1-LF/2) * GBDAMP – (1+LF/2) * BEDAMP*

*If BEDAMP > GBDAMP, LADAMS = (1-LF/2) * BEDAMP – (1+LF/2) * GBDAMP*

For the avoidance of doubt, no remuneration will be due where the LADAMS is negative or zero.

LADAMS is the Loss Adjusted Day Ahead Market Spread meaning 100% of the difference of power exchange prices on the British and Belgian day ahead markets less an adjustment to take into account direct current losses on the interconnector;

² [Settlement Data for All Roles - EMR Settlement Limited](#)

³ [GB Wholesale Electricity Market Arrangements: Re-coupling GB auctions for cross-border trade with the EU at the day-ahead timeframe \(publishing.service.gov.uk\)](#)

BEDAMP is the Belgian Day Ahead Market Price resulting from the single day ahead coupling or, in the event that the single day ahead coupling process is unable to produce results for the Belgian Bidding Zone, the day ahead reference price applicable in the Belgian Bidding Zone pursuant to the Belgian Multi-NEMO Agreement (MNA)

GB DAMP is the GB Day Ahead Market Price and is calculated using volume weighted day ahead data received from the EPEX SPOT and N2EX power market exchanges and published by EMR Settlement Limited as the Intermittent Market Reference Price (IMRP). In the event a single GB Day Ahead price is published in GB, this will replace IMRP as the GBDAMP reference price.

LF is the mid-point Loss Factor as published on the Nemo Link website.

The compensation payable in respect of Long Term Transmission Rights shall be subject to monthly caps. The cap shall be determined as the total amount of Congestion Income collected in the relevant month, deducting all remunerations and compensations paid for the considered month. The total amount of Congestion Income in one month is defined as the sum of a twelfth of the revenues raised at yearly auction, and a third of the revenues raised at quarterly auction, and the revenues generated by the monthly auction and congestion income from other timeframes which occurred during this month.

Nemo Link believes the above change will enable market participants to participate in Long Term auctions with more confidence and less risk.

CHANGE 2: ENABLING LONG TERM RIGHT RETURNS IN MONTHS WITH MAINTENANCE PERIODS

This is a proposed change to Article 38 – General Provisions (Return of Long Term Transmission Rights), of Appendix 1 - Rules for Forward Capacity Allocation.

It has not been possible for customers to carry out returns of annual or quarterly capacity into a monthly auction where the delivery month includes an interconnector maintenance period. So for example, in the auction held for capacity September 2021 this year, customers were not able to return capacity into this auction. The constraint that has led to this issue has been in the JAO auction systems, and following resolution of this issue it is now possible to resell capacity even where maintenance periods are scheduled.

The proposal is to amend Article 38 paragraph 2 of the Forward Capacity Allocation Rules to make possible this change with inclusion of the following text:

Art 38 para (2): Returned Long Term Transmission Rights shall be either a constant band of whole MW(s) over the specific timeframe of the subsequent Auction or a constant value of whole MW(s) for the days outside the Reduction Period(s). This second case applies only if the Long Term Transmission Rights to be returned at a

subsequent Auction contain exactly the same Reduction Period(s) as the ones of the subsequent Auction itself.

CHANGE 3: CLARIFYING THE TREATMENT OF ALLOCATED RIGHTS IN THE EVENT OF SUSPENSION OF THE JAO PARTICIPATION AGREEMENT

Nemo Link believes that the current Access Rules are not sufficiently clear regarding the treatment of allocated rights where the JAO Participation Agreement has been suspended. The proposal is to modify paragraph 4 of Article 71 of Appendix 1 – Rules for Forward Capacity Allocation to note that for the period of the suspension, allocated rights held by the suspended market participant that are withdrawn will be returned to the allocation platform. Where those rights have not yet been fully funded, the registered participant will not be required to make any further contribution for these rights. The proposed wording is as follows:

