

Forward Capacity Allocation Guideline (FCA)

Fact Sheet

Background

The FCA regulation lays down the rules for calculating and buying interconnector capacity in forward markets (any time before day ahead). It also sets rules for hedging price risk between bidding zones in these markets.

Many of the market design aspects under FCA have already been implemented in GB, and many aspects are not addressed directly within GB codes but described in GB interconnector access rules. The bulk of the changes introduced by FCA are anticipated to be introduced through changes to the interconnector access rules, most crucially the move to European Harmonised Allocation Rules (HAR).

Some GB code changes to the Grid Code and Balancing Services Code (BSC) may be required; however these are not anticipated to be substantive (mainly removing inconsistencies with EU definitions).

FCA sits alongside the other European market codes (Capacity Allocation and Congestion Management (CACM) and the Balancing Guideline) to describe the market rules, together known as the EU target model. [See diagram on CACM Factsheet.](#)

Together, they outline how the capacity of the electricity networks between bidding zones (e.g. between GB and France) is allocated. In a similar fashion to CACM, Transmission System Operators (TSO) are required to construct a pan-European Common Grid Model (a model of the electricity network), in order to calculate how much capacity can be allocated on each border. Generators and load are obliged to provide information in order to construct this model; however National Grid believes we already collect all the data necessary via the GB Grid Code. Any change to this position will be consulted on and subject to regulatory approval.

Regional Capacity Calculation – See CACM factsheet.

Single Allocation Platform (SAP) – This is likely to be the largest implementation project resulting from FCA. This central platform will be developed by all TSOs to facilitate the allocation of long-term transmission rights. The SAP will be used by TSOs to fulfil many functions currently performed by separate, bespoke platforms. This includes;

- the registration of market participants;
- providing a single point of contact to market participants;
- the operation of auction procedures;
- the financial settlement of allocated long-term transmission rights with market participants, including management of collaterals;
- the cooperation with a clearing house;
- the organisation of a fall-back procedure;
- enabling the return of long-term transmission rights;
- facilitating the transfer of long-term transmission rights;
- the publication of market information;
- providing and operating interfaces for data exchange with market participants.

Harmonised Allocation Rules (HAR) – Currently there are multiple allocation rules across Europe governing the contractual arrangements for long-term cross zonal transmission rights. Indeed each GB interconnector owner has separate interconnector access rules (although these are already aligned to a large extent). Under FCA, TSOs will develop harmonised allocation rules for physical transmission rights (PTRs), financial transmission rights - options (FTRs - options) and financial transmission rights - obligations (FTRs - obligations) at a Union level. These harmonised rules will facilitate the creation of the centralised single allocation platform.

This matters...

...to whom

FCA affects anyone trading or wishing to trade Interconnector capacity and cross-border energy in the forward timeframes. FCA impacts TSOs (predominately interconnector owners).

...when

FCA entered into force as European law on **17 October 2016**, however many of the deliverables will be delivered over the following years. Many of the detailed methodologies outlining the market rules are required to be produced within **3 years** of this entry into force date.

...how

GB implementation of CACM is being coordinated through an industry CACM & FCA subgroup established under the JESG. This work is progressing now and is due to be completed before the end of 2018. All changes to GB codes will be consulted on and are subject to approval by Ofgem.