

# Interconnector Framework Request for Input

## Creation of an Interconnector Framework

Open from 5<sup>th</sup> October 2023 until 16<sup>th</sup> November 2023

### Summary

Currently, the operational arrangements between the ESO (Electricity System Operator), interconnector (IC) and the connected TSO (Transmission System Operator) are contained in specific Operating Protocols (OPs). Commercial agreements between the ESO, interconnector and the connected TSO are contained in trilateral Balancing Service Agreements (BASA), sometimes referred to as System Operator Agreements (SOA). The template and structure of both the OPs and the BASA are standardised, but the arrangements within vary depending on specific negotiations made with the connected TSO and/or interconnector party.

Some of the information contained in these documents is confidential, however, where the principles are built around the Grid Code there is an opportunity to share these obligations in a transparent way rather than in bespoke agreements. This may also offer an opportunity to harmonise arrangements if appropriate.

The ESO has a Business Plan 2 Commitment to consult with industry on this process and create an Interconnector Framework. The aim of this objective would be to create a framework for the operational and commercial arrangements that enables consistent and efficient arrangements to help with the management of interconnectors (both current and future), whilst also increasing transparency.

The end goal of this request for input is to gather industry feedback and assess the information received to allow ESO to identify the most efficient way forward in the creation of any new Framework for Interconnectors.

### Objective of an Interconnector Framework

Activity 2C (Ref 270 Role in Europe) within BP2 (Business Plan 2) seeks to create an Interconnector Framework. The aim of this being to not only ensure administration of retained European legislation, but to enable consistency for interconnectors operating in GB markets and aid transparency of the ways in which the interconnectors operate and work with the ESO. More information on this business plan deliverable can be found within our [RIIO-2 Business Plan](#) and [Delivery Schedule](#).

Table 1 outlines the Business Plan deliverables for an Interconnector Framework. The ESO is keen to ensure all views are captured within the development of an Interconnector Framework and to meet our Business Plan Objective. As this objective is not driven by compliance or regulation it will take time to develop. We want to ensure this is a collective effort that works for industry and the ESO, to ensure the solution is future proof.

Table 1: Interconnector Framework RIIO-2 Business Plan deliverables

<b>Roles Guidance Expectation</b>	Activity 2c Industry codes and charging:		
<b>Reference</b>	270 Roles in Europe		
<b>Link to Deliverable</b>	This investment enables the mandatory UK regulatory driven change which impacts across ESO systems, particularly market operation.		
<b>Business Plan Milestone</b>	<b>Q1 2023/2024</b>	<b>Q3 2023/2024</b>	<b>Q4 2024/25</b>
<b>Deliverable</b>	Draft Interconnector Framework shared with industry	Interconnector Framework consulted upon	Interconnector Framework implementation plan agreed

## Rationale for change

Operational agreements and services can be bilateral (ESO and Interconnector owner) or trilateral between ESO, the connecting TSO and the interconnector owner. These agreements vary depending on specific negotiations made between the connected TSOs (Transmission System Operators) and or the interconnector owners.

The Operational Protocol (OP) governs aspects of interconnector operations. These are drafted using the principles of the Grid Code and include various standard terms. The Bilateral Ancillary Services Agreement (BASA) governs the interconnectors commercial arrangements<sup>1</sup>. These agreements can vary depending on specific negotiations made with the connected TSO and interconnector parties. The BASA provides for the various services between the parties and facilitated through the interconnector and gives contractual effect to the OP. Both types of agreements in place, although provided for in the CUSC/Grid Code, currently sit outside of any framework and present an opportunity to be harmonised.

Whilst these arrangements inherently need to recognise the different regulatory and operational protocols of connecting countries, lack of current frameworks causes inefficiency in managing interconnectors across all aspects of ESO operations. This leads to complexity and inefficiencies for the Control Room and other teams within ESO. Industry has also raised concerns around the lack of transparency of interconnector arrangements and operations.

In critical situations, ESO and respective TSOs need simple and easily accessible tools for managing interconnectors in a secure and cost-efficient way. Complexity and uncertainty can therefore arise from negotiating bespoke agreements and systems for each IC, causing increased administrative costs, and delaying already lengthy development processes.

The impact is that bespoke interconnector trilateral operating agreements are increasing complexity in managing multiple service arrangements, which puts a risk to Great Britain's system security, establishing a clear need for more transparent and efficient arrangements.

