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## Interconnector Trades – Procurement Framework Consultation

Dear Counterparty,

### Background and where we have come from

National Grid ESO has traded with counterparties to change the flow on the interconnectors to continental Europe for more than 15 years. These actions are compared against alternate actions in the Balancing Mechanism and only taken in merit order when they can offset a more expensive action. This started with a few counterparties who offered their volume and prices over the phone and has now evolved to a more sophisticated auction process with bidding from 29 participants. This auction requirement and trade data is communicated via email and transparency of these is made available on the data portal.

As the volume and number of trades has increased in recent years as well as the number of Interconnectors we trade on, more automated solutions have been needed and we have seen the need to formalise the terms and conditions that both we and our counterparties are using to enter into those trades.

### What we are doing now and why?

With the go-live of the new interconnector Eleclink and continued onboarding of more interconnector counterparties, we have needed to develop our tools to manage these changes.

We anticipate these changes will happen in two main phases.

#### Phase-1

The first will be a relatively small change for counterparties and thus will commence upon **Monday 25<sup>th</sup> April 08:00 BST** relating specifically to:

1. Launching Eleclink with nomenclature; 'EL' as a possible unit for trading over;
2. Re-naming of IFA, to become IFA1 for the avoidance of any doubt or confusion<sup>1</sup>;
3. Removal of linking bids/offers to specific lots; and
4. Providing a new bid template for those who utilise it.

#### Phase-2

The second phase, a much larger change, relates to moving from our email-based communication to a new Auction Communication Platform (ACP) and formalising the rules relating to the auction process and the use of the ACP.

We are in the process of developing this new platform, where auction requirements will be notified, bids and offers will be submitted, and the resulting trades will be communicated. This will continue to make this process more timely, automated, and robust. The platform will be a secure, cloud-based service accessible via API or a browser-based UI, however, many design details are still being finalised and we would like your input to refine these requirements and ensure it will be fit for purpose.

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<sup>1</sup> Any Bids received after phase-1 date labelled 'IFA' will be assumed to be for 'IFA1' and so will be automatically amended to ensure continuity and smooth functioning of the auctions

In parallel, we will need to clearly define the process and rules that we and our counterparties will abide by to remove ambiguity on both sides and allow for this automation. Therefore, we are opening a consultation on our *draft* Interconnector Trades – Procurement Framework.

This will sit alongside the GTMA agreement and describes the rules that we and counterparties will abide by during the course of these auctions. Whilst the GTMA describes the contract terms of the trade, the Interconnector Trades - Procurement Framework will cover the auction process that arranges the trades. Therefore, it is not a replacement for the GTMA, rather an addition to sit alongside it. The GTMA will take legal precedent over this framework where there is any disparity between these two documents.

### **What would we like from you and by when?**

Firstly, to be aware of, and be ready for, the phase-1 changes that will commence on **Monday 25<sup>th</sup> April 08:00 BST** in readiness for trading on Eleclink.

Secondly, we invite your feedback on phase-2 in this consultation by **Tuesday 3<sup>rd</sup> May at 17:00 BST**.

We will be hosting a webinar on **Friday 8<sup>th</sup> April at 12:00-14:00 BST** which you are invited to.

We will go through the high-level ACP design and signal some key details, proposed changes to the process as laid out in the new draft Interconnector Trades – Procurement Framework, and of course answer any questions about these changes or the consultation itself.

The responses to the consultation questions and other questions can be submitted via this [form](#).

The counterparty responses to the consultation will be anonymised and shared with all counterparties alongside our ESO response and the final Interconnector Trades – Procurement Framework.

The questions below are the areas on which we are particularly seeking feedback, although we welcome general feedback as well.

#### **1. Auction Communication Platform feedback**

These new terms and conditions are predicated on the new auction platform being released and used as the primary method to receive bids into the auction and share results. We will need participants to support with the development and testing of this capability from the participants perspective.

