



**Compensation Arrangements for Net Transfer  
Capacity Reductions**

**Decision Paper**

**SEM-24-025**

**28 March 2024**

## EXECUTIVE SUMMARY

In March 2023, the Single Electricity Market (SEM) Committee consulted on the compensation arrangements in the SEM for reductions of Net Transfer Capacity (NTC) on the SEM-GB interconnectors ([SEM-23-024](#)). This consultation was deemed necessary to provide clarity for all parties ahead of the integration of the Greenlink Interconnector into the SEM in 2024. While the Regulatory Authorities (RAs) confirmed with the relevant parties in February 2023 that the Interim Cross-Zonal Arrangements (ICZA) would apply to Greenlink and future SEM-GB interconnectors – notwithstanding the possibility of future policy developments that may supersede the ICZA – this excluded the provisions relating to compensation arrangements in the case of a reduction of NTC ([SEM-23-022](#)).

Twelve responses were received to the consultation, with respondents expressing a variety of viewpoints. Issues which attracted considerable comment included the treatment of unallocated capacity, the ability of the Transmission System Operators (TSOs) to “validate” cross-zonal capacity for reasons of operational security, the attraction of investment for privately financed interconnectors, and the arrangements in the European Union (EU) and Great Britain (GB).

The SEM Committee has considered NTC reductions under different categories, based on the timeframe in which the reduction takes place, and whether the capacity is allocated or unallocated at the time of the reduction. It is important to note that the decisions outlined in this paper apply to forward-looking arrangements in the SEM only.

Firstly, in terms of capacity allocated in the forward timeframe – which is currently not taking place but may in the future – the SEM Committee considers that compensation should be provided to the interconnector owner when allocated capacity is reduced due to a TSO decision.

Secondly, in terms of capacity allocated through an auction and NTC is reduced post-auction(s), the SEM Committee considers that the current arrangements are clear that the interconnector owners should be compensated for any imbalance costs incurred due to a TSO decision.

Thirdly, in terms of capacity that remains unallocated following the auction(s), the SEM Committee considers that compensation is not appropriate.

The remaining scenario relates to capacity that is unallocated prior to the coupled auction(s) and NTC is reduced pre-auction(s). The SEM Committee notes that, while there would

appear to be consensus regarding the first three scenarios, this scenario is the key area of disagreement identified in the responses. As set out in Section 5 of the paper, the SEM Committee has decided that measures related to transparency, reporting, the process of capacity calculation and the development of alternative actions must be actioned and that more must be done to evidence that NTC reductions are only taken as a measure of last resort and therefore as close to real-time as feasible. At present, the SEM Committee has decided that the SEM TSOs should not compensate interconnector owners for unallocated capacity when NTC is reduced prior to the coupled auctions. However, the SEM Committee may consider it necessary to review this decision in the future if the transparency and reporting measures set out in Section 6 do not demonstrate NTC reductions taking place only as a measure of last resort.

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## Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
ACER	<a href="#">European Union Agency for the Cooperation of Energy Regulators</a>
CACM	<a href="#">Capacity Allocation and Congestion Management Regulation</a>
CEP	Clean Energy for All Europeans Package
FCA	<a href="#">Forward Capacity Allocation Regulation</a>
FTR	Financial Transmission Right
ICO	Interconnector Owner
ICZA	<a href="#">Interim Cross Zonal Arrangements</a>
IDM	Intraday Market
I-SEM	Integrated Single Electricity Market
IU	Ireland – United Kingdom
MRLVC	Multi-Region Loose Volume Coupling
NGESO	<a href="#">National Grid Electricity System Operator (Great Britain)</a>
NTC	Net Transfer Capacity
RA	Regulatory Authority
SO	System Operator
TCA	<a href="#">Trade and Cooperation Agreement</a>
TSO	Transmission System Operator

## 1. Introduction

### 1.1 Background

On 15<sup>th</sup> March 2023, the SEM Committee published a consultation paper ([SEM-23-024](#)) seeking views on the appropriate arrangements for Net Transfer Capacity (NTC) reduction compensation going forward in the SEM. This followed a letter from the RAs to the relevant parties on 28<sup>th</sup> February 2023, which confirmed the RAs' endorsement of the application of the Interim Cross-Zonal Arrangements (ICZA), with the exception of Article 3 (20, 21 and 22), to Greenlink and future SEM-GB interconnectors ([SEM-23-022](#)).

