

Response to the North Sea Link interconnector consultation for a new trading arrangement

Brussels, 12 August 2024

Key messages

1. We welcome the move towards intraday products and auctions on the North Sea Link (NSL) interconnector, as it allows for better optimisation of power transactions close to delivery and provides a fallback option to the current day-ahead capacity auction.
2. We support making access to cross-border transmission capacity available to market participants of all power exchanges.
3. We emphasise the lack of rules for the allocation and nomination of long-term (monthly and annual) capacity and reiterate our wish to see long-term transmission rights allocated on the NSL.
4. We also note that there do not appear to be any arrangements for exchanging balancing services over the cable.

Detailed comments

- 1) *Do you agree that it is a good idea to establish intraday auctions on NSL for market participants?*

Yes, we agree that it is a good idea to establish intraday auctions on the NSL cable. We advocated this in several consultations. Allowing for the allocation and nomination of intraday capacity as close to real-time as possible is important to enable market participants to access the interconnector and optimise power transactions shortly before delivery. Among others, this is particularly useful to help manage intermittent renewables. In addition, intraday capacity allocation acts as a fallback in case, for any reason, the day-

CONSULTATION RESPONSE



ahead allocation of capacity fails (we have seen this on the continent with the occasional partial decoupling events in June and July 2024).

- 2) *Assuming that intraday auctions will be established, how many auctions would you suggest? Would you support a stepwise approach? Please explain your views*

A stepwise approach starting with one NSL intraday auction (IDA) would be recommended so as not to “spread the liquidity” over too many auctions in the start-up phase. A decision for a further rollout should be based on the activity observed in this one auction.

- 3) *Would you have a preference of*
 - a. *each ID auction covering a specific part of the day or*
 - b. *each auction covers all remaining hours of the day*

Given that we suggest starting with one D-1 auction, this should cover all hours of the delivery day. If/when more NSL intraday auctions are introduced, they could have a similar set-up as the newly introduced European Union (EU) pan-European Intraday Auctions (IDAs) 1/2/3.

- 4) *Taking into account the timing of other auctions within the IEM and in GB, at what time do you think we should run the intraday auction(s)?*
 - a. *Morning*
 - b. *Afternoon*
 - c. *evening*

We propose timing the IDA in the evening D-1, preferably between 18:00-19:00 CET. It should avoid coinciding or being too close in time to the current EU IDA1/2 (15:00 CET, 22:00 CET).

Additionally, the new ID auction on the NSL could also be coupled with the existing GB auction — like the GB IDA1 covering the 24 hours of the next day and coupled with the

CONSULTATION RESPONSE



Irish Single Electricity Market (SEM)— or aligned with the Irish SEM IDA. Coupling these auctions together could bring more liquidity to the new NSL ID auction.

- 5) *Do you support the setup of intraday trading in 30-minute MTU in GB and 15-minute MTU in Norway?*

Yes, as we want to be able to trade with the same Market Time Unit (MTU) as other products. We also support moving to a shorter Imbalance Settlement Period (ISP) of 15 minutes as explored in the second Reform of Electricity Market Arrangements (REMA) consultation in Great Britain, which should be matched with a shorter MTU of 15 minutes and a closer-to-real-time gate closure time (GCT) on the GB market. Shortening the ISP and MTU, as well as bringing trading closer to the GCT, enhances the participation in electricity markets of flexible capacity and demand response, helps make prices more reflective of the actual market conditions, and incentivises generation.

- 6) *Do you have any other comments to the design of the new trading solution?*

By 2026, there is a clear legislative call for the transposition of the European Carbon Border Adjustment Mechanism (CBAM) in Norway. We wonder about the implementation of this obligation on the NSL cable between Norway and the United Kingdom during the CBAM transitional period. More precisely, where will CBAM apply when Norwegian imports of electricity from GB get exported to the EU? How will the CBAM implementation affect implicit trading offered through the NSL cable?

We welcome the Norwegian regulator RME requirement to give access to other power exchanges to the capacity of the NSL. We encourage the GB power exchanges to match the decision by sharing their orderbooks and allowing access to NSL to all power exchanges.

We reiterate our wish to see forward capacity allocated on the NSL cable with Long Term Transmission Rights (LTTR), and preferably Financial Transmission Rights (FTR), as crucial

CONSULTATION RESPONSE



next steps in designing trading solutions. FTRs would provide more useful access for market participants to use the cable for forward hedging, especially given the relatively small volume of physical generation and demand in the relevant price zone in Norway.

Additionally, the NSL trading arrangement could be further complemented by exchanging balancing services. They could provide additional flexibility and security of supply.

Finally, we suggest organising a public workshop for market participants by Stattnet and National Grid.

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