

More interconnection capacity needed between Great Britain and the continent

Market participants state a clear need for more interconnection capacity between GB and the continent. That is one of the main conclusions of the Autumn 2008 consultation held by Elia, National Grid and RTE¹. One of the main reasons is the projected growth in wind energy production in GB.

This strengthens the companies in their plans to increase the interconnection capacity between GB and the continent.

Other important outputs from the consultation are:

- The need for long term capacity products (up to 10 years) to compliment shorter term products;
- The capacity allocation mechanisms must continue to be market based.

Respondents are also in favour of a more coordinated approach across the Regional Initiative structure for all interconnectors to GB.

The companies welcome all responses, in particular from market participants, and from neighbouring TSOs and other stakeholders. The companies will consider these responses in their further cooperation.

The companies summarised the responses as follows:

More Investment in Interconnection Capacity

Clear views were expressed in favour of more interconnection capacity between GB and the continent, in particular to Belgium, France and the Netherlands.

Respondents highlighted the potential for very high wind penetration levels in the GB market and the opportunity for interconnection to provide another means for the market to respond to intermittent renewables and to evacuate excess available power.

A major market participant favours long-term cross-border access to generation in neighbouring markets to meet local supply obligations.

Respondents mentioned the opportunity afforded by DC-interconnectors to provide balancing and ancillary services. The companies recognise that this is a specific reference. Indeed, the use of DC-interconnectors for such services would be useful for markets with high renewables concentration and large nuclear power stations.

Some respondents were also in favour of increased interconnection with other markets (Norway, Ireland) and interaction with offshore networks.

¹ Elia, National Grid and RTE further mentioned as "the companies".

Heavy Utilisation Expected to Bring Markets Closer Together

Several respondents expressed clear views that such interconnection could be heavily used, to bridge the gap between retiring fossil fuel plants and new nuclear plants or given the potential for intermittent renewables.

Most respondents stated that actual flows would be dictated by prevailing market conditions close to real time. Such increased cross-border energy trading could be good for customers in bringing GB and continental markets closer together, driving down average energy prices across the region.

Respondents commented that the companies were best placed to assess the market benefit for increased interconnection capacity and to consider all the necessary factors regarding investment decisions including the associated grid infrastructure required.

A Mix of Capacity Products Needed

Major market participants are interested in multi-year products of ten or more year's duration, subject to new interconnection capacity being made available.

Market participants are very interested in the practical organisation of such products and whether capacity could be offered between markets rather than across specific interconnectors.

There is also a clear demand in the coming years for a two or three year capacity product on the existing GB-France interconnector or annual products sold further in advance. National Grid and RTE will liaise with customers via the IFA User Forum to study deeper this demand and will maintain contact with regulators and neighbouring Regions to promote harmonisation.

Market participants highlight liquidity as a key factor for the companies to consider before deciding on new products and on the proportion of capacity that may be made available on a longer-term versus short-term basis, to meet the needs of all customers. No respondent proposed the sale of capacity bi-directionally.

Most respondents insist, and the companies agree on the market-based allocation of all products in compliance with the Congestion Management Guideline, including the application of Use It or Sell It (UIoSI) principles following a Long-Term Declaration at Day Ahead, the netting of capacity, together with secondary trading arrangements.

The Next Steps

The companies will further develop plans to increase interconnection capacity between GB and the continent.

The companies are considering the responses concerning market products. National Grid and RTE will liaise with customers via the IFA User Forum to study deeper this demand and will maintain contact with regulators and neighbouring Regions to promote harmonisation.

The companies would welcome the involvement of neighbouring Transmission System Operators and will maintain contact with Regulators on appropriate Regional structures.

Respondents were supportive of the Autumn 2008 consultation with market participants, regulators and stakeholders, and requested that the dialogue should continue.

Elia, National Grid and RTE are committed to this ongoing dialogue to meet the developing needs of the market. Further communication will follow in the coming months.