The provisions in Article 3 (20, 21 and 22) relate to compensation arrangements following a reduction in NTC. The SEM TSOs consider that it is unclear how these provisions should be applied going forward, given that the market arrangements in place at the time the ICZA were drafted has altered since Brexit.

The question of compensation arrangements has become more pertinent since September 2021 as, since then, the SEM TSOs have frequently reduced NTC, both partially and fully. Data on recent rates of NTC reduction are included in the annex, and show that during summer 2023, in over 50% of periods NTC reductions were imposed on the Moyle Interconnector – albeit many of these periods were 'non-binding' as the reduction applied to exports, and prices have recently been lower in GB than the SEM, resulting in the SEM predominately importing.

This decision applies exclusively to forward-looking arrangements in the SEM for both existing and prospective interconnectors on the SEM-GB border. The SEM Committee considers that future consideration will need to be given to the arrangements along the SEM-France border ahead of the integration of the Celtic interconnector in 2027.

### 1.2 Purpose of this Decision Paper

The purpose of this decision is to provide clarity to all stakeholders on the forward-looking compensation arrangements in the SEM for Moyle, EWIC, Greenlink and any future SEM-GB interconnectors following the reduction of NTC.

### 1.3 Responses to the Consultation

The SEM Committee received twelve responses from stakeholders to its consultation. The respondents were:

- Bord Gáis Energy
- Mutual Energy Limited on behalf of Moyle Interconnector Limited

(“Moyle”)

- EirGrid Interconnector DAC (EIDAC)
- EirGrid (TSO)
- ESB Generation and Trading
- Greenlink Interconnector Limited
- MaresConnect Limited
- National Grid ESO
- SONI
- SEMO
- SSE
- Transmission Investment on behalf of TI LirIC Limited

## 2. Consultation Feedback

### 2.1 Interpretation of Article 3(20)

A fundamental difference in interpretation of Article 3(20) of the ICZA was apparent through the respondents’ feedback. This Article contains four bullet points as follows:

- *Prior to the Day Ahead Firmness Deadline the concerned TSOs on the bidding zone border where long-term transmission rights have been curtailed shall compensate the ICOs with the (loss adjusted) Day Ahead market spread.*
- *After the Day Ahead Firmness Deadline but prior to the IDM1 auction the concerned TSOs on the bidding zone border where NTC reduction has occurred shall compensate the ICOs with the (loss adjusted) IDM1 market spread.*
- *After the IDM1 Firmness Deadline but prior to the IDM2 auction the concerned TSOs on the bidding zone border where NTC reduction has occurred shall compensate the ICOs with the (loss adjusted) IDM2 market spread.*
- *After the IDM2 Firmness Deadline but prior to the IDM3 auction the concerned TSOs on the bidding zone border where NTC reduction has occurred shall compensate the ICOs with the (loss adjusted) IDM3 market spread.*

EirGrid interpreted these bullet points as only relating to “long-term capacity allocation and then subsequent NTC Reduction across all timeframes”. SONI and EIDAC indicated similar viewpoints, in that the Article refers to capacity allocated in the forwards market and reduced closer to real-time. EIDAC stated that “*The application of curtailment compensation principles designed for LTTRs into intraday timeframes for NTC Reduction is...fundamentally flawed as these are designed for ensuring LTTR Holders are fully reimbursed rather than to define compensation principles against operational security actions taken by a TSO.*”

In contrast, Moyle viewed the bullet points to refer to the Intraday 1 and 2 markets, in which

market coupling between SEM and GB is currently taking place, and so providing clear instruction as to how ICOs should be compensated under the current arrangements.

## 2.2 Selling of Financial Transmission Rights (FTRs)

In general, the interconnector owners responding to the consultation did not view the fact that FTRs are no longer sold to have a material impact on the existing ICZA. Greenlink noted its view that “The compensation principles ought to be the same whether FTRs are sold or not”. Moyle stated that when FTRs are sold, there are two sources of income – FTR auction receipts and congestion income – while post-Brexit, as no FTRs are currently sold, there is just one such source. Therefore, it argued that even though pre-Brexit ICOs paid the cost of FTR payouts, the net result would only be equal between the pre- and post-Brexit arrangements if compensation were paid in the current arrangements (i.e. one source of income).

