

Status of the UK-EU Negotiations - December 2020

The EU Commission and the UK Government continue to negotiate the terms of a free trade deal. It is highly unlikely that there will be any extension to the transition period beyond 31st December this year as the deadline to agree such an extension passed on 30th June and under current UK law, it is illegal for a Minister to agree to such an extension.

There still remains two potential scenarios for what may happen from 1st January 2021:

1. A free trade deal on the future relationship is reached
2. No agreement is reached, and trade takes place on WTO terms (the “No Free Trade Deal” option)

While the UK and EU have each published its proposals for an energy agreement^{1,2}, we still do not have sight of the precise text. With this being said, we do know that whether or not a Free Trade Deal is agreed, the GB electricity market will no longer be part of the Single Day Ahead Coupling (SDAC) arrangements from the Delivery Day 1st January 2021. This is in line with the EU Commission’s document published 9th July 2020, setting out its thinking on “changes to apply regardless of the outcome of the Trade Negotiations”³ including a section on Energy. This document states that from 1st January 2021, the United Kingdom will no longer participate in the Union’s dedicated platforms.

National Grid Interconnectors believes that maximising the efficiency of cross-border energy trading delivers significant benefits for both EU and UK consumers. Whilst negotiations continue between the EU and UK, we continue to prepare for whatever may happen from 1st January 2021.

Preparations Ahead of 1st January 2021

Our “no deal” preparations made ahead of previous deadlines prior to 31st January 2020 have been reviewed, and we have determined those same preparations would still be effective once the GB market exits SDAC from 1st January 2021. As a recap our contingency arrangements are set out below:

We have not identified any issues that would prevent an interconnector from operating and trading from 1st January 2021. We have tested our assumptions with key EU and UK stakeholders, legal teams and analysts in reaching this conclusion.

Through collaboration with our partners, UK Government and Ofgem, we have provisionally amended our Access Rules to detail how our commercial processes will operate outside of SDAC.

To promote the continuity of trade we will revert to explicit Day Ahead auctions via the JAO Platform. This will replace the current implicit Day Ahead Market Coupling process.

The existing “Use it or Sell It” process will still apply but with any non-nominated Long-Term Capacity resold via the explicit Day Ahead auction rather than through implicit day ahead market coupling arrangements.

We have recently launched a dedicated Brexit page on the IFA website where further details may be found: <http://ifa1interconnector.com/brexit/>

If you would like to discuss any of the above, please contact our customer team via email: ifa.customerenquiries@nationalgrid.com

¹<https://www.gov.uk/government/publications/our-approach-to-the-future-relationship-with-the-eu>

²https://ec.europa.eu/commission/presscorner/detail/en/IP_20_447

³https://ec.europa.eu/info/sites/info/files/brexit_files/info_site/com_2020_324_2_communication_from_commission_to_inst_en_0.pdf