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# Brexit & cross-border capacity access

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# Why are traders concerned with Brexit?

- All market participants are concerned, including:
  - UK-based traders
  - EU traders trading with UK counterparties
  - EU traders trading via London-based brokers
- EFET has been very active helping its members prepare for Brexit. Multiple coordination meeting with UK and EU institutions.
- Brexit deal agreed between the EU Negotiator and the UK government is still pending Parliamentary approval. No reduction of political risk yet.
- Many elements remain unknown in case of hard Brexit/no deal, incl:
  - Licencing arrangements and REMIT registration
  - Cross-border access
  - Transmission tariffs

# Cross-border capacity access in case of hard Brexit/no deal

## - a series of questions to the TSOs

- Uncertainty around availability of EU-UK interconnectors to remain in European platforms/coupling mechanisms:
  - Participation to JAO for long-term auctions -> OK under 3<sup>rd</sup>-party agreement
  - Day-ahead coupling -> is MRC considered the SDAC? If so, coupling will not be allowed anymore. Move to explicit access? Are the current fallback rules usable or do they need to be re-drafted, consulted and approved?
    - IFA: existing fallback, any contingency plan?
    - BritNed: no fallback but developing contingency plan with explicit access
    - NEMO Link: consulting on explicit access
    - ElecLink, IFA 2...: no plan yet
  - Intraday coupling -> prospect for the UK joining XBID, if at all, not before 2020.
    - IFA: existing explicit access
    - BritNed: existing explicit access
    - NEMO Link: no explicit access foreseen

# Cross-border capacity access in case of hard Brexit/no deal

## - a call for action to the TSOs

- EU NRAs apparently not really “allowed” to interact with Ofgem to discuss contingency plans.
  - This does not prevent TSOs/interconnector operators from drafting their contingency plans now.
  - If the Brexit deal does not go through, there will only be 3 months to act. Timelines and action plans would reassure the market.
  - Fundamental goal: ensure that cross-border transmission capacity can be used in the most efficient way possible as of 30 March, whichever the political context.
- This is also part of the conversation on capacity availability!

# Back-up

# Other elements of concern – for the EC, Member States, NRAs

- Licensing (Member States):
  - UK-based entities now allowed to trade in the EU with a UK licence. Third-party country recognition not clear in certain countries. Also affects all EU entities trading with them!
  - EFET sent dedicated information requests to selection of Member States
- REMIT registration and reporting (ACER/NRAs):
  - Future validity of REMIT registration of EU entities likely alright on the UK side, not certain the reverse is true
- Transmission tariffs and inter-TSO compensation (EC/NRAs/TSOs):
  - Will transmission capacity be subject to different tariffs now?
  - What about the inter-TSO compensation mechanism?

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