The Trade and Cooperation Agreement (TCA) sets out expectations on cross border arrangements, which includes the development of working arrangements and technical procedures for ESO and connected TSOs/ICs to progress and agree upon. The current priority area is cross border capacity allocation (referred to as Multi Regional Loose Volume Coupling). The lack of progress on other cross border areas further emphasises the need for an agreed and formalised approach to help manage interconnectors more efficiently. Any rules governing new frameworks would require engagement with respective interconnected TSO's and IC to consider alignment with EU requirements and EU markets and the TCA outcomes in this process. We therefore acknowledge the complexity of implementing a new cross border framework and therefore the importance of collaboration with the interconnected TSOs.

## Overcoming the problem

GB interconnection capacity is scaling up; both in terms of new connections and link capacities. ESO believes that an Interconnector Framework would provide the best opportunity to harmonise interconnector arrangements to alleviate current inconsistencies, which can lead to operational issues. It could also enable us to be more transparent around the management of interconnectors both for current and future arrangements.

A harmonised Interconnector Framework could enable more effective connections due to the increasing number we are expecting in the next decade. New industry players may be unclear of current arrangements and requirements, which can lead to further inconsistencies. This provides an opportunity to solve these consistency issues and support more efficient control room activities, as we see an increase in interconnection over the coming years. It could also promote a more level playing field for new interconnector parties due to increasing the transparency around standard arrangements.

Whilst the development of a new Interconnector Framework could provide opportunity to create more consistent agreements and promote further transparency, we acknowledge there may be other solutions that could also provide these same benefits. The current arrangements by which interconnectors connect and operate have been built organically through individual IC over the course of the last three decades. The current arrangements offer stability to existing interconnectors, and we appreciate that any potential changes to current arrangements may cause uncertainty. It may be the case that a framework is not the appropriate

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<sup>1</sup> The BASA is sometimes referred to as a SOA (System Operation Agreement)

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route to offer transparency and provide clarity of obligations for interconnectors and it may be the case that there is an alternative solution that could provide flexibility where necessary, whilst standardising certain aspects to improve consistency and transparency.

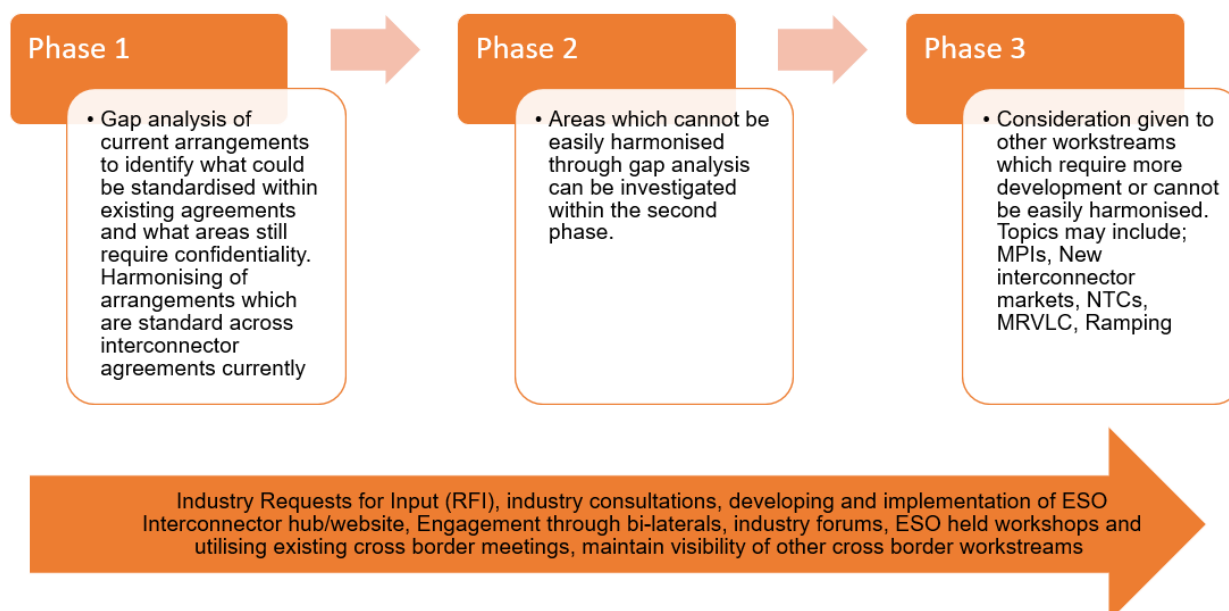
With the increase in interconnection planned over the coming years there is an opportunity for change. The EU Exit from the European Union has created challenges regarding engagement opportunities in relation to cross border arrangements (as noted above), therefore, it could be viewed as being simpler to leave arrangements as they are and not seek to make a change as the development of an Interconnector Framework may not be seen as a priority workstream.

