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Dear Diarmuid,

Approval of the Access Rules and Charging Methodology for the GreenLink interconnector pursuant to Standard Licence Condition 11A and 10 of the Electricity Interconnector Licence

On 23 April 2024, GreenLink Interconnector Limited (GIL) submitted Access Rules (AR) and a Charging Methodology (CM) for the GreenLink (GIL) interconnector to the Authority¹ for approval.

The AR were submitted pursuant to Standard Licence Condition (SLC) 11A of the Electricity Interconnector Licence (the Licence)², which requires GIL to, sufficiently in advance of becoming operational, prepare and submit 'Access Rules' that set out the terms and conditions for access to, and use of, the interconnector. Following discussions with Ofgem, issues requiring clarification were identified with the original submission of the AR in respect of minor formatting inconsistencies, which once addressed helped provide greater clarity for the reader.

The CM was submitted pursuant to SLC 10 of the Licence, which requires GIL to, sufficiently in advance of becoming operational, prepare and submit a 'Charging Methodology' that sets out the methods for calculation of charges imposed for access to, and use of, the interconnector.

SLCs 10 and 11A note that the licensee may, subject to the approval of the Authority, submit a statement which includes both the AR and CM. GIL has submitted the AR and CM as one combined statement, which we approve as per SLC10 (2) and 11A (1).

The Authority has approved the AR and CM, as we consider that they both achieve the relevant objectives as required under the Licence. In reaching our decision we have also considered, in line with our principal objective and statutory duties, the GIL's role for consumers in keeping wholesale prices down, supporting security of supply and facilitating decarbonisation of the energy system. The relevant Directions approving the AR and CM can be found in Annex 1 and 2 of this letter and the approved AR and CM will come into effect 28 days after publication on GIL's website.

¹ The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem," "the Authority," "we" and "us" are used interchangeably in this letter.

² The electricity interconnector licence standard conditions can be found here: https://epr.ofgem.gov.uk//Content/Documents/Electricity_Interconnector_Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf.

The proposed Access Rules and Charging Methodology

Access Rules

The proposed AR set out the arrangements for implicit intraday capacity allocation on the GIL interconnector. GIL will go-live with two coupled intraday implicit auction mechanisms, which will couple the intraday markets of Single Electricity Market (SEM) and Great Britain (GB). The implicit auction process will be run and maintained by the appointed power exchange(s), who will match orders between market participants. The implicit auction process will allocate GIL interconnector capacity in combination with physical power orders.

Post-Brexit, these interconnectors couple the SEM with GB through the Intraday Auction 1 (IDA1) and Intraday Auction 2 (IDA2) markets.

The IDA1 and IDA2 are coupled auctions, which means that orders originated in the SEM and GB are matched. Because of the coupling process, the capacity of the SEM interconnectors is allocated in these two auctions. Interconnector flows are allocated in the direction of the higher price zone.

To participate in the implicit ID auctions, market participants will need to register as a member of GIL's appointed power exchange(s), and will be subject to their respective terms, conditions, and obligations. GIL will publish (and keep up to date) links to the relevant terms and conditions of the appointed power exchange(s) on its website.

GIL ID capacity will be physically firm from the point at which capacity is made available to the appointed power exchange(s).

Charging Methodology

GIL will not levy any charges onto market participants for the use of GIL capacity as there is no mechanism to do so under the current market arrangements. The appointed power exchange(s) may, however levy charges onto market participants based on the terms of its exchange rules, which GIL will provide links to on its website.

As detailed in the AR, capacity allocated by the implicit auctions will be physically firm from the point at which capacity is submitted to the appointed power exchange. Therefore, in the event of a planned or unplanned reduction in capacity during the delivery period, market participants will be held financially whole.

Regulatory framework

SLC 11A and SLC 10 of the Licence introduce relevant AR and CM objectives, against which the Authority assesses the AR and CM. The relevant objectives are that the AR and CM shall be transparent, objective, non-discriminatory and compliant with Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast following the UK's exit from the EU) (the 'Electricity Regulation')³ and any relevant legally binding decision of the European Commission (the EC) and/or the Agency for the Cooperation of Energy Regulators (ACER).

