

Moyle Interconnector Trading From October 2011

Capacity auctions held prior to auction platform implementation

A Consultation Paper by Moyle Interconnector Limited
April 2011

1. Introduction

Moyle's current relevant access arrangements¹, which were approved by the Utility Regulator in May 2010, encompass a description of the arrangements and the Moyle Interconnector Capacity Framework Agreement (MICFA) and were primarily written to cover the period 01 October 2010 to 30 September 2011.

Condition 17 of Moyle's licence requires it to periodically review its relevant access arrangements in consultation with authorised electricity operators liable to be materially affected thereby and any relevant co-operator.

Moyle (in conjunction with EirGrid and SONI) is in the process of developing a computerised Auction Management Platform (AMP). This platform will replace the current paper-based auction procedure for allocating capacity on Moyle and will result in significant changes to the access arrangements and MICFA – these are being consulted on separately and will apply from when the AMP goes live which is expected to be October 2011.

As with previous years, Moyle intends to hold auctions for annual capacity between May and August 2011. As this will be before the AMP is introduced, these auctions will be held using the existing pay-as-bid, sealed envelope format as in previous years.² Moyle is hereby consulting on the arrangements for these capacity auctions.

Moyle welcomes responses from interested parties by 29th April 2011. Following consideration of responses to the consultation Moyle will propose revised relevant access arrangements for regulatory approval along with a synopsis of consultation responses and considerations. The relevant access arrangements will be posted on the Moyle website.

¹ http://www.mutual-energy.com/The_Moyle_Interconnector/Access_Arrangements.php

² Appendix 1 sets out a summary of the conditions of access within the existing relevant access arrangements where no changes are proposed for these auctions.

2. Topics considered in this consultation

- 2.1. A review of the minimum amount of capacity to be offered is required as some longer term capacity from 1 October 2011 has already been allocated.
- 2.2. General review of auction timing and reserve price is also required.

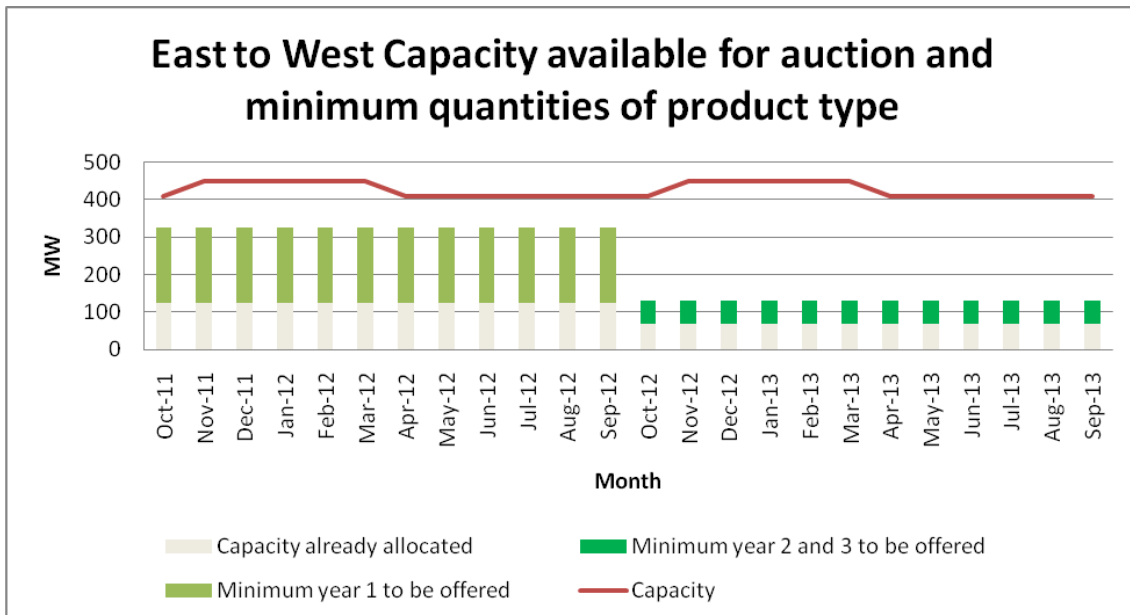
3. Access arrangements modifications

3.1. Quantity of capacity to be offered

125MW of East to West capacity has already been allocated for the period Oct-11 to Sep-12. Beyond Sep-12 70MW has already been allocated to Sep-13. The entire West to East capacity is available for allocation from Oct-11.

Our continuing objective in the current access arrangements is to align the Moyle tariff year with the SEM tariff year (i.e. October – September).

The chart below illustrates the currently available capacity and minimum annual capacity to be offered.



Capacity not made available or sold in annual auctions will be made available across shorter timeframes.

