

Specialised Committee on Energy – minutes of the Meeting

9th November 2023 | 10:00-12:45 CET / 09:00-11:45 GMT

(Hybrid / EU host)

1. Opening remarks by the co-chairs and adoption of the agenda

The EU welcomed all participants to this fourth meeting of the Committee, outlined the policy backdrop of this meeting, stressed the importance of EU-UK cooperation on energy security and energy transition matters in this context, and introduced the provisional agenda.

The UK echoed the mutual benefits of EU-UK cooperation on energy security and the energy transition, welcomed progress made since the last Committee meeting, including the signing of the North Seas Energy Cooperation Memorandum of Understanding (NSEC MoU), but noted its continued concern about delays to the implementation of key aspects of the Trade and Cooperation Agreement (TCA).

The EU noted that delivery on the electricity trading arrangement foreseen in the TCA has proven more complex than foreseen but appreciated that the two sides are working together actively and in good spirit to overcome challenges.

The co-chairs adopted the agenda as published.

2. Electricity trading arrangements

Participants recalled for context Articles 311, 312, 317 and Annex 29 of the TCA which contain commitments that aim to ensure the efficient use of electricity interconnectors between the Parties. The Committee recalled that it had adopted Recommendation No 1/2023 in February inviting both Parties to request their transmission system operators (TSOs) to provide additional information on a set of questions relating to the two approaches to 'Multi region loose volume coupling' (MRLVC) identified in the cost benefit analysis published in April 2021.

EU and UK officials presented to the Committee an overview of the additional information that was provided by the UK and EU TSOs to the parties in July 2023, as well as the opinions of regulatory authorities. The Committee welcomed this additional information and opinions as a significant contribution to the development of MRLVC. It also took note of recent technical exchanges at Secretariat-level, including a workshop in London in July 2023, to engage on the additional information leading up to this fourth Committee meeting to grow a common understanding of the challenges and opportunities lying ahead with the MRLVC and enable the SCE to consider the next steps in the process.

The EU highlighted the ACER and all EU NRAs opinion paper, which concludes that they cannot currently recommend the implementation of either the Preliminary Order Book (POB) nor the Common Order Book (COB) option, and advise to further assess the risks and benefits of the COB option. In particular, ACER and all NRAs recommend to further assess: the operational impacts of the MRLVC on the UK market and SDAC, the future-proofness and reliability of the MRLVC welfare benefits considering the expected forthcoming market and policy changes. ACER and all NRAs also highlight the limitations of the report with regards to compatibility with offshore generation. The Ofgem and Northern Ireland Utility Regulator also recommended against pursuing the POB option and recognised that the design and overall

performance of MRLVC will be critical to the development of the North Sea projects. They also highlighted several topics requiring further examination, in particular and as a matter of priority the Bordering Bidding Zone Flow Methodology.

Based on the additional information from TSOs, the Committee reflected that the POB approach may not need to be further considered because it raises significant risks of market manipulation that cannot be suitably mitigated.

The Committee reflected that the COB approach was a potentially viable option, but the additional information highlighted a number of key design challenges demonstrating the need for further robust assessments to ensure the operational security of EU and UK wholesale markets and that UK-EU electricity trading arrangement supports our shared ambitions for the rapid development of renewable energy projects in the North Seas. The Parties discussed that an updated Cost Benefit Analysis and extensive stakeholder engagement will be necessary in due course before any final decision can be taken by the Committee on implementation.

The UK emphasised its concerns about the delays to the development of MRLVC and the missed timelines in Annex 29 for the development and operation of technical procedures. The EU also expressed regret on the delay to developing MRLVC, resulting from technical complexity of MRLVC. Both parties agreed to move to a next phase, which will require TSOs to provide further analysis. The UK noted its expectation that this next phase of work represents the first stage of developing draft technical procedures in line with the process outlined in TCA Articles 312, 317, Annex 29. The UK stated that this should include: developing an optimal timeline and fallback for the COB approach; developing a provisional Bordering Bidding Zone Flow Forecasting Methodology; and consideration of existing and future trading arrangements envisaged by the Energy Title for hybrid and joint projects in the North Seas.

The EU expressed the need to ensure the compatibility of MRLVC with respect to the upcoming offshore developments and the need to further assess the operational risks to UK market and SDAC. The EU explained its expectation for the next phase of work to be a “concept validation phase”.