### Next Steps

We are keen to work with all industry parties on the need for and approach to an Interconnector Framework and what the harmonisation of interconnector arrangements could look like. For example, standardisation of appropriate arrangements within the existing industry codes, creation of a standalone Interconnector Framework or another approach. We would also like to know what industry believes could be included in such a framework and if there are certain areas which should be prioritised, which will help us formulate a more concise delivery programme.

Alongside this work, we believe it would also be beneficial to include non-code related information in an area dedicated to interconnectors on the ESO website. This would allow the ESO to share knowledge regarding interconnectors and guide parties to relevant information, with the aim of increasing transparency of interconnector operations. We welcome feedback on whether industry would find this beneficial and what areas would be useful to include to maximise transparency.

We will seek to review the current interconnector operational and commercial arrangements to identify what has potential for harmonisation and engage with interconnected TSO's and interconnectors through the TCA workstreams. Due to the potential scope of this workstream, we believe a sustainable framework that is future proof should be developed gradually utilising consultations to capture industry's views. Our Business Plan commitment states that we must agree an implementation plan by the end of 2025, so this is not intended to be a short-term project. To shape this workstream we plan to utilise a series of consultations to capture industry's views, as we believe collaboration is the best approach to help us achieve a future proof solution that works for ESO and industry in addition to enabling more efficient and transparent interconnection. ESO seeks to work collaboratively with industry to identify the areas of focus and agree how these should be prioritised into phased workstreams. An initial view of what a phased approach could look like in practice is outlined below:



The questions proposed within this initial request for input aim to seek views and prompt feedback on the following:

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- If industry believes an Interconnector Framework is required and if so, what this should include.
- How industry considers the Interconnect Framework could be structured and what it could look like.
- Suggestions of ways to overcome any barriers in developing a solution.

## Questions

- 1) Do you consider there are challenges regarding current i/c arrangements, if so, what are these in your view and how do you believe these could best be addressed?
- 2) ESO believes that an Interconnector Framework for the operational and commercial arrangements could bring benefits to all parties such as improving consistency and transparency through standardisation. Would you agree an Interconnector Framework is required and if so, why?
  - a. If you do think an Interconnector Framework is required, what do you think this should include?
    - i. In your opinion what area (s) should be prioritised?
  - b. If you disagree that an Interconnector Framework is required, please provide rationale or provide feedback on why an alternative solution may be best to address the challenges outlined above.
  - c. Please provide any thoughts on topics that you believe should not be included in an Interconnector Framework, should this be developed.
- 3) What do you think an Interconnector Framework could look like? For example, a website, utilising or referencing existing industry codes, creation of a separate code, etc.
- 4) What barriers do you think exist which may prove challenging for this work?
  - a. Do you have any suggestions for how ESO could overcome these?
- 5) In what ways do you think ESO could improve transparency regarding interconnector arrangements?
  - a. We intend to create a space on the ESO website regarding interconnectors to aid transparency of non-code or regulatory related interconnector information. Would you find this useful and are there any topics you would want further guidance or information on?
- 6) Following this request for input, the ESO will host industry workshops regarding this workstream. Are you interested in attending these workshops?

## How to respond?

Industry parties are invited to respond to this request for input to express their views and rationale for those views, particularly in respect of any specific questions detailed above.

Please send your responses to [box.europeancodes.electricity@nationalgrideso.com](mailto:box.europeancodes.electricity@nationalgrideso.com) by **5pm on the 16<sup>th</sup> November 2023**

If you have any queries, please contact [ruby.pelling@nationalgrideso.com](mailto:ruby.pelling@nationalgrideso.com)

The response proforma can be downloaded [here](#).