Twitter Thread by Ed Birkett

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What's in the EU-UK Brexit deal on energy?

It may be Boxing day, but I've had a quick look

Title VIII: Energy is the key section (page 156 onwards)

■■ Standard stuff on commitment to competition, unbundling and customer choice

■■ UK Capacity Market no longer needs to try to integrate overseas Capacity providers & vice versa

(Article ENER.6, Clause 3, page. 160)

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3. Each Party shall ensure that any capacity mechanism in electricity markets is clearly defined, transparent, proportionate and non-discriminatory. Neither Party is required to permit capacity situated in the territory of the other Party to participate in any capacity mechanism in its electricity markets.

■■ Existing "exemptions" for selected interconnectors will continue to apply.

This means that these interconnectors can continue to sell capacity rights ahead of time, rather than all through close to real-time markets.

(Article ENER.11, page 162)

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Article ENER.11: Existing exemptions for interconnectors

Each Party shall ensure that exemptions granted to interconnections between the Union and the United Kingdom under Article 63 of Regulation (EU) 2019/943 of the European Parliament and of the Council[43] and under the law transposing Article 36 of the Directive 2009/73/EC of the European Parliament and of the Council[44] in their respective jurisdictions, the terms of which extend beyond the transition period, continue to apply in accordance with the laws of their respective jurisdictions and the terms applicable.

■■ No network charges on individual interconnector transactions (as now)

■■ But, UK cannot participate in EU procedures for capacity allocation and congestion management (more on this later)

(Article ENER.13, page 163)

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(e) there are no network charges on individual transactions on, and no reserve prices for the use of, electricity interconnectors;

(f) capacity allocation and congestion management across electricity interconnectors is coordinated between concerned Union transmission system operators and United Kingdom transmission system operators; this coordination shall involve the development of arrangements to deliver robust and efficient outcomes for all relevant timeframes, being forward, day-ahead, intraday and balancing; and

(g) capacity allocation and congestion management arrangements contribute to supportive conditions for the development of, and investment in, economically efficient electricity interconnection.

2. The coordination and arrangements referred to in point (f) of paragraph 1 shall not involve or imply participation by United Kingdom transmission system operators in Union procedures for capacity allocation and congestion management.

Gas trading: looks like the UK stays in the existing PRISMA gas trading platform.

Not my specialist area, but is this because PRISMA isn't an EU institution (unlike electricity market coupling)?

https://t.co/5GQJtZDpTa

(Article ENER. 15, page 164)

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■■ Network development: Parties to cooperate, including on interconnectors, but not much detail.
■■ Security of Supply: Parties to cooperate, again not much detail. Can't see any references to a solidarity principle.

(Articles ENER. 16 and ENER. 17, page 165)

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Cooperation between TSOs & Regulators:
- UK TSOs (i.e. National Grid) to cooperate with EU TSOs through cooperation with ENTSO-E and ENTSOG but not membership
- UK regulator (@Ofgem) to cooperate with EU regulators through ACER. Again, no UK membership

(Articles ENER.19+20)

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New cooperation forum between UK and EU on offshore renewable energy.

Looks like UK no longer a member of North Seas Energy Cooperation, so a new forum is needed.

(Article ENER 23, page 169-170).

See summary of our report on Future of North Sea :
https://t.co/Qgh8b2p0yZ

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> THREAD: New @Policy_Exchange report \u201cThe Future of the North Sea: Maximising the contribution of the North Sea to Net Zero and Levelling Up\u201d by me, @benmcaleenan and @ed_birkett, foreword by Tees Valley Mayor @benhouchen. Key takeaways of the report: /1https://t.co/l0r46nKjmk
>
> — Will Nicolle (@WRNicolle) November 3, 2020

Final provisions, incl. termination (!)

Title on Energy ceases on 30 June 2026. Although can be extended to 31 March 2027 & again to 31 March 2028.