In contrast, EIDAC considered the change in context from one in which FTRs were sold when the ICZA were drafted, to one in which FTRs are no longer sold, to be important. It argued that the ICZA were based on the transactional framework between the TSOs, as the central counterparty, and the holders of LTTRs. Similarly, ESB GT viewed that given that interconnector owners no longer earn revenue from FTR auction receipts, “the underlying logic” in existence when the ICZA were drafted is not in line with current market arrangements.

Both BGE and SSE urged that FTRs should be reintroduced. BGE’s response focused on the importance of forward hedging opportunities for suppliers. BGE also noted the SEM Committee decision regarding SEM-GB Cross Border Trading and requested a clear timeline to be provided on when the analysis on PTRs would be finalised by the ICOs and a SEM Committee conclusion would be shared with industry.

BGE also requested that efforts continue to allow completion of Multi-Regional Loose Volume Coupling (MRLVC) arrangements but that in the meantime FTRs should be made available for the Intraday market.

Similarly, SSE viewed there to be “no rationale for why FTRs needed to be removed”. It welcomed the review of PTRs but argued that in the interim FTRs could provide hedging benefits to market participants.

## 2.3 Treatment of unallocated capacity

A related key point of difference was found in respondents’ views on whether “unallocated capacity” should be compensated. The SEM Committee understands unallocated capacity prior to market coupling to be capacity that has not been sold within the interconnectors’ long-term auctions, i.e. as FTRs/PTRs (currently not applicable), or capacity that remains unutilised following coupled auctions (currently IDA1 and IDA2).



EirGrid referred to CACM, including to Article 26(1) which provides that “*Each TSO shall validate and have the right to correct cross-zonal capacity...*” and Article 26(3) which provides that “*Each TSO may reduce cross-zonal capacity during the validation of cross-zonal capacity referred to in paragraph 1 for reasons of operational security*”. In terms of providing compensation, EirGrid stated that it only had such an obligation “*in respect of allocated capacity after the firmness deadline in the event of an emergency situation or force majeure event.*” It described such an emergency situation or force majeure event as being very rare. SEMO agreed with the view that under EU legislation, compensation “*solely relates to recouping costs tied to already allocated capacity*”.

EirGrid also outlined its view that “*A key issue with the existing ICZA is that compensation obligations that arise in favour of Long Term Transmission Right (LTTR) holders in accordance with the FCA are incorrectly mixed with the obligations for TSOs for capacity calculation and reduction in the intraday and day ahead timeframes*”. EirGrid noted that compensation arrangements in relation to LTTRs as expressed in the FCA differ from compensation arrangements in relation to capacity allocation applied in CACM “*where compensation arises after the firmness deadline*”.

In contrast, Greenlink expressed its view that “*compensation principles should not differ whether capacity is allocated or unallocated*” and that while the “*quantum of compensation may be different, the principles should remain the same*” to ensure cost neutrality.

MaresConnect argued that TSOs and generators “*benefit from the trading of intraday, unallocated interconnector capacity to maintain network flexibility*” and that therefore, both allocated and unallocated capacity should be compensated “*to avoid the tendency to allocate all capacity and reduce flexibility*”.

Moyle also took the view that unallocated capacity should be compensated to ensure the ICO does not lose or gain from the TSO decision to reduce NTC. It also stated that uncompensated NTC reductions would “*lead to under-utilised assets with significant socio-economic welfare costs*”. LirIC argued that compensation should be provided for the “*opportunity-cost for unallocated capacity*” in order to “*increase the incentives on the TSO to maximise capacity availability*”. Similarly, Greenlink argued that compensation was needed to ensure economically efficient decisions are made and that uncOSTed NTC reductions would result in this option always being the cheapest remedial action for the TSO.

## 2.4 Consistency with EU legislation and GB arrangements

EirGrid’s response focused on the EU legislative framework for curtailment of cross-border capacity. EirGrid firstly noted the System Operation Guideline (EU) 2017/1485, which sets out actions to be taken by a TSO to ensure operational security and includes Article 22(1)(d) to

*“re-calculate day-ahead and intraday cross-zonal capacities in accordance with Regulation (EU) 2015/1222”*. As outlined above, EirGrid viewed that CACM permits TSOs to adjust cross-border capacity up to the day-ahead firmness deadline and only provides compensation for allocated capacity after the firmness deadline. EirGrid also called on the SEM Committee to align the wording used in relation to NTC reductions to the wording set out in EU legislation.

