Trading electricity if there’s no Brexit deal

Summary

How cross-border trading and supply of electricity would be affected if the UK leaves the EU with no deal.

Detail

If the UK leaves the EU in March 2019 without a deal, find out how this would affect:

- cross-border electricity trading
- industry participants and other stakeholders

A scenario in which the UK leaves the EU without agreement (a ‘no deal’ scenario) remains unlikely given the mutual interests of the UK and the EU in securing a negotiated outcome.

Negotiations are progressing well and both we and the EU continue to work hard to seek a positive deal. However, it is our duty as a responsible government to prepare for all eventualities, including ‘no deal’, until the UK can be certain of the outcome of those negotiations.

For two years, the government has been implementing a significant programme of work to ensure the UK will be ready from day 1 in all scenarios, including a potential ‘no deal’ outcome in March 2019.

It has always been the case that as we get nearer to March 2019, preparations for a ‘no deal’ scenario would have to be accelerated. Such an acceleration does not reflect an increased likelihood of a ‘no deal’ outcome. Rather it is about ensuring our plans are in place in the unlikely scenario that they need to be relied upon.

This series of technical notices sets out information to allow businesses and citizens to understand what they would need to do in a ‘no deal’ scenario, so they can make informed plans and preparations.

This guidance is part of that series.

Also included is an [overarching framing notice](https://www.gov.uk/government/publications/uk-governments-preparations-for-a-no-deal-scenario/) explaining the government's overarching approach to

preparing the UK for this outcome in order to minimise disruption and ensure a smooth and orderly exit in all scenarios.

The government is engaging with the devolved administrations on technical notices and we will continue to do so as plans develop.

Purpose

This notice informs industry participants and other stakeholders about changes to the cross-border trading and supply of electricity in the event that the UK leaves the EU in March 2019 with no agreement in place.

Before 29 March 2019

The UK's electricity markets are currently integrated ('coupled') into those of the EU, with common rules governing their operation. Significant cross-border flows of electricity take place between continental Europe and Great Britain; between Great Britain and the island of Ireland; and between Northern Ireland and Ireland. These flows, and the domestic markets, are currently governed through EU legislation relevant to the functioning of the EU's Internal Energy Market.

The Northern Ireland electricity market is separate from Great Britain and different considerations apply. Northern Ireland shares a wholesale electricity market with Ireland, the all-Ireland Single Electricity Market, an example of North-South cooperation that has benefited consumers and the economies of Northern Ireland and Ireland.

The Single Electricity Market involves significant cross-border flows of power between Ireland and Northern Ireland and operates within the framework of common EU rules on electricity markets. Reforms to maximise efficiencies and bring the Single Electricity Market in line with the requirements of the EU's Third Energy Package came into effect on 1 October 2018. Negotiators have already made good progress on a legal provision to underpin the Single Electricity Market in the Withdrawal Agreement and the UK will work with Ireland and the EU to ensure that the Single Electricity Market is maintained in any future economic partnership.

After March 2019 if there's no deal

European energy law will no longer apply to the UK and the UK's electricity markets will be decoupled from the Internal Energy Market.

Cross-border flows across electricity interconnectors will no longer be governed by EU legislation which provides for efficient trade and cross-border cooperation in operating the electricity system. Without these arrangements, alternative trading arrangements will need to be developed. This will need to involve regulators in the UK and EU approving new access rules, which set the terms and conditions for this trade. There are no plans to change either the domestic approval process or the requirements for access rules in the UK. The government and Ofgem are already working with interconnectors to ensure new access rules are approved in Great Britain and are providing support to interconnectors engaging with EU Member State authorities.

The EU's Regulation on Energy Market Integrity and Transparency (REMIT) prohibits insider trading and energy market manipulation and makes provision for monitoring of the market by regulators. Market participants will need to register with an EU regulatory authority to avoid a disruption to cross-border trade, trade within EU wholesale energy markets, or trade within the Single Electricity Market. The majority of the existing Regulation on Energy Market Integrity and Transparency regime will be maintained domestically with minimal changes. Market participants will need to make use of the alternative arrangements developed for purchase and sale of power cross-border.

The government will lay statutory instruments to ensure the UK's energy laws continue to work on day one of exit in a 'no deal' scenario.

It is likely that changes will be required to domestic industry codes (the technical rules of the domestic electricity system) and licences. More information on these changes and how the process will be managed will be provided by Ofgem for Great Britain and by the Utility Regulator for Northern Ireland. In Great Britain, government has worked with Ofgem and National Grid to ensure existing measures are in place to deliver continuity of supply. Consumers need to take no action, but trade on interconnectors will be less efficient.