4. *Once the Registered Participant has fulfilled or remedied the suspension event as notified to it in the notice sent by the Allocation Platform, the Allocation Platform shall reinstate as soon as reasonably practicable the Registered Participant's already allocated future rights in relation to Long Term Transmission Rights and its ability to participate in Auctions and/or the transfer and return of Long Term Transmission Rights by written notice to the Registered Participant. As from the date of effect of the reinstatement, the Long Term Transmission Rights allocated prior to the suspension and which remain unused may be nominated in the case of Physical Transmission Rights and the Registered Participant may participate in Auctions and/or the transfer and return of Long Term Transmission Rights and is entitled to receive remuneration for Long Term Transmission Rights in accordance with Article 48. For the avoidance of doubt, rights that were withdrawn during the suspension period will not be charged if they had not yet been paid for, or will be refunded at the initial price paid if they have already been fully funded by the Registered Participant.*

CHANGE 4: EARLIER OPENING OF LONG TERM NOMINATION GATE

This is a proposed change to Article 6 – Nomination Timings, of Appendix 2 – Nomination Rules for Long Term Transmission Rights.

Feedback received by Nemo Link has proposed the earlier opening of the nomination gate for long term capacity. Currently the long term nomination gate opens at 16:30 CE(S)T D-2 and the proposal is to open the gate three hours earlier at 13:30 CE(S)T D-2 to aid customer operational activities. Nemo Link does not believe there are any operational reasons preventing it to enable this change.

CHANGE 5: AMENDMENTS FOLLOWING APPROVAL OF HARMONISED ALLOCATION RULES CHANGES

The proposed Access Rules include changes that take account of provisions made under the revised Harmonised Allocation Rules, recently approved by ACER. Most of

these changes are house-keeping in nature and have already been through the EU consultation process. Nemo Link does not expect these changes to be controversial and the justifications have been discussed in other consultation documents. Nemo Link intends to reflect the changes referenced in the table below to the relevant articles in Appendix 1 - Forward Capacity Allocation (FCA), Appendix 3 - Daily Capacity Allocation (DCA), and Appendix 4 - Intraday Capacity Allocation (ICA) Rules on the GB-BE border.

Reason	Article (paragraph)		
	Nemo Link FCA Long Term Rules	DCA	ICA
Permitting electronic signature of the JAO Participation Agreement	7(1)	6(1)	6(1)
Permitting non-EU VAT registration numbers	9(1d)	8(1d)	8(1e)
Clarification of registration of EIC codes	9(1f)	8(1f)	8(1g)
Requirement for evidence of bank account identification document	9(1g)	8(1g)	8(1h)
Requirement for provision of ACER registration code	9(1k)	8(1k)	8(1m)
Dedicated business account clarification	12	10	10
Clarification over signature type	21(1g),(4) 74(3c)	19(g),(4) 61(3c)	19(g),(4) 54(3c)
Bid Price changed to Bid Value in credit limit verification calculation	N/A	31(2)	31(2)
Removal of reference to Information System Rules	31(1e),(4) 33	27(4) 29	28(e)
Inclusion of provision to communicate on JAO's website	9(4) 16(2) 21(5) 24(5) 25(2)	8(4) 14(2) 19(5) 22(5) 23(2)	8(5) 14(3) 19(5) 22(5) 23(1)

	49(3),(4)	39(3),(4)	33(4)
	50(1a),(1f),(2)	40(1a),(1f),2	40(2)
	51(4)	42(2)	45(2),(6)
	52(2)	43(2)	46(1)
	57(2)	46(2)	54(2)
	65(4),(8)	52(4),(8)	54(4c)
	66(1)	53(1)	56(1)
	74(2)	61(2)	
	74(4d)	61(4d)	
	76(1)	63(1)	
Requirement for registered participants to provide information to JAO on applicable taxes in country of jurisdiction	62(7)	49(7)	42(7)
Tax settlement clarification	64(1)	51(1)	44(1)
Inclusion of provision to suspend the Participation Agreement if the registered participant is under economic and trade sanctions	71(1e)	58(1e)	13(e) 51(e)

SUMMARY OF CONSULTATION QUESTIONS

In summary therefore questions for market participants are as follows:

1. Do you agree with the proposals for curtailment compensation?
2. Do you support enablement of resales in months with maintenance periods?
3. Do you agree with the wording clarification on suspended rights?
4. Do you have any objections to the earlier opening of the long term nomination gate?
5. Do you have any objections to the house-keeping alignment with the Harmonised Allocation Rules?

Please email your responses to customer.service@nemolink.co.uk by 31/05/2022.