



## **PUBLIC CONSULTATION ON COMPENSATION RULES BETWEEN ELIA AND NEMO LINK LTD**

### **Explanatory note for the public consultation on the Compensation Rules between Elia and Nemo Link Ltd**

**ELIA**

July 2018

## PRACTICAL INFORMATION

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Based on the provisions of the Electricity Law, more specifically Article 23 §2 39° and 40°, the Compensation Rules between Elia and Nemo Link Ltd (the “Compensation Rules”) are subject to the approval of CREG as the Belgian federal energy regulator. Before submitting the Compensation Rules to the CREG, Elia invited all relevant stakeholders to respond to a public consultation.

This document serves as an additional clarification for the ongoing consultation on the Compensation Rules

A consultation report will be drafted which will include all the received reactions, how they are assessed and taken into account by Elia. Together with the Compensation Rules, this consultation report will be provided to CREG to support the approval process.

All received reactions will be made publicly available on the website of Elia after the public consultation, except if the replying party has specified that its answer is confidential.

Any reactions that are not within the scope of the provisions and principles of the Compensation Rules will not be taken into account by Elia.

The document of the Compensation Rules, which is open for consultation, is available on the website of Elia on the following link (English webpage):

[http://www.elia.be/en/about-elia/publications/Public-Consultation/20180720\\_Public-consultation-proposal-Elia-and-Nemo-Link-Ltd-for-Compensation-Rules](http://www.elia.be/en/about-elia/publications/Public-Consultation/20180720_Public-consultation-proposal-Elia-and-Nemo-Link-Ltd-for-Compensation-Rules)

Stakeholders have a period of 1 calendar month to provide their answers to the consultation. The reactions must be submitted **at latest on 20/08/2018**, in the online form available on the Elia-website.

Any questions concerning the document that is subject to consultation can be sent to the following mail address: [consultations@elia.be](mailto:consultations@elia.be)

## EXPLANATION TO THE COMPENSATION RULES

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The Compensation Rules are a joint proposal of Elia and Nemo Link Ltd that describe the compensation mechanism to be applied in case of a reduction of commercial capacity of the Nemo Link interconnector by Elia. They were developed in line with principles agreed with CREG in the context of the cap & floor tariff methodology applicable to Nemo Link Ltd.

The Compensation Rules are also in line with, and further complete the existing contractual agreements between Nemo Link Ltd and Elia. They are consistent with the relevant European legislation such as Commission Regulation (EU) 2015/1222 of 24 July 2015 on establishing a guideline on Capacity Allocation and Congestion Management (CACM guideline) and Commission Regulation (EU) 2016/1719 of 26 September 2016 on establishing a guideline on Forward Capacity Allocation (FCA guideline).

The Compensation Rules make a distinction between two categories:

- Compensation for a reduction of allocated capacity;
- Compensation for a reduction of non-allocated capacity.

The compensation of Nemo Link Ltd for the reduction of allocated capacity (curtailment) is in accordance with Articles 53 and 56 of the FCA guideline and with Article 72 of the CACM guideline. The principle described in the Compensation Rules is that Nemo Link Ltd shall not be subject to financial damage or benefit when curtailing allocated capacities on Elia's request. In such case, Nemo Link Ltd (or the entity acting on its behalf) shall compensate market parties (or shipping agents if applicable) in accordance with the CACM or FCA guideline, and Elia will reimburse this compensation to Nemo Link Ltd.

The compensation of Nemo Link Ltd for the reduction of non-allocated capacity relates to ex-ante reductions of available transmission capacity that could have been otherwise allocated by Nemo Link Ltd at the day-ahead stage. The principle is that, taking into account some restrictive conditions, Nemo Link Ltd will not be subject to financial damage or benefit for such a reduction compared to a reference situation in which the reduction is assumed not to have taken place.