

Moyle Interconnector Trading

From 1 October 2010

A paper prepared by Moyle Interconnector Limited and approved by the Northern Ireland Authority for Utility Regulation.

April 2010

1. Introduction

1.1. The all island wholesale electricity market, the single electricity market (SEM) was introduced on 1st November 2007. It means that for market participants the North-South interconnector is treated as part of the all island electricity transmission network and not as a stand alone interconnector between two systems. Consequently relevant access arrangements for the Moyle interconnector only beyond 1st November 2007 were prepared by Moyle Interconnector Ltd and approved by the Utility Regulator in line with Condition 17 of the Moyle licence on 20th June 2007. The access arrangements have been amended annually following consultation with interested parties and subsequent regulatory approval. This document sets out the approved relevant access arrangements for the Moyle Interconnector applicable to allocating interconnector capacity available from 01 October 2010.

1.2. In developing these access arrangements Moyle Interconnector Ltd carried out a consultation on its proposals in March/April 2010. Consultation responses received along with Moyle's consideration of those responses are available on Moyle's website (www.mutual-energy.com) under "Moyle" and "Access Arrangements".

2. Arrangements and Process Management

2.1. The allocation procedure set out herein constitutes the "relevant access arrangements" to be established by Moyle Interconnector Limited ("Moyle") and approved by the Utility Regulator in accordance with Condition 17 of the Moyle Transmission Licence.

2.2. As in previous years and in accordance with its arrangements with Moyle, SONI will manage any auctions on behalf of Moyle. SONI is ideally placed to undertake this role as it is the operator of and Interconnector Administrator for the Moyle Interconnector as well as the system operator for Northern Ireland.

2.3. There is no set fixed level of maximum capacity which any bidder may acquire. However in the event of an over subscribed annual auction (held for capacity for periods of one or more years) a notional 40% cap figure for capacity gained at auction does exist. If this 40% cap figure is reached by any bidder at the annual auctions then this is expected to trigger an analysis of the impact on the market environment of the auction outcomes in relation to proportions held by each bidder. This

analysis will be carried out by Moyle in consultation with the Utility Regulator. The Utility Regulator may then if appropriate apply a cap on the capacity allocated to a particular bidder. This does not mean that any one participant's holding would be limited to 40%. The Utility Regulator did not need to place caps on capacity sold at the last annual auctions. The Utility Regulator does not intend to restrict the total level of capacity allocated to one bidder at any monthly or weekly auctions.

3. Available Transfer Capacity

3.1. Moyle will make its capacity available to market participants up to the values contained in its connection agreements. The capacities to be made available on this basis will therefore be the maximum Available Transfer Capacity ("ATC"), as defined in the Trading and Settlement Code ("TSC"), consisting of:

- Maximum Import (East-West) ATC - 450MW in the winter and 410MW during the summer period (April – October inclusive)
- Maximum Export (West-East) ATC - 80MW at all times.

Auchencrosh (Scotland) will continue to be the point at which Moyle capacity is measured for the purposes of capacity sales and the above capacity figures are stated at that point.

3.2. The SEM Trading and settlement code (TSC) provides that the ATC for each Trading Day will be calculated on behalf of Moyle and published by the Market Operator in accordance with the market rules. The ATC will be less than the maximum values set out above if the physical capability of the Interconnector to deliver energy to the Transmission System is reduced (e.g. by a failure of the Moyle Interconnector or the GB system) but not due to transmission constraints or other aspects of the operation of the Transmission System.

3.3. In this context, it is relevant to note that, over the last five years, the Moyle Interconnector has delivered availabilities of 98.9%, 99.5%, 99.5%, 99.5% and 96.7%¹ with the majority of the planned downtime being aligned with times of low power transfer levels. Capacity holders are exposed to planned outages on the interconnector and to forced outages of less than 24 hours duration. Associated rebate of capacity charges is described in the Moyle Interconnector Capacity Framework agreement.

3.4. A list of future planned outages on the interconnector is maintained by Moyle and published on its [website](#). The list will also include indicative Scottish Power outages on the single circuit line (which results in a

¹ This figure would have been 99.8% were it not for a planned Scottish Power outage on the single circuit line in September/October 2009.

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complete interconnector outage). The list will be updated when any change to the plans is known.

- 3.5. A list of historic outage dates, time, plant and reasons is maintained and published on the Moyle [website](#) starting from 01 April 2006.

