

TERRE project GB announcement

4 Sep 2020

This update is for GB stakeholders in the new **Replacement Reserve (RR)** market, being established by the **Trans-European RR Exchange (TERRE)** industry project, of which NGENSO is a leading member.

Unfortunately, it is now **not possible** to facilitate GB participation in RR **before the end of 2020**.

European platforms and GB withdrawal from the EU

Stakeholders have asked questions regarding communications from the European Commission (EC) on cross-border arrangements, especially concerning RR, after the end of Transitional Arrangements with the European Union (EU) on 31 December 2020.

On 9 July, the European Commission (EC) released a [statement](#) explaining that, because of the new regulatory environment from 1 January 2021, the UK:

- Will become a 'third country' outside the Single Market
- Will not be allowed to participate directly on dedicated European platforms
- Will still be able to conduct energy trading with EU countries via interconnectors

To illustrate the position that the UK is in, Switzerland is already a 'third country'. The EC has also clarified that SwissGrid, the TSO for Switzerland, should not be allowed to use the Libra platform for RR. This can only be resolved, for both GB and Switzerland, through ratification of free trade agreements on energy by the EU and the respective national parliaments.

The TERRE industry project is considering the implications.

Current delays

As previously communicated, Ofgem agreed to a delay in the GB Go-Live from June until the end of October.

In July, we experienced challenges with planned changes and maintenance to our core control systems. Rigorous control of code development and release management for the Balancing Mechanism (BM) are essential. Following a full incident review, the planned changes were completed in August. The COVID-19 pandemic has also created resourcing challenges.

There was a consequential impact on the planned release and Go-Live of our Application Programme Interface (API) for Wider Access (WA) to the GB BM. This was intended for July, and is now scheduled for September.

We appreciate that several market participants are in the final stages of their own preparation for RR. Some intend to use the API for participation in RR. Experience of using this with the GB BM would have been beneficial in anticipation of use for RR, and will now be gained later than intended.

The rescheduling has also had an impact on various release plans for the remainder of 2020, including TERRE. Go-Live for TERRE, therefore, could not have been achieved before early December.

Importance for GB

Participation in the European RR market is an important deliverable for NGENSO and GB stakeholders. It has the potential to deliver significant benefit to end consumers in GB. EU-sponsored analysis has identified a benefit to GB of €17m per annum, and NGENSO's own internal analysis supports this assessment.

We also see TERRE as a new source of reserve for GB. With features such as interconnector controllability, it gives us a new tool for managing

operational security issues using market-based solutions.

NGESO expected that the option would be available initially to use the Libra platform purely for the GB market, without trading with EU countries, facilitated via the interconnectors. This would have allowed us to gain experience of using Libra. Due to the position taken by the EC, it seems that this option may not be available without modifications to the legal agreements we have in place.

Interconnectors with France

The lead Transmission System Operator (TSO) on the project is the French TSO, Réseau de Transport d'Électricité (RTE). RTE is taking legal advice on GB participation in the Libra platform. NGESO is dependent on RTE for trading via the Interconnexion France-Angleterre (IFA and the new IFA2) and ElecLink interconnectors:

- **IFA & IFA2** - NGV and RTE are working hard to be ready for TERRE, and believe they can still make timescales for this year. However, they support the view that we should delay joining the platform until the legal position is clearer
- **ElecLink** - This is currently under construction, and we understand that commercial operation will begin in January 2022.

RTE has also confirmed that they cannot run the Balancing Inter-TSO (BALIT) mechanism and RR over the same border at the same time. RTE needs to maintain cross-border trade with GB over winter 2020-21, and must have access to BALIT on IFA over this period.

NGESO supports this arrangement for practical and operational reasons. However, it would severely limit the opportunity for RR trading.

Continuing with GB preparations

NGESO is continuing to prioritise work to ensure that we deliver our commitments as far as possible. These have not changed during the transition period of GB withdrawal from the EU.

We are continuing to consult with Ofgem and BEIS, concerning the manner in which NGESO will be able to facilitate participation in RR by GB energy providers, and the appropriate timescale for executing GB Go-Live.

Meanwhile, NGESO intends to:

- Remain an active and central member of the TERRE industry project
- Remain committed to the development of Libra, providing resources and joining the platform when the final 'third country' legal and practical arrangements are known
- Complete its internal system development work this year, to ensure readiness for facilitating GB participation in RR, in accordance with regulatory obligations under the European Balancing Guideline (EBGL)
- Continue to offer the opportunity to external partners to conduct testing, including the RR Instruction (RRI) process resulting from RR Bid-Offer-Acceptance (BOAR)

Stakeholder feedback from various work groups and forums seems to support this as a pragmatic approach. We hope that this will provide a measure of certainty to the industry, as resolution of these matters becomes more pressing.

Working with you

We have devoted a lot of time and resource into preparing for facilitating GB participation in the European RR market. We therefore share the disappointment of other stakeholders that it is now not possible to achieve this in 2020.

We realise that the uncertainty will add more questions concerning the plan for GB Go-Live. We are committed to continue working through these issues together with colleagues across the industry.

We welcome any comments and questions to: box.BalancingProgramme@nationalgrideso.com.