SEMO expressed its view on the need to achieve compliance with EU legislation in order to avoid generating “a discriminatory regime within SEM post Go-Live of the Celtic Interconnector”, which will reconnect the SEM to the EU Internal Energy Market. SEMO understood the NGESO commercial arrangements in GB to be contradictory to CACM as they provide compensation for unallocated day-ahead and intraday capacity. EIDAC was of a similar view and noted that *“NGESO as the onshore GB TSO considers itself removed from the NTC compensation principles set out in the ICZA”*.

In contrast, many of the interconnector respondents agreed with the NGESO methodology. MaresConnect viewed that it was appropriate and advocated for symmetry between the two markets, while NGESO stated that the principles in the commercial methodology should be consistent across borders.

Meanwhile, Moyle argued that the EU regulations were drafted with “the predominant continental European context” in mind “where interconnections between bidding zones are typically part of the national/onshore TSOs regulated asset base.” It maintained that this arrangement contrasted with the GB model in which the national TSO does not own the cross-zonal capacity. It concluded that “EU regulation is not a particularly useful reference point in the current context”.

## 2.5 Investment in privately financed interconnectors

Several respondents argued that compensation for NTC reductions was essential to ensuring funding for privately financed interconnector projects. MaresConnect stated that privately financed interconnectors *“may be more sensitive to the potential financial impact of the arrangements”* and any *“uncertainty or inadequacy of compensation...would result in a significant challenge for the business case for private interconnector developers”*.

Greenlink similarly argued that while the cap and floor arrangements were important to securing financing, *“the ability to harness revenues above the floor are vital”*. It maintained that *“any changes to potential revenues and ongoing regulatory uncertainty in this area will jeopardise future private Interconnector investment”*.

## 2.6 NTC reductions as a measure of last resort

SEMO outlined its understanding that TSO reduction of cross zonal capacity is a *“last resort*

*activity after all other TSO remedial action options (including, by way of example, counter trading and redispatch) have been exhausted*". ESB GT also noted that NTC reduction is a last resort measure.

MaresConnect also stated that NTC reductions should be used as a last resort in emergency situations and referenced the recast Electricity Regulation ((EU) 2019/943), stating that uncoordinated curtailments of interconnector capacities have become a serious obstacle to the development of the EU Internal Energy Market.

Greenlink expressed its view that, if TSOs do not bear the costs of NTC reduction, it will be cheaper for the TSOs to reduce NTC rather than taking another action that is economically more efficient.

## 2.7 High-level SEM Committee response

The SEM Committee recognises the diversity of views expressed through the responses and would like to thank the respondents for their input, which has been very useful to understand the diverse perspectives on this issue. In response to the feedback outlined above, the SEM Committee would like to make the following comments:

- The treatment of unallocated capacity which is reduced prior to market coupling appears to be the key issue to be addressed in this decision, while there appears to be consensus on the treatment of the other scenarios.
- The SEM Committee shares the concerns of some respondents in terms of the lack of transparency around TSO decisions to reduce NTC. This issue is particularly noticeable due to the frequent use of this measure since September 2021.
- The SEM Committee notes the need for the TSOs to ensure a secure electricity system.
- Following Brexit, EU legislation no longer applies on the SEM-GB border. Nonetheless, the SEM remains a bidding zone and, with the Go-Live of the Celtic Interconnector, planned for 2026, the SEM will rejoin the Internal Energy Market. EU legislation will apply on the SEM-France border. The SEM Committee has reflected on the EU legislative framework and the practices of other EU member states in reaching this decision.
- Article 311 of the EU-UK Trade and Cooperation Agreement states the need for "the maximum level of capacity of electricity interconnectors" to be made available.

- The SEM Committee is aware of the commercial compensation methodology<sup>1</sup> operating in GB and notes that Ofgem has recently granted an extension to a derogation to the National Grid Electricity System Operator (NGESO) to allow continuation of the use of NTC reduction as a “tool” of last resort to ensure system security.<sup>2</sup>
- The SEM Committee recognises that much of the new and proposed interconnection development between SEM-GB involves private funding, and that there is a need to secure interconnection development in the SEM in order to allow Ireland and Northern Ireland to take full advantage of renewable resources and fulfil decarbonisation targets.
- The SEM Committee agrees that NTC reduction should be made as a measure of last resort.
- Regarding the potential reintroduction of LTTRs, the SEM Committee decision paper [SEM-23-012](#), noting the prior existence of FTRs, requested ICOs to propose arrangements for the introduction of PTRs on the SEM GB border. The final report on proposals was received in October 2023 and the RAs are examining the potential timeframes and options as the TSOs progress workstreams which interact with LTTRs.
- The SEM Committee will continue to monitor the progress of the Multi Regional Loose Volume Coupling (MRLVC) negotiations, which are ongoing.