Seems linked to general termination provisions of the deal, including a reference to ■■ (Article FISH.17)

(ENER 33, p.172)

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Onto Annexes. Only Annex ENER-4 is interesting. Covers day-ahead market coupling over interconnectors.

Market coupling ceases on 1 Jan 2021. Will be replaced by April'22 with "Multi-region loose volume coupling"

New term for many https://t.co/oSVDDiWFw9

Annex ENER-4 p.784

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If I understand it correctly, new system will produce net flows on the interconnectors, rather than prices.

Creates a risk that interconnectors flow the "wrong way" (i.e. from high prices to low prices).

Algorithm is separate to EU day-ahead market coupling (EUPHEMIA)

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2. Multi-region loose volume coupling shall involve the development of a market coupling function to determine the net energy positions (implicit allocation) between:

   (a) bidding zones established in accordance with Regulation (EU) 2019/943, which are directly connected to the United Kingdom by an electricity interconnector; and

   (b) the United Kingdom.

3. The net energy positions over electricity interconnectors shall be calculated via an implicit allocation process by applying a specific algorithm to:

   (a) commercial bids and offers for the day-ahead market timeframe from the bidding zones established in accordance with Regulation (EU) 2019/943 which are directly connected to the United Kingdom by an electricity interconnector;

   (b) commercial bids and offers for the day-ahead market timeframe from relevant day-ahead markets in the United Kingdom;

   (c) network capacity data and system capabilities determined in accordance with the procedures agreed between transmission system operators; and

   (d) data on expected commercial flows of electricity interconnections between bidding zones connected to the United Kingdom and other bidding zones in the Union, as determined by Union transmission system operators using robust methodologies.

   This process shall be compatible with the specific characteristics of direct current electricity interconnectors, including losses and ramping requirements.

Timeline to develop new system:
■■ By April 2021: CBA and outline technical proposals
■■ By November 2021: Technical proposals
■■ By April 2022: System starts operating

p.785

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Part 2

The timeline for the implementation of this Annex shall be from the entry into force of this Agreement, as follows:

(a) within 3 months – cost benefit analysis and outline of proposals for technical procedures;

(b) within 10 months – proposal for technical procedures;

(c) within 15 months – entry into operation of technical procedures.

Other provisions in the deal:

■■ New Specialised Committee on Energy to discuss/implement some bits of the energy title and annexes (page 12)

■■ Commitment to carbon pricing in the section on "level playing field"

[Title XI, Article 7.3, page 202]

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Article 7.3: Carbon pricing

1. Each Party shall have in place an effective system of carbon pricing as of 1 January 2021.

2. Each system shall cover greenhouse gas emissions from electricity generation, heat generation, industry and aviation.

3. The effectiveness of the Parties' respective carbon pricing systems shall uphold the level of protection provided for by Article 7.2 [Non-regression from levels of protection]

4. By way of derogation from paragraph 2, aviation shall be included within two years at the latest, if not included already. The scope of the Union system of carbon pricing shall cover departing flights from the European Economic Area to the United Kingdom.

5. Each Party shall maintain their system of carbon pricing insofar as it is an effective tool for each Party in the fight against climate change and shall in any event uphold the level of protection provided for by Article 7.2 [Non-regression from levels of protection]

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6. The Parties shall cooperate on carbon pricing. They shall give serious consideration to linking their respective carbon pricing systems in a way that preserves the integrity of these systems and provides for the possibility to increase their effectiveness.

Overall:
■■ Lots of sensible provisions, much to gain for both sides
■■ Market coupling will be weaker, even with new system (Apr 2022)
■■ Welcome focus on North Sea
■■ Need to understand more on termination provisions

See more in our recent paper:
https://t.co/KEXNIWvAHJ

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> THREAD: The key takeaways from our new @Policy_Exchange report: "The Future of UK-EU Energy Cooperation."
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> 1/8https://t.co/nfJFdO4GBY
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> — Ed Birkett (@ed_birkett) September 28, 2020