

**Relevant Access Arrangements
Consultation responses consideration**

30th April 2008

Introduction

Two written responses were received and one telephone response.

The main issues raised are listed below along with Moyle's consideration.

Issue	Consideration
Timing	
<p>Two respondents considered the auction timeframes to be appropriate. One respondent believed that the auction timings do not suit the retail customer base contracting timings. Additionally with GB power prices at record highs and unlikely to look attractive against relatively low SEM prices it may be best to postpone the auctions to August, September and October to match retail customer contracting timings more closely and also increase the opportunity for GB prices to revert to competitive levels.</p>	<p>The objective is to align Moyle capacity annual contract year with the SEM tariff year, in this regard it would not be feasible to try to match every customer's contract year. Moyle also believe that it is important to offer an alternative to Directed and Non Directed Contracts during their auction rounds. However Moyle does understand that demand for Interconnector capacity is very much linked to the arbitrage value between GB and SEM. With the current limited arbitrage it is possible that there will be limited demand for longer term products. If long term capacity is not taken up for the SEM tariff year and the arbitrage value increases, thus creating demand for longer term Moyle capacity it is important that Moyle has the ability to react to such a circumstance and offer longer term capacity at that time. Moyle proposes to include such an ability within its access arrangements and if appropriate to align with a calendar or financial year.</p>
Volumes	
<p>No direct comments on volumes were received although one respondent noted that the proposed 2 and 3 year minimum volumes should not be reduced.</p>	<p>Moyle proposes to adopt the minimum volume quantities presented in the consultation paper.</p>
Revision of products and reserve prices	
<p>One respondent asked that revisions should be provided at least 4 weeks in advance</p>	<p>Moyle considers that the publication of the Invitation to Bid is the correct method of signalling changes from previous auctions. While 4 weeks is appropriate for longer term auctions, this level of notice would restrict flexibility on monthly auctions and is not considered appropriate. It is noted that any change will only reduce the reserve price.</p>

Weekly product	
One respondent thought that weekly auctions could be provided via a manual system and thought that at least unsold monthly capacity should be offered this way.	SONi have indicated that there would be substantial administration in running weekly auctions manually and such an approach is not feasible particularly when there is no real demand for such a product. Unusually bidders are interested in unsold monthly capacity (normally it is not sold because it has limited or no value) and in that circumstance Moyle has always endeavoured to sell the capacity via a bilateral arrangement at a price reflective of the most recent auction. If a lower price is offered then other potentially interested parties would be contacted and asked to make a bid – effectively an informal auction. The situation has arisen once in the last year. Moyle proposes to incorporate this arrangement in its access arrangements.
SONI use of capacity	
Two respondents supported more transparency in SONI's use of the Interconnector. However one noted that Moyle capacity holders should be afforded the opportunity to provide power post gate closure.	Moyle, with SONI's consent proposes to publish any contracts with SONI, for use of post gate closure capacity, on its website. Currently the SEM rules prevent MICH's offering post gate closure power to the market, however we assume that SONI would be able to trade with any party at the Scottish end of the Interconnector but outside the scope of Moyle's access arrangements.
Other issues	
One respondent required clarification of how the "no Oct-08" option on long term products would work and how the reserve price might be quoted in other units.	The clarification required was given

<p>One respondent would like the auction process to move to fax and quicker notice given to successful bidders.</p>	<p>Use of faxed auction bids would mean that SONI would see bids in advance of the auction time, fax quality can be poor at times and can lead to wrong data being used. SONI had taken legal advice last year on moving to fax based bid submission and had decided against such a move on the grounds of increasing SONI's exposure to risk in administering the auctions. SONI will continue to endeavour to inform successful bidders as soon as possible (normally before lunchtime) but cannot commit to a binding timeframe due to unforeseen events. A certain amount of time is required to have SONI and NIAUR personnel together to open the bids, to properly check, double check and record allocations – the time required increases with the complexity and number of products offered and bids received.</p>
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