4. Alignment with all island tariff year

- 4.1. Moyle believes it most appropriate if annual (or longer term) capacity for sale on the Moyle interconnector aligns with the SEM tariff year. The all island tariff year is set to run from 01 October each year in periods of twelve months.
- 4.2. Moyle believes that it is also appropriate to offer Moyle longer term capacity at or about the same time as directed contracts and non-directed contracts are offered to market participants as these contracts may be viewed as an alternative source of supply.
- 4.3. Moyle will make the decision on the exact timing of auctions bearing in mind the principles noted above. However it is expected that some longer term capacity will be offered in May and June with a final annual auction being conducted in late August.
- 4.4. At these long term annual auctions capacity will be offered for the period October 2010 to September 2011 and /or Oct 11 – Sep 12 and/or Oct 12 – Sep 13.
- 4.5. An indicative auction programme showing indicative capacities and timing is given in appendix 2. Moyle will ensure that final details of forthcoming auctions when decided will be appropriately communicated to interested parties.
- 4.6. Demand for Moyle capacity is very dependent on forward arbitrage value between GB and SEM. If the arbitrage value is high then it is important that Moyle capacity can be secured about that time to allow suppliers to secure contracts. Consequently if capacity offered at the longer term auctions described above is not all allocated and subsequently the future arbitrage value increases to a high level Moyle may hold an auction for longer term capacity for the unallocated amount. The capacity term in this case may be for example a calendar year or financial year.

5. Products

- 5.1. Capacity made available to market participants will be profiled flat for the applicable period both for Import (East-West) and Export (West-East) capacity. For clarity 410MW of Import (East-West) capacity will be available every hour of the year and an additional 40MW will be available during the winter hours. Ramping of 10MW/minute (aggregated) will apply in accordance with the market rules and

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procedures when a capacity holder changes its nomination within its available capacity.

- 5.2. To satisfy any suppliers who may enter into longer term contracts with customers some capacity will be offered for the second and/ or the third year of a three year period from October 2010.
- 5.3. The SEM brings a more transparent and accessible wholesale market to the Island of Ireland. In such an environment a shorter term product should be of value so that shorter term fluctuations in GB/ Ireland relative prices can be exploited. Previously monthly capacity products have been offered and this will continue. Additionally from time to time market participants may wish to contract for periods of more than one month and less than one year. Moyle has the flexibility to offer such products via auction as the need arises and subject to Moyle's considering that such products will maximise the amount of capacity allocated and Moyle revenue.
- 5.4. Interconnector users have expressed an interest in purchasing capacity for quarterly and half-yearly periods to allow greater flexibility when hedging their portfolio within year. To this end Moyle will schedule auctions for a small volume of capacity for these durations over the course of the capacity year. Subject to demand for these and other products Moyle may vary the volume of capacity offered for these durations.
- 5.5. In addition it may be appropriate to introduce weekly, daily or even intra-day capacity products. However it is recognised that such shorter term auctions introduce a significant increase in the administrative effort involved in allocating Moyle capacity and that a software based auction process would be more appropriate for running such shorter term auctions unless there is significant early demand for these shorter term products. Shorter term auctions have been implemented on other European interconnectors and in particular on the Anglo French interconnector. Moyle intends to introduce an IT based auction platform to facilitate short term capacity sales. It is proposed to align such a system with that of other European interconnectors including the forthcoming East West interconnector. It is likely to be late 2010 before such shorter term auctions are introduced on Moyle. The process for the IT based auctions will be consulted on and published in due course.
- 5.6. So as not to prevent the use of Moyle if market conditions change in the short term, potential capacity users may apply to Moyle to purchase unsold capacity within the month (ie in the event that after a monthly auction there is still capacity unsold for the relevant month). If the offer price is greater than or equal to the average price paid at auction (or the reserve price if no bids were received) then Moyle may bi-laterally agree a sale. If the offer price is less than the average price paid at auction (or the reserve price if no bids were received) then

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Moyle may bi-laterally agree a sale but only after inviting offers from other potential interested parties and allocating available capacity on the basis of the highest price (value to Moyle) offered first.

5.7. It is recognised that markets change over time and sometimes at very short notice. In order to allow a degree of flexibility in applying these relevant access arrangements where appropriate absolute requirements have been replaced with boundaries within which Moyle Interconnector Ltd will operate. Where boundaries do exist in these arrangements Moyle will inform potential capacity holders of the specific arrangements in a timely fashion. This will be achieved by publication of the appropriate absolute values in the Invitation to Bid document for the relevant capacity auction.

5.8. The appropriate level of capacity to be offered in each product category will be set by Moyle Interconnector Ltd subject to compliance with the boundaries set out below:

Capacity Product	Import (East-West) Capacity made available	Export (West-East) Capacity made available
	Minimum MW	Minimum MW
Year 2 and 3	60	0
Annual	210	30
Half-yearly	15	10
Quarterly	10	5
Monthly	60	10

Capacity will be offered in 5MW blocks as is usual.

5.9. Capacity unsold in any auction will be made available in the shorter term auctions for the relevant period (i.e. unsold annual capacity will be made available in the monthly auctions). All unsold capacity for any forthcoming month will be made available in the relevant monthly auction.