The co-Chairs directed the Secretariat of the Committee to develop at pace the text of a draft Recommendation by the Committee for the Parties to request further work be undertaken to progress development of MRLVC according to the information gathered from TSOs, and on the basis of discussions at this fourth meeting of the Committee. The UK set out its expectation that this drafting of this draft Recommendation should start within two months with a view to adopting through written procedure as soon as possible in early 2024. The EU agreed that the drafting of the draft Recommendation should start as soon as possible and explained the EU adoption process.

The UK also noted its view that NSEC, under the terms of the NSEC MoU and Article 321 of the TCA, should have a role in the consideration of existing and future trading arrangements in the context of the UK and EU cooperation on the development of renewable energy in the North Seas. The UK requested clarity on the EU’s understanding of what work can be done under the NSEC MoU. The EU explained the NSEC UK MoU is meant to facilitate cooperation in development of offshore renewable energy and that in its view the design of the MRLVC cannot be pursued in that forum for a number of reasons. In particular, the EU explained that the operation of the single Day-Ahead Coupling is of systemic relevance to all Member States covered by this process while the NSEC forum involves only a subset of Member States. The

EU expressed the opinion that discussions around electricity trading arrangements must remain within the competence of the SCE, in accordance with the provisions of the TCA.

The Committee noted the UK published its consultation response on re-coupling Great Britain electricity auctions for cross-border trade with the EU at the day-ahead timeframe in August 2023. The UK set out the outcomes of the consultation response and requested follow up engagement with the Committee on this matter. The EU shared its view that the internal UK market organisation is a UK competence.

To promote transparency, the Parties agreed to work with TSOs towards the publication of the additional information, together with the Regulators' opinions, while protecting any proprietary data used in the analysis.

3. Cooperation on security of supply

The Parties exchanged information and views on the security of supply measures and the current energy markets situation across Europe.

The Committee welcomed the technical cooperation and dialogue at Secretariat level on security of supply and winter outlook preparations in the lead up to the Committee meeting, with participation of TSOs. A follow-up technical meeting regarding safety of offshore operations is to be convened later in November.

The EU conveyed an invitation to UK representatives to participate in upcoming meetings of the EU's Electricity Coordination Group and Gas Coordination Group. The UK welcomed these invitations and stated an expectation that the Secretariat develops a proposal by January 2024 to further develop an appropriate framework as set out in the TCA Article 315 (7) and seeks to make this operational by April 2024. The EU noted the UK's expectations but was not convinced about the merits of establishing additional technical dialogues.

4. Guidance on working arrangements among transmission system operators and regulatory authorities

The Parties took stock of on-going work to regularise the preliminary guidance sent out to respective TSOs and Regulators before the entry into force of the TCA. The UK noted its disappointment at the delay to this work and welcomed the EU's recent efforts made at technical level to accelerate the work toward this Committee issuing formal guidance on frameworks for working arrangements between UK and EU respective TSOs and Regulators.

The Parties agreed on the importance of finalising technical work and launching relevant adoption procedures by both sides as soon as possible. The UK asked when the EU expected such adoption to take place. The EU stated that it is aiming to complete its internal adoption procedures in early 2024.

5. Exchange of information on EU and UK energy market reforms and wider developments

Both Parties provided updates on their respective electricity market reforms and had a technical exchange on these matters.

Furthermore, in accordance with Article 319(4) of the TCA, the EU informed the UK on its new and more ambitious renewable energy and energy efficiency goals resulting from the recent adoption of the revised Renewable Energy Directive and Energy Efficiency Directive.

The Parties also discussed the Global Renewables and Energy Efficiency Pledge (Global Pledge) to be launched at the UN Climate Change Conference in Dubai (COP28)¹, including the targets of tripling renewable capacity and doubling energy efficiency improvements worldwide in this decade. The UK stated that it was working through the process and will confirm its position soon.

6. Concluding remarks by the co-Chairs

The Parties agreed to reflect the conclusions in the minutes.

The Parties look forward to the fifth meeting of the Committee in London.

*[Approved by the Joint Secretariat of the
Specialised Committee on Energy]*

¹ The UK signed the Global Pledge at COP28 in Dubai

Annex 2 – Participants of the Fourth Meeting of the Specialised Committee on Energy

EU Delegation (28)

- EU Co-chair designees of the Specialised Committee on Energy
- European Commission Officials
- European External Action Service Officials
- Delegation of the European Union to the UK Officials
- Representatives of EU Member States.

UK Delegation (23)

- UK Co-chair of the Specialised Committee on Energy
- UK Government Officials from DESNZ, FCDO
- UK Mission to the European Union Official
- Officials from the devolved governments of Scotland, Northern Ireland and Wales