Capacity Product	Minimum East-West Capacity to be offered Oct 11- Sep 12	Minimum West-East Capacity to be offered Oct 11- Sep 12
	MW	MW
Year 2/3	60	0
Year 1	200	100

3.2. Timing of auctions

Again this year it is considered most appropriate to hold the Moyle annual auctions at or about the same time as the directed contracts and the non-directed contracts are offered to market participants. These products are expected to be offered from May to July 2011. Additionally a third longer term auction approximately one month ahead of the contract period would again seem to be appropriate. An indicative timetable is given later in this paper.

3.3. Reserve price

The maximum reserve price will be indexed based on the Feb 11 RP02 inflation figure of 231.3 versus the Feb 10 RP02 figure of 219.2. Consequently the **maximum** reserve price is set at £2,274/MW/month (Feb11 RP02 inflation figure of 231.3 divided by Feb 10 RP02 inflation figure of 219.2 multiplied by current reserve price of £2,155). This reserve price will apply for auctions held before introduction of the AMP.

As usual Moyle may set a lower reserve price for any auction or type of product subject to the maximum reserve price cap.

Moyle may also quote the reserve price for a particular product/ auction in different units (e.g. £/MWh). In this circumstance the minimum acceptable bid price calculated on a per megawatt of capacity per month basis will not exceed the maximum reserve price.

3.4. Indicative annual capacity auction programme and volumes

The programme is designed to allow market participants taking part in the directed contracts and the non directed contracts process an alternative by offering Moyle capacity during those processes. It also allows all participants an ability to acquire capacity close to the start of the tariff year to align with customer contracts.

Auction	Date	Import Capacity offered MW			Export Capacity offered MW
		year 1	year 2	year 3	12 month
Long term iteration 1	27/05/11	70	20	20	35
Long term iteration 2	23/06/11	70	20	20	35
Long term iteration 3	24/08/11	60	20	20	30

Dates and volumes are indicative only and may change depending on demand for particular products and/or GB-SEM expected arbitrage. Unsold products in a particular category will be reoffered at the next level of granularity at future auctions.

4. Consultation questions

Moyle is keen to receive any views on this consultation and in particular it is keen to understand:

Do the indicative auction dates and volumes proposed meet the needs of potential bidders in the capacity auctions?

If you believe improvements could be made to the indicative timetable or volumes please provide alternatives and reasons.

5. Responses

Queries relating to this consultation or responses to this consultation should be sent preferably in electronic form to:

Paul McGuckin
Moyle Interconnector Limited
First Floor The Arena Building
85 Ormeau Road
Belfast BT7 1SH
e-mail: paul.mcguckin@mutual-energy.com

Responses to the consultation should be received by 29th April 2011. Moyle will publish all responses received on its website www.mutual-energy.com unless you request otherwise in your response.

Appendix 1

Summary of the conditions of access within the existing relevant access arrangements where no changes are proposed

- Capacity will be allocated via explicit auctions administered by SONI on behalf of Moyle
- The auctions will be sealed envelope, pay-as-bid and bids will be binding (until implementation of computerised auction system)
- Bids will be ranked in order of the firm value to Moyle in £/MW/month units. Capacity will be allocated to those that provide the highest firm value first. In the event of a tie a bid that offers the highest non firm value to Moyle will be allocated capacity first (based on the variable charge for non-firm capacity). If this is not applicable capacity will be allocated pro-rata basis.
- Winning bidders and their capacity allocations will be published following each auction as well as the average of the winning bid prices for the auction
- Bids must be received by 10:00 am on the day of the auction
- Capacity will be contracted on the basis of the MICFA
- 3 months credit cover or an approved credit rating is required
- Secondary trading of capacity is permitted
- The ATC will be affected only by the availability of Moyle or the GB system
- No fixed level of maximum capacity which any bidder may acquire but a review will be triggered if one party acquires more than 40% of the annual capacity at auction and a limit on that party's capacity may be imposed by the regulatory authorities
- Capacity will be offered in Units or blocks of 5MW capacity with a flat 5MW profile throughout the capacity period (ramping will obviously still apply for changes to nominations- this process is administered via the Market Operator)
- 1 year, year 2, and year 3 capacity products will be offered. The access arrangements will define minimum quantities of each type of capacity which must be offered
- Annual and multi-year capacity products will be auctioned together via at least two auction iterations
- An Invitation to Bid document will be issued in advance of each auction in reasonable time but there is no need to register to bid in an auction (bidder must however be eligible to bid – be a signatory to the MICFA - for bids to be accepted)
- Where Moyle exercises its discretion, within the boundaries set in the access arrangements (e.g. timing of an auction or quantity of capacity offered) it must have regard to maximising the use of the Interconnector and maximising receipts from the capacity auctions
- Capacity not sold at auction will be made available at the next auction covering that period or at Moyle's discretion a further auction may be held
- A maximum reserve price will be subject to regulatory approval and Moyle can use its discretion to reduce the reserve price directly for the standard capacity product or indirectly by offering a non-standard capacity product in order to stimulate demand
- The auction timing boundaries as described in the relevant access arrangements will continue to apply