### 3. Key consideration relating to NTC reduction

In reaching a decision on compensation, the SEM Committee considers that an important guiding principle regarding NTC reductions is that NTC reductions should only be made as a last resort and, therefore, as close to real-time as feasible.

This consideration is in keeping with Article 4(24) of the ICZA, which currently states, “*NTC reduction on interconnectors (from long term position) is only envisaged if system operator foresees being unable to facilitate flows up to this value on a day and has exhausted the use of system operator tools other than capacity reduction.*”

The principle is also reflected in EU legislation, with the recast Electricity Regulation (EU 2019/943) stating that uncoordinated curtailments of interconnector capacities have become “*a serious obstacle to the development of a functioning internal market for electricity*”. This

<sup>1</sup> <https://www.nationalgrideso.com/industry-information/codes/balancing-settlement-code-bsc/c16-statements-and-consultations#NTC-commercial-compensation-methodology-consultation>

<sup>2</sup> [https://www.ofgem.gov.uk/sites/default/files/2023-09/C28\\_Derogation\\_Decision\\_Sept23\\_Final%20Version.pdf](https://www.ofgem.gov.uk/sites/default/files/2023-09/C28_Derogation_Decision_Sept23_Final%20Version.pdf)

Regulation states that cross-zonal capacities may be reduced “*as a measure of last resort*”. A requirement for a minimum of 70 per cent of the transmission capacity to be available, respecting operational security limits, was also introduced in this Regulation. Article 311 of the Trade and Cooperation Agreement on “Efficient use of electricity interconnectors” also highlights the need for “*the maximum level of capacity of electricity interconnectors*” to be made available.

The SEM Committee is concerned by the high levels of NTC reduction which have taken place since September 2021, with most capacity reductions taking place prior to market coupling. Recent figures are provided in the annex. The SEM Committee considers that the use of other remedial actions, such as coordinated third party trades (CTPT) and redispatch, is necessary to decrease the frequency of NTC reductions.

While the SEM Committee recognises that a function of the TSOs is to ensure operational security, the TSOs must ensure that the maximum value of transmission capacity is offered for cross-zonal trade. This is important to ensure that consumers and market participants can enjoy the benefits of cross-zonal trade and that interconnectors are used efficiently.

#### 4. Decision regarding the arrangements for the treatment of allocated and unallocated capacity

In considering the appropriate compensation arrangements going forward, the SEM Committee has reflected on the timeframe in which capacity is allocated, or remains unallocated, alongside the point in time when NTC is reduced. With these two factors in mind, the following scenarios are considered:

- A. Capacity **allocated in the forward timeframe** (i.e. through LTTRs) and **NTC is reduced** – currently not applicable on the SEM-GB border but may change in the future;
- B. Capacity **unallocated pre-auction** and **NTC is reduced pre-auction**;
- C. Capacity **allocated in a coupled auction** and **NTC is reduced post-auction**;
- D. Capacity that **remains unallocated post-auction** and **NTC is reduced post-auction**

The SEM Committee has considered each of these scenarios in light of the feedback received from respondents and reached the following decisions.

#### A. Capacity allocated in the forward timeframe (i.e. through Long Term Transmission Rights [LTTRs]) and NTC is reduced

While this scenario does not currently arise in the SEM, due to the fact that the ICOs are not selling any LTTRs, the SEM Committee intends to make this decision flexible to future

regulatory changes, and thus is clarifying the compensation requirements for such a situation. The SEM Committee considers that, in cases where the TSO has decided to reduce NTC (i.e. the reduction is not caused by the interconnector), the TSO should compensate the ICOs, in effect to enable the ICOs to pay the holder of the LTTR. This is in line with the first bullet point in Article 3(20) of the ICZA, as well as with the EU regulatory framework. Article 53(2) of the FCA includes compensation obligations where LTTRs have been curtailed, and was not contested in the responses.

#### **B. Capacity unallocated pre-auction and NTC is reduced pre-auction**

The SEM Committee recognises that capacity reduced ahead of the market coupling process is the most complex issue to be addressed in this decision. The SEM Committee's decision on this issue is described in Section 5 below.