**Would you be willing to be a lead user to help design and test the capability on the new Auction Communication Platform?**

#### **2. Removal of specific Lots for Bids/Offers**

Currently each bid is tied to a specific Lot number. Due to changes in our auction process, there is no longer a need to provide a Lot number and instead Bids/Offers will be matched against all Lots possible. In the event that there is more than one Lot that the bid could be matched with, it will be considered against the first Lot and then if unsuccessful it will be considered against the further Lots. Any Bid/Offer partially accepted for one Lot leaves some remaining volume, this remaining volume will be considered against any other qualifying Lot.

**We feel this change is in the best interest of you as a participant and the GB consumer. Does this change bring any negatives in your view?**

#### **3. Auction Timings**

##### **a. Bidding Window**

As proposed in section 6.4 of the Interconnector Trades – Procurement Framework *“The minimum duration of any Bidding Window is 20 minutes, during which Participants can submit (and cancel) Bids/Offers. This window will be longer for significantly complex and/or large Lots”*.

**Do you agree with the proposed *minimum* duration of 20 minutes, or would agreeing a basic formula to calculate the duration of the bidding window be helpful?**

##### **b. Auction Processing**

As proposed in section 6.5 of the Interconnector Trades – Procurement Framework *“The results of the auction will normally be communicated to all participants within a maximum of 30 minutes from the bid deadline. We will use reasonable endeavours to communicate these results as quickly as possible”*.

Additionally, in section 6.35 of the Interconnector Trades – Procurement Framework “*If the Auction Processing is delayed for any technical reason (or otherwise) and has not completed within the normal window as specified in 6.5, then Participants will be entitled to withdraw any Compliant Bids/Offers by cancelling them*”.

**Do you agree with this proposal for a *maximum* of 30 minutes before communicating results, and the ability to extend this, if needed, with participants being able to withdraw their bids after this period?**

**c. Auction Results**

As proposed in section 6.6 of the Interconnector Trades – Procurement Framework “*Results will be shared with Participants no less than 10 minutes before the end of the corresponding Capacity Auction closing times and/or Nomination Gate closing times*”.

**Do you agree with the proposal to share auction results with a minimum of 10 minutes before the next capacity auction or nomination gate closing time?**

**4. Trades become firm upon communicating results**

As proposed in section 6.39 & 6.40 of the Interconnector Trades – Procurement Framework “*Participants who have been successful in an Auction will receive data of the resulting Scheduled Trades via the ACP and will be messaged based on their notification preferences*”.

“*When NGENSO communicates the Auction results and receives Positive Acknowledgement for this data, it is at this point that a Scheduled Trade is formed and the terms and conditions of the GTMA apply with respect to the underlying Interconnector BM Unit Specific Transaction*”.

***The ACP will include multiple user-configurable data channels and notification preferences such as webhook, browser notifications, SMS, email etc. in order to receive data, and be alerted to it, in a timely manner.***

**Do you agree with this approach to eliminate confirmations and agree that the trade(s) become firm at this point?**

**5. Minimum trade size**

When the last unit in the stack is curtailed to meet the remaining volume requirement, the full MW from the bid/offer is not utilised and can result in a Scheduled Trade smaller than the original Bid/Offer, sometimes this can be a very small volume.

**From your perspective, would it be beneficial for there to be a ‘minimum trade size’, and what would the value of that minimum be?**

**6. Auction clearing method**

**The auction is currently settled on a ‘Pay as Bid’ basis, do you have any thoughts or preferences regarding potentially moving the auction from ‘Pay as Bid’ to ‘Pay as Clear’ in the future?**

**7. AOC**

**Do you have any other comments on the Interconnector Trades – Procurement Framework proposal?**

Thank you for taking the time to read this letter and the Interconnector Trades – Procurement Framework proposal. We look forward to receiving your feedback on these proposed changes and hope to see you at our webinar on **Friday 8<sup>th</sup> April at 12:00-14:00 BST**. Should you have any questions, please contact us at [Trading@nationalgrideso.com](mailto:Trading@nationalgrideso.com).

Yours faithfully

Rachel Turner

Trading Manager