

Information to Members – Preparation for Brexit

**NORD
POOL**

22 NOVEMBER 2019

Dear Nord Pool Member,

In recent months Nord Pool has continued working with key stakeholders in preparation for the UK leaving the European Union. The statutory instruments issued by the government earlier this year gave a clear indication of the preparations Nord Pool and market participants needed to undertake in the event the UK leaves the EU without a deal.

Nord Pool has engaged extensively with both BEIS and Ofgem in order to ensure, if the UK leaves without a deal, that our members can continue to access Nord Pool's UK wholesale electricity markets. We feel it is important that we continue to provide simple, efficient and secure power trading on our GB markets.

If a 'no deal' Brexit occurs, then at **11pm GMT on Friday 31st January 2020** the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations will take effect. This statutory instrument will amend the European Network Codes and Guidelines to set out the technical arrangements for cross-border trading of electricity. It will revoke the existing guidelines on Capacity Allocation and Congestion Management (CACM) and Forward Capacity Allocation (FCA) insofar as the UK is concerned.

What do you need to know?

1. Firstly, and most importantly, **Nord Pool members will not need to make any changes to their systems or processes** in order to continue to trade wholesale electricity through Nord Pool's Day Ahead Web trading platform.
2. Members will be able to submit orders and receive results as they do today in Nord Pool's day-ahead auction, continuous intraday and half hourly auction.
3. There are no changes to Nord Pool's notification or settlement process and members will receive GB market results in the same way that they do today.
4. Nord Pool's membership arrangements will also remain the same.
5. Members will still be able to access and download their trade data through our REMIT portal, but Nord Pool will no longer be required to submit UK trade data to ACER.
6. The day-ahead auction will still be run at 11am GMT and **Nord Pool will continue to use the Euphemia algorithm** for its price calculation.

What will change?

As a result of the CACM Guidelines being revoked, there will be some important changes in how the market will function from Saturday 1st February 2020.

1. The GB day-ahead market will 'decouple' from the European market and from the island of Ireland. This means that available cross-border transmission capacities will no longer be implicitly allocated as part of the European calculation.
2. From 11pm GMT on the day the UK ceases to be part of the EU, the amendments to the GB interconnector access rules will take effect. Interconnectors will revert to running day-ahead explicit auctions. The updated access rules for IFA and Nemo Link can be found under 'Further information', below.
3. Internally of the GB market, capacity on the virtual GB interconnector will be set to zero and our **day-ahead order books will cease to be shared between the GB power exchanges**.

What do you need to do?

While there are no technical changes needed towards the Nord Pool trading platform, our members should consider the following:

1. GB members who also trade in central Europe will need to obtain a new ACER code from a National Regulatory Authorities in one of the 27 EU member states.
2. Members need to inform our member services team in the event of a need to re-register their EIC code with Nord Pool.
3. Given that in a 'no deal' situation the 11am GB day-ahead auction will be decoupled from Europe and the island of Ireland, and that our day-ahead order books will cease to be shared, market participants should consider all relevant changes in market conditions when submitting their orders once Brexit has taken effect.

As the circumstances concerning the UK's departure from the EU remain uncertain, Nord Pool will update members as and when further information becomes available. We would advise our members to keep monitoring our website and their email for updates from Nord Pool.

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Further information

The Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019:

http://www.legislation.gov.uk/ukxi/2019/532/pdfs/ukxi_20190532_en.pdf

Ofgem letter on No-Deal EU Exit REMIT Contingency Arrangements:

https://www.ofgem.gov.uk/system/files/docs/2018/12/no-deal_eu_exit_remit_contingency_arrangements.pdf

Acer open letter on the UK's Withdrawal from the European Union and its implications:

https://documents.acer-remit.eu/wp-content/uploads/Open-Letter_Communication-on-REMIT-and-Brexit_190108.pdf

Changes to IFA and Nemo Link Access rules as a result of Brexit:

https://www.ofgem.gov.uk/system/files/docs/2019/03/ifa_non-sdac_access_rules.pdf

https://www.ofgem.gov.uk/system/files/docs/2019/03/nemo_link_non-sdac_access_rules_.pdf

ABOUT NORD POOL Nord Pool, Europe's leading power market, delivers efficient, simple and secure trading across Europe. The company offers day-ahead and intraday trading, clearing and settlement to customers regardless of size or location. Today 360 companies from 20 countries trade on Nord Pool's markets in the Nordic and Baltic regions, Germany, France, The Netherlands, Belgium, Austria and the UK. Nord Pool is a Nominated Electricity Market Operator (NEMO) in 15 European countries, while also servicing power markets in Croatia and Bulgaria. In 2018 Nord Pool had a total turnover of 524 TWh traded power.