

18/06/2026

# Balancing Market Modifications Committee Meeting 135

Mod\_03\_26 Compensation  
Arrangements for Net Transfer  
Capacity (NTC) Reductions



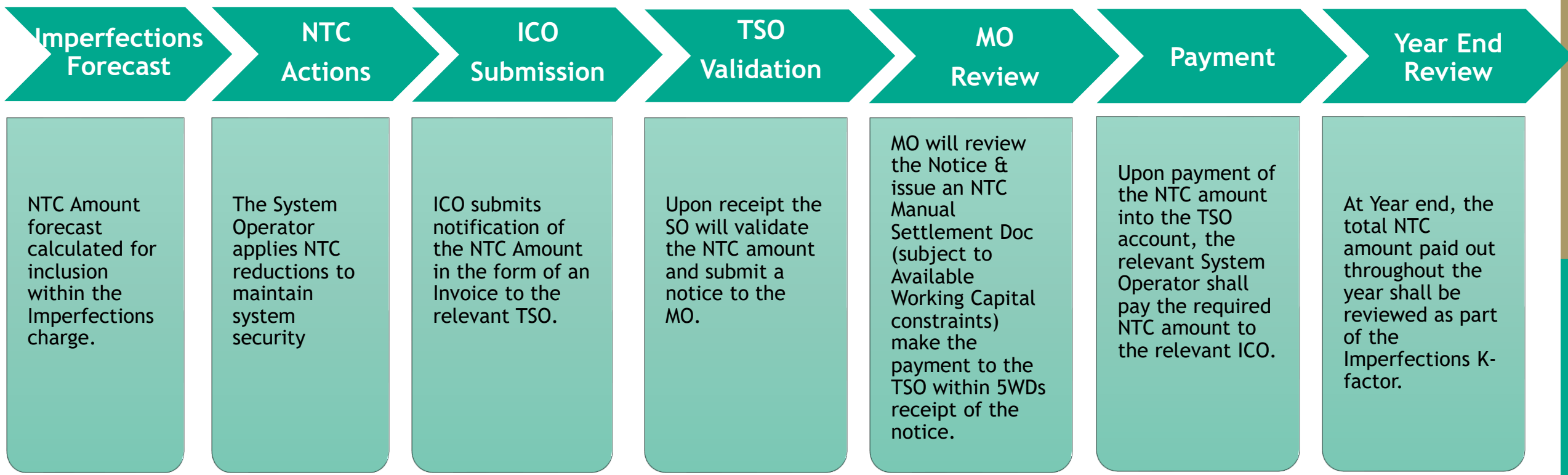
# Background

- NTCs (Net Transmission Capacities) represent the maximum import and export capacities across an interconnector.
- The System Operators may restrict NTC on SEM-GB interconnectors to maintain system security during challenging operational periods.
- The SEMC published a decision ([SEM-24-025](#)) regarding compensation arrangements for NTC reductions.
- Subsequent SEMC [clarification](#) addressed the applicability of this decision to existing contracts, noting that it did not change or override existing contractual rights.

# Modification Intention

- At the [December 2025 SEMC meeting](#), it was determined that NTC reduction compensation should be recovered on an all-island basis and the Imperfections Charge was the appropriate recovery mechanism.
- The SEMC wrote to the TSOs instructing them to propose necessary amendments to the TSC to enable recovery of NTC reduction compensation via the Imperfections Charge and facilitate implementation from the 2026-27 tariff year.
- This modification seeks to progress these changes to enable the relevant System Operator(s) to make payments due to relevant Interconnector Owner(s) from October 2026.

# Process Flow



# Proposed Changes to the Trading and Settlement Code

- Amendment to F.12.2 Calculation of Imperfections Charges

F.12.2.1

The purpose of the Imperfections Charge is to recover the anticipated Dispatch Balancing Costs (less Other System Charges), Fixed Cost Payments and Charges, any net imbalance between Trading Payments, Trading Charges, Capacity Payments, Capacity Charges **and any Interconnector NTC Reduction Compensation Amounts over** the Year, with adjustments for previous Years as appropriate.

- Additions and Amendments to Glossary

Term	Definition
Imperfections Charge	means a charge to recover the anticipated Dispatch Balancing Costs (less other System Charges), Fixed Cost Payments and Charges and any net imbalance between Trading Payments, Trading Charges, Capacity Payment and Capacity Charges <b>and any Interconnector NTC Reduction Compensation Amounts</b> over the Year, with adjustments for previous Years as appropriate. It is calculated in accordance with section F.12.
<i>Interconnector NTC Reduction Compensation Amount</i>	<i>means an amount due from a System Operator to an Interconnector Owner, pursuant to any relevant contract between the relevant Interconnector Owner and the relevant System Operator, in respect of System Operator actions affecting Interconnector net transfer capacity.</i>
<i>NTC Manual Settlement Document</i>	<i>means a manual settlement document issued by the Market Operator to a System Operator in relation to an Interconnector NTC Reduction Compensation Amount in accordance with section F.23.</i>

# Proposed Changes to the Trading and Settlement Code

Addition to the Code	Intention
<p><b>F.23.1</b> A System Operator may submit a notice to the Market Operator in respect of an Interconnector NTC Reduction Compensation Amount.</p>	<ul style="list-style-type: none"><li>Establishes mechanism by which the relevant TSO will notify the Market Operator of an Interconnector NTC Reduction Compensation amount.</li></ul>
<p><b>F.23.2</b> Five (5) Working Days after the receipt of a notice under paragraph F.23.1, the Market Operator shall:</p> <p>(a) issue an NTC Manual Settlement Document to the relevant System Operator; and</p> <p>(b) subject to paragraph F.23.3, pay the Interconnector NTC Reduction Compensation Amount to the System Operator.</p>	<ul style="list-style-type: none"><li>Sets out the responsibilities of the MO following receipt of a notice from the TSOs to issue an NTC Manual Settlement Document and pay the Interconnector NTC Reduction Compensation Amount to the relevant System Operator.</li></ul>

# Proposed Changes to the Trading and Settlement Code

Addition to the Code	Intention
<p data-bbox="38 292 1350 535"><b>F.23.3</b> Where an Interconnector NTC Reduction Compensation Amount is due to be paid to a System Operator in a Billing Period, and the Available Working Capital Amount for that Billing Period minus the relevant Interconnector NTC Reduction Compensation Amount is negative, then:</p> <p data-bbox="229 592 1324 735">(a) the Market Operator shall not pay the Interconnector NTC Reduction Compensation Amount in accordance with paragraph F.23.2; and</p> <p data-bbox="229 792 1363 1142">(b) subject always to this paragraph F.23.3, payment of the Interconnector NTC Reduction Compensation Amount shall be deferred for five (5) Working Days. Where payment of Interconnector NTC Reduction Compensation Amounts has been deferred, such amounts shall be paid in the order of the date on which the Market Operator received notice of the amounts under paragraph F.23.1.</p>	<ul data-bbox="1401 292 2446 735" style="list-style-type: none"><li>• Requires deferral of NTC compensation payments where paying would result in a negative Available Working Capital position for the Billing Period.</li><li>• Deferred amounts are carried forward and paid in subsequent periods (subject to the same constraint), with chronological prioritisation applied to multiple deferred amounts based on notification date.</li></ul>

# Questions?