6. Auction Timing

6.1. Timing of auctions will be set by Moyle subject to the following constraints

Capacity Product	Auction timing prior to relevant capacity period "CP"	
	Latest Time	Earliest Time
Annual or 2/3 Year	CP- 4 weeks	CP – 5 months
Half-yearly	CP- 4 weeks	CP – 5 months
Quarterly	CP- 2 weeks	CP – 3 months
Monthly	CP- 5 days	CP - 1 month

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- 6.2. Auctions for half-yearly, quarterly and monthly capacity products will be held once for each capacity period.
- 6.3. For the annual and longer term auctions a multi-stage auction process will be employed and the available capacity will be divided over a number of separate auctions. The multi-stage approach is to allow bidders the opportunity to reassess their bids and their requirements following the disclosure of the average bid price in the previous iterations. Any unsold capacity in the first auction may become available again by the same product type in the next iteration and so on. An indicative auction programme is attached in appendix 2.
- 6.4. Notwithstanding the above if any capacity in a particular auction is not sold then Moyle may at its own discretion hold a further auction at any time prior to the start of the relevant capacity period for this unsold capacity.

7. Reserve Price

- 7.1. Previously the reserve price was set at £2078/MW/month. A non standard product is available to encourage use of the interconnector at a time when interest or the value of using Moyle is low. It effectively allows bidders to bid less than the prevailing reserve price for standard capacity. Demand for interconnector capacity can change with time. When demand increases the reserve price becomes irrelevant. However it is appropriate that Moyle should be able to adjust down the reserve price if it believes that this is required to stimulate interest in capacity. Consequently the **maximum** reserve price is set at £2155/MW/month (Feb10 RP02 inflation figure of 219.2 divided by Feb 09 RP02 inflation figure of 211.4 multiplied by £2078). Moyle may set a lower reserve price for any auction or type of product subject to the cap of £2155/MW/month.
- Moyle may quote the reserve price for a particular product/ auction in different units (eg £/MWh). In this circumstance the minimum acceptable bid price calculated on a per megawatt of capacity per month basis will not exceed £2155/MW/month.

8. Moyle decisions regarding access arrangements

- 8.1. In making any decision regarding auction timing, reserve price or capacity amount made available in each product category Moyle will also have regard to the following objectives:
- To maximise the use of the interconnector.
 - To maximise the receipts from capacity auctions.

9. Auction Process

- 9.1. All auctions will have the pay-as-bid, sealed envelope format, as in previous years.

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- 9.2. The Utility Regulator reserves the right, at any time during the process, to declare any auction void if it determines that the process appears to have been gamed, or that the outcome would lead to a non-competitive situation in the all island wholesale market. In the event of such occurrence another suitable auction would be enacted at a later date.
- 9.3. Bids received by SONI as agents of Moyle Interconnector Limited will be binding and if accepted represent an obligation to pay for the acquired capacity under these auctions. Successful bidders will pay the bid price as marked on their bid forms submitted against each capacity block. Bid prices are exclusive of VAT.
- 9.4. Any entity, which is a signatory to the Moyle Interconnector Capacity Framework Agreement will be eligible to bid. This document references other codes and documents which must be complied with to enable a party to bid for capacity and a capacity holder to use capacity. Entities, which are part of the same holding company, will be treated as separate entities with respect to the submission of bids.
- 9.5. Potential bidders need not register to bid for each auction. A registration to bid process could be of some limited use to new bidders but the value of the process would be accessible simply by contacting SONI and or Moyle without the need for a registration process. Given the familiarity of existing bidders with the auction requirements, a registration to bid process is seen as an unnecessary burden both for bidders and SONI acting as agents of Moyle Interconnector Ltd. However bidders must satisfy themselves that they are indeed eligible to bid. Bids from bidders who are not eligible to bid will be rejected.
- 9.6. Bids must be received by the auction dates and times, as specified in the bid papers to be issued by SONI on behalf of Moyle. Bids will be considered by SONI immediately after the bid submission deadline. A Utility Regulator representative will be present. Bids shall be ranked by bid value. The bidders will be informed that day of their accepted bids and associated allocations. SONI will also publish, after each auction, the average successful bid price for each product and the capacity obtained by each bidder by name and product type.
- 9.7. Invitation to Bid papers will be published in advance of the auction in order to allow sufficient time for bidders to familiarise themselves with the auction process.
- 9.8. Bidders are asked to note that the deadline for receipt of auction bids will be 10:00am on the specified date. This is to allow time for administration and queries prior to publication of results. Bids received after this time will not be accepted. SONI will inform successful bidders of the auction results as soon as practically possible after the auction has been complete but in any event no later than 1500 hours.

9.9. Moyle will contract with successful bidders for Moyle capacity on the basis of its standard Moyle Interconnector Capacity Framework Agreement. The Framework Agreement along with the framework deed will be required to be executed prior to the auction. The form of these documents is approved by the Utility Regulator as part of these Moyle access arrangements. A copy of each document is attached in appendix 1.

