

# Joint European Stakeholder Group



Tuesday 14 January 2025  
Meeting 80

# 1. Welcome & Introductions

Andrew Colley – Alternate Independent Chair

# Agenda

	Title	Lead	Time
1.	Welcome & Introductions	Chair	10:00 - 10:05
2.	Innovation Project: 'Assessment of Alternative Approaches to Setting NTCs'	Racheal Idowu, NESO	10:05 - 10:25
3.	Review of Actions log	Andrew Hemus, Tech Secretary	10:25 - 10:30
4.	Future Meeting Dates & Agenda Items	Andrew Hemus, Tech Secretary	
5.	Stakeholder Representation	Chair	
6.	Any Other Business	All	10:30 - 10:45

# **2. Innovation Project: 'Assessment of Alternative Approaches to Setting NTCs'**

Racheal Idowu, NESO

# Innovation Project:

# 'Assessment of Alternative Approaches to Setting NTCs'

Racheal Idowu  
Senior European Frameworks  
Lead, Markets

# Agenda

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- Background
- C1 Licence Condition
- NTC Innovation Project
- Next Steps
- Q&A

# Background

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## Net Transfer Capacity

- Net Transfer Capacity (NTC) tool enables System Operators to manage the maximum flow an interconnector can import and/or export to/from its grid by restricting the available capacity released to the interconnector's market.

## Principles of Use

- NESO will only apply NTC restrictions where necessary and as a last resort to ensure System Security, in line with the Security and Quality of Supply Standards (SQSS).
- NESO can set NTC/ITL restrictions on interconnectors for the following reasons:
  - **Network Constraints** – Transmission & Energy (localised Voltage, localised Thermal, localised Stability, national Inertia);
  - **Largest System Loss relating to Frequency Management** (Largest System Loss, both Generation and Demand, Rate of Change of Frequency and Response);
  - **Margin Extremes** (risk of System Warnings related to GB system margin issues).

# SLC C1 Derogation and expectations

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- Under Standard Licence Condition 1 (formerly C28.4), balancing services, which includes NTCs, must be subject to **“transparent, non-discriminatory and market-based procedures.”**
- Since 2021 NESO has required multiple derogations from this licence condition.
- The third and most recent derogation was granted by Ofgem in September 2023, expiring in September 2026.
- In granting the last [derogation](#), Ofgem set out several expectations for NESO including: providing evidence on where NESO is developing alternatives that reduce reliance on non-market based balancing options.
- The European Frameworks Team worked with teams across NESO (trading, ENCC, Markets) to explore options. NESO concluded that the most suitable option within the given timeframe was to go out to tender for an evidence backed assessment of a potential NTC market and potential alternatives to NTCs.



# Innovation Project : 'Assessment of Alternative Approaches to Setting NTCs'

NESO issued a competitive tender, and the successful consultant was awarded in September 2024. The project duration is 6 months, beginning January 2025.

**Scope Item 1:** Summary of the current NTC arrangements for setting NTCs, frameworks (NTC Calculation Policy, Commercial Compensation Methodology), benefits and drawbacks, etc.

## Scope Item 2: Feasibility assessment of an NTC market.

High-level design option (auction process, ICs by location, fallback mechanisms)

Theoretical benefits and drawbacks of a potential NTC market

CBA comparing the costs paid by NESO for expected future NTC adjustments: (i) under the current NTC arrangements to those (ii) under an NTC market

## Scope Item 3: Assessment of potential alternatives to reduce the use of NTCs

- Proposed option from consultant: Assessment of expanding the market for GTMA Electricity Trades.
- Exploration of the potential to systematically extend the use to of trades, from interconnectors to a greater number of generators (and, in turn, energy traders).

## Scope Item 4: Recommendations and Findings

- Final report summarising methodology, results and findings.
- Recommendations on market-based solutions and/or reducing reliance on the use of NTC adjustments.

Cost Benefit Analysis, qualitative and quantitative analysis, counterfactual scenario , interim report/presentation



# Next steps

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- The project is expected to go live by the end of the month.
- Project kick-off meeting with consultant once the project is live.
- The innovation project details (project objectives, scope, expectations, etc) will be published on the [Smarter Networks Portal](#) in the coming weeks.
- NESO will continue to engage with stakeholders.
- If you would like to further discuss, please contact [Racheal.Idowu@nationalenergyso.com](mailto:Racheal.Idowu@nationalenergyso.com)

# Thank you

## Q&A

# 3. Review of Actions log

Andrew Hemus  
JESG Technical Secretary

# JESG Standing items

ID	Topic	Lead Party
S1	Continue to review the membership of the JESG and engage additional industry parties where appropriate.	JESG Chair
S2	Prepare a commentary / comparison document between the Network Code and the existing GB arrangements at appropriate stages in the Code development for each Network Code.	NGET / Ofgem / DESNZ
S3	Share any intelligence about how other member states are approaching demonstrating compliance through information gained from other government departments, regulators or parent companies.	DESNZ / Ofgem / Industry parties with European parent companies

# JESG Open Actions

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ID	Topic	Lead Party	Status	Update

# 4. Future Meeting Dates & Agenda Items

Andrew Hemus  
JESG Technical Secretary

# JESG Meetings for 2025

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- [JESG calendar email invites can be downloaded here.](#)
- Stakeholders are invited to put forward agenda items for the forthcoming JESG meetings:

Meeting Date	Proposed Agenda Items
Tuesday 11 February	
Tuesday 11 March	
Tuesday 8 April	
Tuesday 13 May	
Tuesday 10 June	
Tuesday 8 July	
Tuesday 12 August	
Tuesday 9 September	
Tuesday 14 October	
Tuesday 11 November	
Tuesday 9 December	



# 5. Stakeholder Representation

All

# 6. AOB