#### **C. Capacity allocated in a coupled auction and NTC is reduced post-auction**

Article 3(22) of the ICZA states that *“For reduction in NTC after the Firmness Deadline has passed for all Intraday Auctions relating to the delivery period, the concerned TSOs on the bidding zone border where NTC reduction has occurred shall compensate the ICOs with the associated imbalance costs incurred by the reduction.”* The SEM Committee notes that this was not contested in the responses and considers that this arrangement continues to be clear and appropriate.

#### **D. Capacity that remains unallocated post-auction and NTC is reduced post-auction**

The SEM Committee considers that as the market has had the opportunity to value this capacity and has not purchased it, there can be no expectation for compensation for capacity that remains unallocated at this stage. If the market arrangements change going forward, this may be adapted as appropriate.

### **5. Decision regarding the arrangements for capacity that is unallocated pre-auction and where NTC is reduced pre-auction**

The SEM Committee is concerned by the high frequency of NTC reductions currently being made by the SEM TSOs (see the annex). The SEM Committee is also concerned by insufficient transparency and reporting, and an absence of a valid Capacity Calculation Methodology currently in use in the SEM.

The SEM Committee considers that it is imperative that the TSOs use NTC reductions only as a measure of last resort, and therefore as close to real-time as feasible, and requests to see evidence that this is the case. The market should be permitted to run, respecting

operational security limits, and measures should be in place to ensure that non-market measures, such as NTC reductions, are taken rarely and as a measure of last resort. The SEM Committee also notes Article 311 of the EU-UK Trade and Cooperation Agreement, which refers to the “efficient use of electricity interconnectors” and states the need for “the maximum level of capacity of electricity interconnectors” to be made available.

Hence, **the SEM Committee has decided that measures related to transparency, reporting and the process of capacity calculation be actioned in the first instance.**

Nonetheless, the SEM Committee reserves the right to review this matter in the future, particularly if the transparency and reporting measures set out in the decision do not demonstrate NTC reductions taking place only as a measure of last resort. **At present, the SEM Committee has decided that the TSOs should not compensate interconnector owners for unallocated capacity when NTC is reduced prior to the coupled auctions.**

For clarity, the SEM Committee’s decision exclusively applies to forward-looking arrangements in the SEM.

The SEM Committee has taken this decision considering a number of factors, including:

- The current insufficient level of transparency, reporting and capacity calculation processes which, when addressed, the SEM Committee expects will encourage the TSOs to make prudent use of NTC reductions, to the benefit of interconnector investment;
- Consistency with the treatment of interconnectors – in particular in regard to compensation – in other EU Member States;
- Concerns about the difficulty of accurately calculating the true value of compensation (had the NTC reduction not been imposed), which may lead to inaccurate compensation being awarded, impacting costs for consumers; and
- Provides an incentive to interconnector owners to make transmission rights available on the SEM-GB border. The SEM Committee sees benefits to price formation and hedging benefits to market participants in the allocation of capacity on the interconnectors in longer timescales. As outlined in this paper, the RAs are currently examining the potential timeframes and options for the introduction of LTTRs on the SEM-GB border.

## 6. Transparency

The SEM Committee is keen to see arrangements for enhanced transparency associated with NTC reductions. To address this issue, the SEM Committee requests that from 1<sup>st</sup> May 2024, **every three months the TSOs prepare a report for the Regulatory Authorities on**

**all reductions, including the reason for each reduction, and that this report is published on the TSOs' websites.**<sup>3</sup> The SEM Committee considers generic reasons such as 'operational security' to be insufficiently detailed, and that **explanations need to enable the assessment of whether an NTC reduction was taken as a measure of last resort.**

The SEM Committee also requests that, from 1<sup>st</sup> May 2024, where decisions to reduce NTC are taken **ahead of the coupled auctions**, the TSOs publish information supporting their decision on their websites **within five working days.**

It is clear that more transparency is required on the procedure used to calculate NTC and that any current procedure is not avoiding a high frequency of NTC reductions. Therefore, the SEM Committee also requests that the TSOs review any existing procedure and **publish a new procedure within three months of the publication of this decision paper.**

In addition, the SEM Committee notes that Articles of the Interim Cross-Zonal Arrangements were included in the Terms of Reference for the 2022 and 2023 Annual Audit of the Scheduling and Dispatch Process.<sup>4</sup>