For long-term capacity sold at auction, SONI will issue successful bidders with Capacity Confirmations under the Framework Agreement when all the relevant long term auctions are complete. Further Capacity Confirmations would be issued later in respect of any short-term capacity subsequently contracted for.

10. Other Publications

10.1. Moyle will maintain the following reports and publish them on the Moyle [website](#):

- Current and historic summary of capacity holdings - updated after each auction.
- Historic summary of average auction prices and auction allocations
- Historic aggregate physical flows half hourly

Historic information will run from 01 April 2006.

11. Credit Rules

11.1. The Moyle Interconnector Capacity Framework Agreement states that bidders who do not have an Approved Credit Rating must provide security cover to equal the capacity holder's liability for 3 months capacity charges. This amount of cover is standard practice for debt financed companies such as Moyle, and the Utility Regulator does not consider it unreasonable. Therefore the security provisions of the Moyle Interconnector Capacity Framework Agreement will continue to apply for the Moyle capacity auctions.

12. Secondary Trading of Moyle Capacity

12.1. Capacity holders can currently take advantage of secondary trading under the arrangements provided for in the standard capacity agreement.

13. Use of Moyle Capacity after gate closure

Unused capacity after market gate closure may be used by the transmission system operator subject to agreement of suitable commercial arrangements with Moyle Interconnector Limited. Such arrangements must be approved by NIAUR before they become effective.

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The procedure for setting the charges to be paid by the transmission system operator in respect of such arrangements shall be that the charges will be:

- (a) agreed between the transmission system operator and Moyle Interconnector Limited in a manner which is consistent with the licence obligations of both parties (subject to approval by NIAUR); or
- (b) in the absence of such agreement and approval, and on the application of either the transmission system operator or Moyle Interconnector Limited, NIAUR may determine the charges to be paid by the transmission system operator in respect of unused capacity after market gate closure which are consistent with the licence obligations of the transmission system operator and Moyle Interconnector Limited.

The system operator will contract for any such capacity under the Moyle Capacity Framework agreement. Any associated capacity confirmations will be published on the Moyle [website](#).

Further Information

Any technical or operational queries in relation to the auction process should be addressed to SONI:

Interconnector Administrator, SONI Ltd.
Castlereagh House Control Centre
Manse Road
Belfast BT6 9RT
Tel: 028 90794336
Fax: 028 90707560
Email: interconnectorauctions@soni.ltd.uk

Other queries regarding these access arrangements may be addressed to:

Paul McGuckin
Moyle Interconnector Limited
First Floor The Arena Building
85 Ormeau Road
Belfast BT7 1SH
Tel: 028 90437580
e-mail: paul.mcguckin@mutual-energy.com

Further information is available on <http://www.mutual-energy.com/> or <http://www.soni.ltd.uk/>.

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Appendix 1

**MOYLE INTERCONNECTOR CAPACITY FRAMEWORK AGREEMENT
(SINGLE ELECTRICITY MARKET)**

http://www.nienergyholdings.com/Download/Moyle_Interconnector_Capacity_Framework_Agreement.pdf

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Appendix 2

Moyle Interconnector Indicative Auction Timetable and Capacities

Auction Date	Minimum Import Capacity Offered MW	Minimum Export Capacity Offered MW	Capacity Period																
			Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Sep-12	Oct-12	Sep-13	
19/05/2010	70 (Year 1)	15	[Yellow bar]																
	20 (Year 2)														[Yellow bar]				
	20 (Year 3)																[Yellow bar]		
18/06/2010	70 (Year 1)	15	[Yellow bar]																
	20 (Year 2)														[Yellow bar]				
	20 (Year 3)																[Yellow bar]		
27/08/2010	70 (Year 1)	15	[Yellow bar]																
	20 (Year 2)														[Yellow bar]				
	20 (Year 3)																[Yellow bar]		
Half-yearly	15	10	[Yellow bar]						[Yellow bar]										
	15	10						[Yellow bar]											
Quarterly	10	5	[Yellow bar]			[Yellow bar]			[Yellow bar]			[Yellow bar]							
	10	5			[Yellow bar]			[Yellow bar]			[Yellow bar]								
	10	5					[Yellow bar]			[Yellow bar]									
	10	5							[Yellow bar]			[Yellow bar]							
Monthly	90	20	[Yellow bar]						[Yellow bar]	[Yellow bar]	[Yellow bar]	[Yellow bar]	[Yellow bar]	[Yellow bar]					
	130	20		[Yellow bar]	[Yellow bar]	[Yellow bar]	[Yellow bar]	[Yellow bar]											

Capacities and timings shown are indicative only and may change subject to demand in earlier auctions