Consultation responses

In accordance with the applicable legal and regulatory framework, GIL conducted a public consultation between 18 March 2024 and 15 April 2024 using the Joint Allocation Office (JAO) platform. There were no responses to the proposed the AR and CM.

³ As it has effect immediately before IP completion day - which has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020 - and as read with the modifications set out in The Electricity and Gas (Internal Markets and Network Codes) (Amendment etc.) (EU Exit) Regulations 2020, SI 2020/1006.

The Authority's decision

We have reviewed the AR and CM, received on 23 April 2024, and we consider that the proposed AR and CM meet the relevant objectives (set out in SLC 11A and SLC 10) to be transparent, non-discriminatory, objective, and compliant with the Electricity Regulation. In reaching our decision we have also considered, in line with our principal objective, the role GIL will play for consumers in keeping wholesale prices down, supporting security of supply and facilitating decarbonisation of the energy system. We set out further detail as to how each of the specific objectives are satisfied.

Our considerations on transparency

The AR and CM clearly communicate how users can gain access to trade on the GIL interconnector. We note that there were no respondents to GIL's consultation and, in turn, no suggestions to further clarify AR and CM. GIL has taken this into account and submitted the ARs and CM statement accordingly. The AR and CM will be made public on GIL's website.

Our considerations on objectivity

We are of the view that GIL's proposed AR and CM are objective as required by the licence. We note that there were no respondents to GIL's consultation and therefore no expressed concerns in relation to whether GIL's proposed AR and CM are objective.

Our considerations on discrimination

i. i) *Market participants*

We have considered if GIL's proposed trading arrangements, and related AR and CM, may discriminate against market participants. We believe that GIL's ARs and CM do not discriminate against market participants. All market participants can trade on the same terms through the presently appointed power exchange(s).

We also understand that most (if not all) market participants can without significant impediment or difficulty become a member of the appointed power exchange(s) and that there were no respondents to the GIL consultation.

In any event, we note that GIL has included in the AR and CM references to more than one power exchange, which ensures that the AR and CM as drafted do not restrict any further development of the market arrangements with respect to multiple power exchanges in the future.

ii. ii) *Power exchanges*

We have considered GIL's proposed trading arrangements, and related AR and CM, in respect to power exchanges. We do not consider that the principle of non-discrimination in the interconnector licence, including as set out in the Electricity Regulation, applies to power exchanges.

We also note that prior to its public consultation, GIL's draft AR and CM, accommodated multiple power exchanges to ensure the AR and CM remained fit for purpose in circumstances where there was one or more power exchange (should they join the trading arrangements in future).

Impacts of GIL go-live for consumers

In making our decision to approve GIL's AR and CM we have also had regard to our principal objective to protect GB consumers. We note that GIL has the potential to deliver

benefits to consumers in the form of wholesale price reductions, security of supply and facilitating the decarbonisation of the GB energy system.

iii. *i. Price impacts and benefits*

The GIL project is regulated under Ofgem's cap and floor regime⁴. When determining whether to grant an interconnector project a regulatory regime, Ofgem assesses the overall impacts of the project including benefits for GB consumers. Our assessment of GIL in 2021 suggested that it could bring benefits to GB consumers by reducing the wholesale price of electricity, improving the operation of the GB transmission system, and increasing security of supply.

The Authority updated the provisional cap and floor levels for the GreenLink IC. The cap and floor regime allows GreenLink to earn revenue within defined limits, ensuring financial stability for the project. It provides a minimum return (floor) for the developer and limits the potential upside (cap) over a specified period (typically 25 years). By setting these boundaries, the mechanism promotes investment in GIL interconnector, while safeguarding consumer interests. The Commission for Regulation of Utilities (CRU) in Ireland, has also been involved in regulating GreenLink. GreenLink requested a cap and floor regime of 50% of its project costs from the CRU. The CRU sets the minimum revenue level (floor) that GIL can earn, enabling it to meet its debt obligations.

iv. *ii. Security of Supply*

Imports via GIL are likely to contribute to reduced supply shortfalls, by making capacity available to meet peak demand. A supply shortfall may lead to higher wholesale market prices, and in more extreme scenarios may reduce the need for system operator and/or the government to take action to secure supplies to meet peak demand. In making the decision on GIL's AR and CM we have worked to quantify and understand the expected impact GIL will have on security of supply in GB.

v. *iii. Decarbonisation*

It is expected that GIL will help to support the decarbonisation of energy supplies, through allowing the efficient sharing of variable renewable generation between SEM and GB.