## 7. Review of the Capacity Calculation Methodology

As stated in the consultation paper, the IU Capacity Calculation Region has ceased to exist post-Brexit. As stated above, the SEM Committee is concerned by the lack of clarity and transparency in terms of cross-zonal capacity more broadly. Therefore, the SEM Committee is requesting that the SEM TSOs (EirGrid, Moyle Interconnector Ltd., Greenlink Interconnector, System Operator Northern Ireland (SONI) and EirGrid Interconnector DAC (EIDAC)) develop an updated CCM to ensure that the steps taken regarding capacity calculation are understood and agreed by all parties, as well as being up-to-date with the current market arrangements. **The SEM Committee requests that the SEM TSOs submit a timeline for the development of a CCM within three months of the publication of this decision paper.**

## 8. Alternative actions and processes

The SEM Committee is concerned that without adequate transparency and reporting of NTC reduction, it cannot be demonstrably clear that all alternative remedial actions, other than

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<sup>3</sup> Article 26 of CACM similarly requires that "Each coordinated capacity calculator shall, every three months, report all reductions made during the validation of cross-zonal capacity in accordance with paragraph 3 to all regulatory authorities of the capacity calculation region."

<sup>4</sup> <https://www.eirgridgroup.com/site-files/library/EirGrid/Scheduling-and-Dispatch-2022-and-2023-ToR-and-Consultation-Report.pdf>



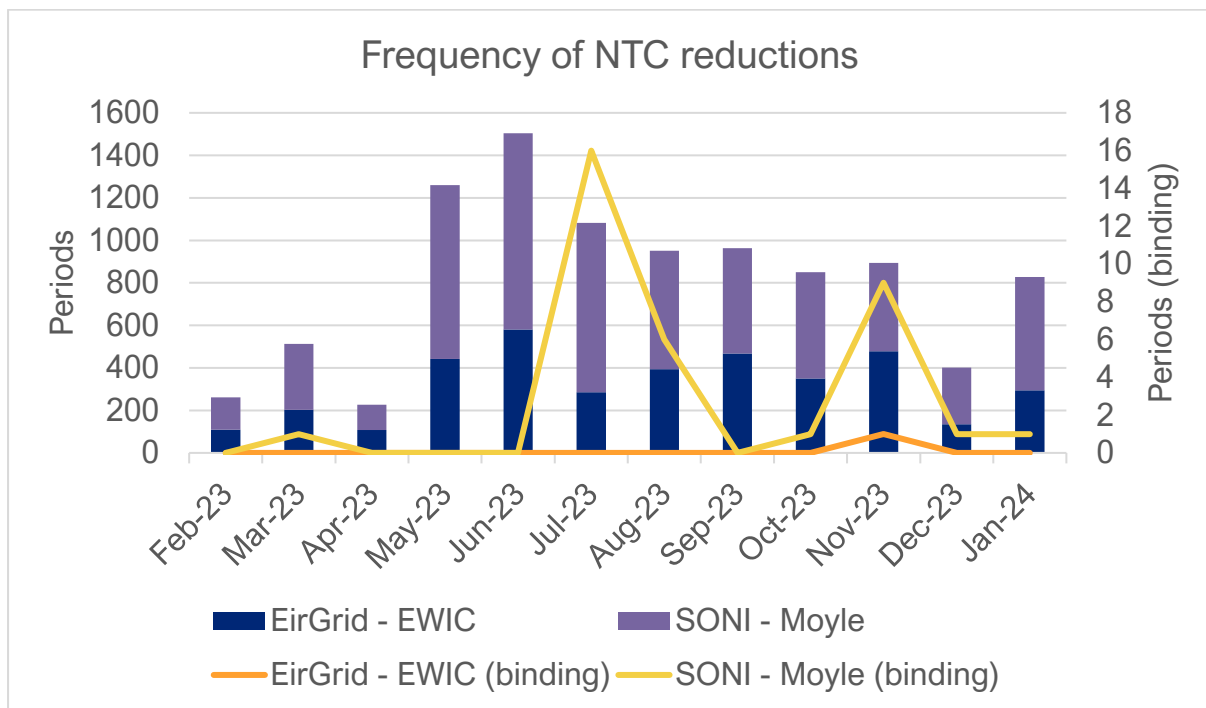
NTC reduction, are being utilised. In particular, as set out in EU 2019/943, the SEM Committee considers it appropriate that other actions, such as counter-trading and redispatch, including cross-border redispatch, are used to maximise available capacities. Consistent with EU 2019/943, the SEM Committee stresses the need to ensure that TSOs do not limit the volume of interconnection capacity as a means of solving congestion inside bidding zones.