The EU rules will cease to apply in Northern Ireland leaving key elements of the Single Electricity Market - trading with Great Britain and cross-border governance arrangements - without any legal basis. Given the benefits to consumers and the economy of the more efficient, shared market, it is strongly in the interests of all parties to agree to a means to avoid the split of the market. Recognising this, the government will therefore take all possible measures to maintain the Single Electricity Market. The government is keen to work with the Irish Government and European Commission to seek agreement that the Single Electricity Market will continue in any scenario, including no deal.

However, if such an agreement cannot be reached, there is a risk that the Single Electricity Market will be unable to continue, and the Northern Ireland market would become separated from that of Ireland. Separate Ireland and Northern Ireland markets will be less efficient, with potential effects for producers and consumers on both sides of the border.

If this situation arises government, the Northern Ireland Utility Regulator and SONI, the Northern Ireland Transmission System Operator, will take action to mitigate the risks in Northern Ireland. Contingency planning work is considering how best to establish a separate Northern Ireland market, if the Single Electricity Market cannot be maintained. SONI may need to rely on fall-back arrangements to ensure power is able to flow over the Great Britain-Northern Ireland interconnector, in the absence of reliable rules for cross-border trading. Government or the Northern Ireland Utility Regulator will act to seek to ensure adequate generation capacity is in place, as far as possible through a competitive procurement process involving existing generation and new generation investment alongside demand side measures.

Government will use existing, energy-related legal powers where available and maintain market operation as far possible. However, it may be necessary to seek additional powers to preserve security of supply. The government would work with industry and the Irish Government to move as quickly as possible to a settled long-term state supported by sufficient levels of generation and interconnection to deliver long term energy needs.

Actions for businesses and other stakeholders

Interconnectors, code administrators and UK market participants will need to carry out contingency planning for a ‘no deal’ scenario. Although it will be a matter for individual businesses to work out what steps they might need to take, the government anticipates these are likely to include:

- Interconnector owners/operators will need to work with their stakeholders to prepare alternative trading arrangements and updated rules. These alternative trading arrangements will need to be as efficient as possible and provide each connected market with the necessary information to ensure the trades will work. In developing these, the interconnectors will need to work with their customers, regulators and other stakeholders in both connected markets. New arrangements will need to be in place for 29 March 2019.
- Interconnector owners/operators will need to engage with the relevant EU national regulators to understand their processes for the potential reassessment of their Transmission System Operator certifications. Ofgem, and where appropriate, the Northern Ireland Utility Regulator will seek to support the interconnectors in this process. Domestically, government will

retain existing Transmission System Operator certifications and will ensure that EU exit will not create any new domestic administrative requirements in this regard. The government will also make any small changes or clarifications necessary to the Transmission System Operator certification process to make sure it continues to function efficiently post-exit.

- The administrators of the various domestic industry codes (the technical rules of the domestic electricity system) will need to work with relevant industry parties to ensure that the codes are updated. Ofgem will lead the licence change process in Great Britain and has recently issued a document to industry outlining the process it will follow: [Preparing for EU exit: licence and industry code modifications](https://www.ofgem.gov.uk/publications-and-updates/follow-letter-preparing-eu-exit-licence-and-industry-code-modifications); the Utility Regulator will take similar action in Northern Ireland.
- UK market participants will need to register under the Regulation on Energy Market Integrity and Transparency (REMIT) with an EU regulatory authority for the purposes of market monitoring to avoid a disruption to cross-border trade, trade within EU wholesale energy markets, or trade within the Single Electricity Market.
- UK regulatory authorities will provide stakeholders with further information on the contingency requirements for domestic market monitoring later in the year.
- In Northern Ireland, electricity market participants should continue using the Single Electricity Market processes and arrangements. However, market participants should be aware of the risk that the Single Electricity Market may not be able to continue, in which case government and the Northern Ireland Utility Regulator will take action to seek to ensure continued security of supply and market stability.
- Market participants should engage with their Regulatory Authority where their preparations identify significant concerns. Market participants should also check the status of contracts, and licences held in EU Member States, which may be impacted by the UK's departure from the EU.

More information

Government and regulatory authorities will continue to work closely with businesses, trade associations and stakeholders on the implications of a 'no deal' and communicate information and updates online.

Ofgem has issued information to industry on licence and industry code modifications: [Preparing for EU exit: licence and industry code modifications](https://www.ofgem.gov.uk/publications-and-updates/follow-letter-preparing-eu-exit-licence-and-industry-code-modifications)

This notice is meant for guidance only. You should consider whether you need separate professional advice before making specific preparations.

It is part of the government's ongoing programme of planning for all possible outcomes. We expect to negotiate a successful deal with the EU.

Norway, Iceland and Liechtenstein are party to the Agreement on the European Economic Area and participate in other EU arrangements. As such, in many areas, these countries adopt EU rules. Where this is the case, these technical notices may also apply to them, and EEA businesses and citizens should consider whether they need to take any steps to prepare for a 'no deal' scenario.