As stated in the 2020 Energy White Paper⁵, increased interconnection has clear benefits for decarbonisation. In the supplementary report looking into the impacts of interconnectors on decarbonisation⁶, published alongside the Energy White Paper, it is demonstrated that a higher level of interconnector capacity could decrease cumulative emissions in GB by up to 199MtCO_{2e} by 2050, as well as reducing total system costs.

Intraday and long-term trade

GIL access rules exclusively implement auctions in the intraday timeframe, consistent with SEM-GB trading arrangements since the EU withdrawal transition process ended. Interconnector capacity is no-longer allocated Day Ahead on the SEM-GB border and, similarly, FTRs are no longer available because they were previously indexed and coupled to the Day Ahead Market.

⁴ Document detailing this information can be found here: [Interconnectors | Ofgem Decision on the Final Project Assessment of the GreenLink interconnector to Ireland \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/interconnectors/gil/assessment-of-the-greenlink-interconnector-to-ireland)

⁵ Details of the 2020 Energy White Paper can be found here: assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945899/201216_BEI_S_EWP_Command_Paper_Accessible.pdf

⁶ Details of the impacts of interconnectors on decarbonisation can be found here: [The impact of interconnectors on decarbonisation \(publishing.service.gov.uk\)](https://www.ofgem.gov.uk/interconnectors/gil/assessment-of-the-greenlink-interconnector-to-ireland)

Cooperation with CRU

Ofgem and the CRU have closely cooperated to ensure we make consistent regulatory decisions.

Our decision

The Authority approves the Access Rules and the Charging Methodology on the basis that they meet the relevant requirements of SLC 11A (4) and SLC 10 (4) of the Licence. Directions relating to the approval of the Access Rules and the Charging Methodology, issued in accordance with SLC 11A (13) and SLC 10 (14) of the Licence, can be found in Annex 1 and 2 of this letter.

Next steps

In accordance with SLC 11A (14) and SLC 10(15) of the Licence, GIL is required to publish (at least on its website) the approved AR and CM for a period of 28 days prior to their coming into effect (the Publication Period).

In accordance with SLC 11A (8) and SLC 10(9), GIL should review its AR and CM at least once in each calendar year and to consult with industry on any proposed amendments or updates.

Ofgem intends to monitor and keep under close review the practical impacts of the AR and CM being implemented, with cooperation with CUR where necessary. As a reminder for future submissions, the licensee is obliged to comply with any direction from Ofgem to amend its proposed modified AR for the purposes of meeting the relevant AR objectives in accordance with SLC 11A (12). In addition, Ofgem may seek to use its powers under paragraph 9 of SLC 11A if it sees fit to do so. Equivalent provisions also exist under SLC10 (13) and (10) for the CM.

