Methodology for GB Commercial Arrangements relating to Interconnector Capacity Calculation - Response Proforma

NGESO invites responses to this consultation by **17:00 Tuesday 2nd June 2021**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following form. Please note that responses submitted after this time may not be counted.

Please complete this form regarding the proposal titled: “**Methodology for GB Commercial Arrangements relating to Interconnector Capacity Calculation**”.

Please return the completed form (word version) to: [box.europeancodes.electricity@nationalgrideso.com](mailto:box.europeancodes.electricity@nationalgrideso.com)

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| Respondent | Nick Pittarello |
| Company Name | Nemo Link Limited |
| |  | | --- | | **Does this response contain confidential information? If yes, please specify.** | | No |

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| Number | Question | Response |
| 1. | Do you agree with the commercial compensation methodology? | Nemo Link welcomes NGESO’s publication of this methodology which has been developed following extensive discussion with industry participants over a very long period of time.  There remain a number of outstanding points described below that require attention before Nemo Link can agree the compensation methodology. |
| 2. | Any further comments relating to the commercial compensation methodology? | It would help if the methodology paragraphs could be numbered so that reference to a particular point can be made more easily.  **What are NTCs?**  NTCs are not “a method”, they are a value used in communicating the maximum capacity that an interconnector can carry for a given MTU. It would be helpful if this could be made clear in the text.  **Commercial Principles**  (D) the statement that no payment is due if the capacity reduction is the result of factors outside the GB NETS is inconsistent with point (F) if there was a concurrent capacity reduction initiated by both TSOs. The approach in point (F) is correct and point (D) should be amended to make this clearer.  Nemo Link does not agree with the final sentence of point (D). If the trip happens after the allocation process then a payment should still be due. Otherwise the interconnector could have sold more capacity in the pre-trip auction to which an NTC was applied.  **Principles of Use**  4b. NGESO is only likely to become aware of trading or SO-SO actions failing after the ID NTC process when capacity has already been allocated. NGESO should use inter-TSO emergency assistance or emergency instructions to handle these exceptional situations.  7. The DA NTC is set before the LT nomination gate closes so this cannot be used as an input for the DA NTC process. Furthermore, not nominated LT capacity should be treated in the same way as allocated capacity since long term customers expect a UIOSI payout.  **Table 1**  Title of second column. At the DA stage, LT capacity that has not been nominated should be treated like nominated capacity since long term customers expect a UIOSI payout.  Box 4b. The DA clearing price for that MTU would be a more relevant and meaningful indicator for 0MW auctions as this is the closest time to when the market provided an indication of the value of that capacity, and that indication will have been provided within the previous 48 hours. There is little obvious logic to using an average quarterly price where such a direct proxy is available.  **Appendix 1 – Settlement**  (2) Unallocated capacity restricted, impacting an implicit auction.  Option 1 in reference to the Settlement2,Option1 formula:  Different volumes for the importing and exporting end need be used by using a loss factor adjustment on the midpoint volume. Alternatively the prices need to be adjusted to midpoint by considering the loss factor.  (3) Allocated capacity restricted after FD  In reference to Settlement3 formula  The formula is incorrect and the volumes need to be converted to importing and exporting end by application of the correct loss factor adjustment. |