Therefore, the SEM Committee requests the TSOs to develop clear and transparent processes on these alternative remedial actions, and engage with the relevant parties, such as National Grid ESO, to achieve this. **The TSOs are requested to submit a timeline for the development of these alternatives to the RAs by the 30<sup>th</sup> April 2024.**

The SEM Committee is of the view that the development of these alternative measures is essential to minimise the frequency of NTC reductions.

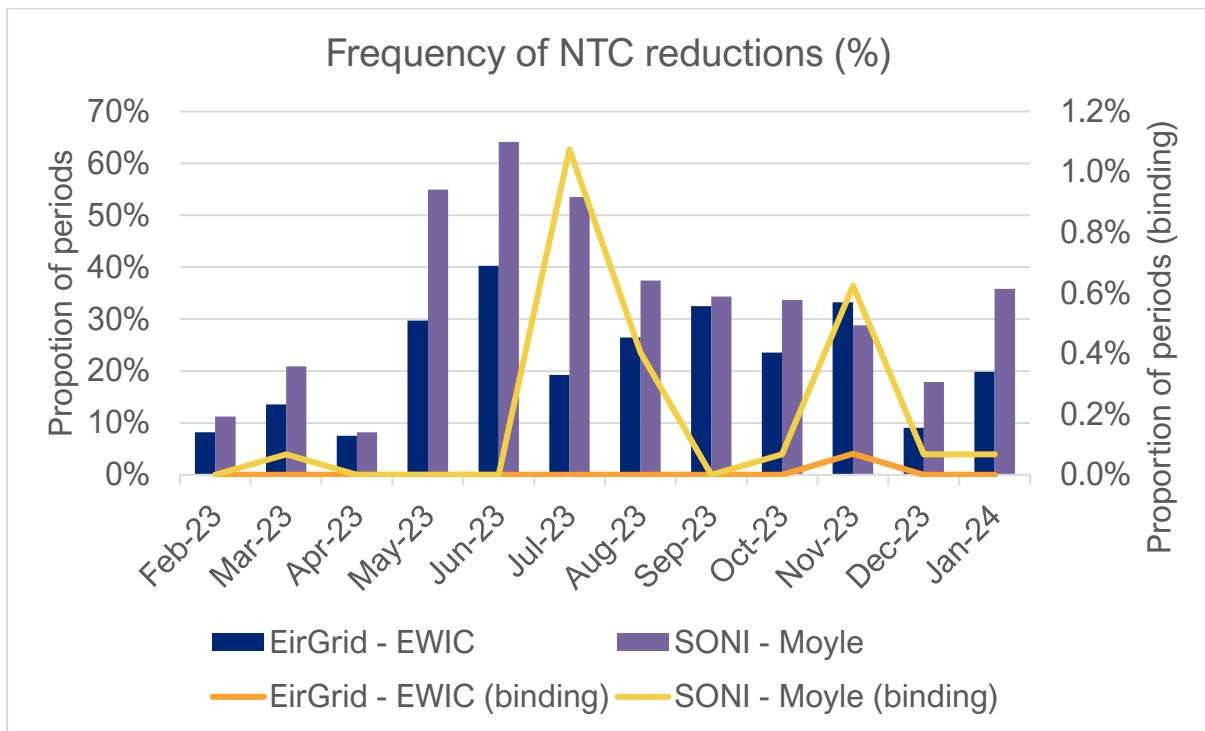
## Annex

**Graph 1: Frequency of half-hour periods in which NTC was reduced by SEM TSOs, February 2023 – January 2024**



Source of data: SEMO. To note, 'binding' periods means periods in which the flow was actually limited. Binding data is an approximation only as the SEM/GB prices that had resulted if the NTC reductions had not occurred is not known.

**Graph 2: Frequency (%) of half-hour periods in which NTC was reduced by SEM TSOs, February 2023-January 2024**



Source of data: SEMO. To note, 'binding' periods means periods in which the flow was actually limited. Binding data is an approximation only as the SEM/GB prices that had resulted if the NTC reductions had not occurred is not known.