Yours sincerely,

Mo Rahee

**Head of Policy, Electricity Interconnector Market Arrangements,
Energy Systems Management & Security**

ANNEX 1

Direction issued to GreenLink pursuant to paragraph 7 of Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) of its Electricity Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the Authority) pursuant to paragraph 7 of Standard Licence Condition 11A of the electricity interconnector licence (the Licence) granted or treated as granted under section 6(1)(e) of the Electricity Act 1989 (the Act) to GreenLink (the Licensee) in relation to the GreenLink Interconnector Limited (GIL) interconnector.
2. Standard Licence Condition 11A, paragraph 1, requires that the Licensee, sufficiently in advance of new interconnector capacity becoming operational, or by such date as the Authority may direct in writing, prepare, and submit for approval by the Authority a statement setting out the Access Rules.
3. Standard Licence Condition 11A, paragraph 4, requires that the Access Rules must be transparent, objective, non-discriminatory and compliant with the Electricity Regulation⁷ and any relevant legally binding decision of the European Commission and/or Agency for the Co-operation of Energy Regulators (collectively the relevant Access Rules criteria).
4. Standard Licence Condition 11A, paragraph 5, requires the Licensee to take all reasonable steps to ensure that all persons including those in other Member States that may have a direct interest in the Access Rules are consulted and allowed a period of not less than 28 days within which to make written representations. The Licensee must also provide to the Authority a report setting out the terms originally proposed for the modification, the representations, if any, made by interested persons and any change in the terms of the modification intended because of such representations.
5. In accordance with Standard Licence Condition 11A, paragraph 5, on 23 April 2024 the Licensee furnished the Authority with a report setting out the Licensee's proposed GIL Access Rules.
6. After careful consideration of the report and the lack of responses to the public consultation and after consulting and closely cooperating with the Irish regulatory authority, the Authority has decided that the Licensee's GIL Access Rules meet the relevant Access Rules criteria for the reasons set out in the letter accompanying this Direction.
7. The Authority therefore hereby directs that, pursuant to paragraph 7 of Standard Licence Condition 11A of the Licence, the Licensee's GIL Access Rules are approved.
8. Standard License Condition 11A, paragraph 14 requires that, unless the Authority directs otherwise, the GIL Access Rules shall be published 28 days prior to coming into effect.
9. This Direction shall take effect immediately and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice.
10. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act. Copies of the documents mentioned in this Direction can be found on the Ofgem website (www.ofgem.gov.uk).

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Mo Rahee

Head of Policy, Electricity Interconnector Market Arrangements
Signed on behalf of the Authority and authorised for that purpose by the Authority
on 16 July 2024

⁷ As noted in footnote two

ANNEX 2

Direction issued to GreenLink pursuant to paragraph 7 of Standard Licence Condition 10 (Charging methodology to apply to third party access to the licensee's interconnector) of its Electricity Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the Authority) pursuant to paragraph 7 of Standard Licence Condition 10 of the electricity interconnector licence (the Licence) granted or treated as granted under section 6(1)(e) of the Electricity Act 1989 (the Act) to GreenLink (the Licensee) in relation to the GreenLink (GIL) interconnector.
2. Standard Licence Condition 10, paragraph 2, provides that the Licensee shall, sufficiently in advance of new interconnector capacity becoming operational, or by such date as the Authority may direct in writing, prepare, and submit for approval by the Authority a statement setting out the charging methodology for access to (including use of) the Licensee's Interconnector.
3. Standard Licence Condition 10, paragraph 4, requires the Charging Methodology to be transparent, objective, non-discriminatory and compliant with the Electricity Regulation⁸ and any relevant legally binding decision of the European Commission and/or Agency for the Co-operation of Energy Regulators (the relevant charging methodology criteria).
4. Standard Licence Condition 10, paragraph 5, requires the Licensee to take all reasonable steps to ensure that all persons, including those in other Member States that may have a direct interest in the Charging Methodology are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also provide to the Authority a report setting out the terms originally proposed in the Charging Methodology, the representations, if any, made by interested persons and any change in the terms of the Charging Methodology intended because of such representations.
5. In accordance with Standard Licence Condition 10, paragraph 5, on 23 April 2024 the Licensee furnished the Authority with a report setting out the Licensee's proposed GIL Charging Methodology.
6. The Authority therefore hereby directs that, pursuant to paragraph 7 of Standard Licence Condition 10 of the Licence, the Licensee's GIL Charging Methodology is approved.
7. Standard License Condition 10, paragraph 15 requires that, unless the Authority directs otherwise, the GIL Charging Methodology shall be published 28 days prior to coming into effect.
8. This Direction shall have immediate effect and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice.
9. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act. Copies of the documents mentioned in this Direction can be found on the Ofgem website (www.ofgem.gov.uk).

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Mo Rahee

**Head of Policy, Electricity Interconnector Market Arrangements
Signed on behalf of the Authority and authorised for that purpose by the Authority
on 16 July 2024**

⁸ As noted in footnote two