

Moyle Interconnector Trading From 1 October 2009

A Consultation Paper by
Moyle Interconnector Limited
March 2009

1. Introduction

Moyle's current relevant access arrangements¹, which were approved by the Utility Regulator in May 2008, encompass a description of the arrangements and the Moyle Interconnector Capacity Framework Agreement (MICFA) and were primarily written to cover the period 01 November 2008 to 01 October 2009.

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 is hereby consulting on its proposed changes to the arrangements approved in May 2008 which would apply for Interconnector capacity available from 01 October 2009.

Moyle welcomes responses from interested parties by 16th April 2008. Following consideration of responses to the consultation Moyle will propose revised relevant access arrangements to the Utility Regulator for approval along with a synopsis of consultation responses and considerations. Following approval the relevant access arrangements will be posted on the Moyle and SONI websites.

2. General review of the arrangements

- 2.1. The main principles enshrined in the arrangements are considered to be fit for purpose and working satisfactorily to maximise the use of the Interconnector and be non-discriminatory between the same category of users.
- 2.2. Appendix 1 provides a summary of the conditions of access within the existing arrangements where no changes are proposed.

3. Drivers for Change

- 3.1. A review of the minimum amount of capacity to be offered is required as some longer term capacity from 1 October 2009 has already been allocated.
- 3.2. A review of the product types on offer.

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3.3. General review of auction timing and reserve price is also required.

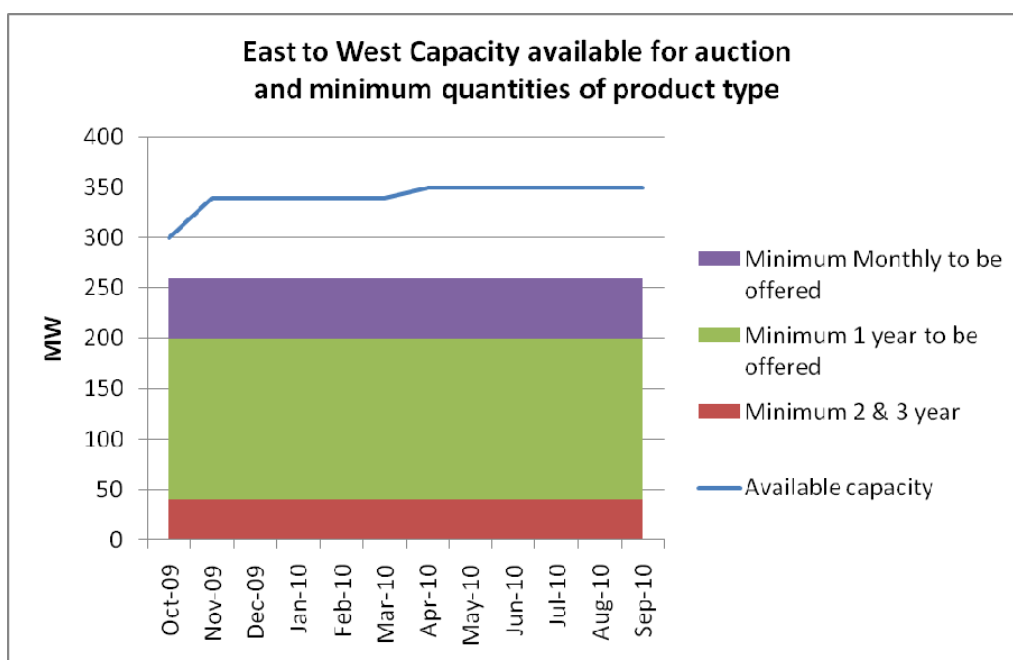
4. Access arrangements modifications

4.1. Quantity of capacity to be offered

110MW of East to West capacity has already been allocated Oct-09 to Mar-10 and 60 MW Apr-10 to Sep-10. Beyond Sep-10 only 5MW has already been allocated for one year. The entire West to East capacity is available for allocation from Oct-09.

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

It is proposed that the existing access arrangements table of minimum quantities to be offered be retained with the exception that the minimum annual East to West capacity offered would be reduced by 40MW to 160MW. This is to deal with a slight capacity pinch point in Oct-09 as best described by the chart below.



| Capacity Product | Minimum East to West Capacity to be auctioned Oct 09- Sep 10 | Minimum West to East Capacity to be auctioned Oct 09- Sep 10 |
|---------------------|--|--|
| | MW | MW |
| 2 and 3 Year | 40 | 0 |
| 1 year | 160 | 30 |
| Monthly | 60 | 10 |

4.2. Product Types

It has become apparent that Users at times may require a product with between 1 month and 1 year duration, for example a 6 month or 3 month product.

It is proposed that the access arrangements be modified to allow Moyle the ability to offer such products at its discretion. Such products would be standard products only and would be offered on an ad hoc basis as User interest became apparent.

There is still an intention to offer products with duration less than 1 month. This will be introduced along with a computerised auction system as envisaged in the current access arrangements and approved by the Regulator. The procurement process for the system is currently being started.

4.3. Timing of auctions

Again this year it is considered most appropriate to hold the Moyle longer term 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 April, May and June 2009. Additionally a third longer term auction approximately one month ahead of the contract period would seem appropriate. An indicative timetable is given later in this paper.

4.4. Reserve price

The maximum reserve price, while indexed, will be unchanged at £2078/MW/month. This is a result of the Feb 09 RP02 inflation figure being unchanged compared to Feb 08 at 211.4.

As usual Moyle may set a lower reserve price for any auction or type of product subject to the cap of £2078/MW/month.

Moyle may also 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 £2078/MW/month.

5. Indicative 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 |
|-----------------------|-----------------------------|----------------------------|--------|--------|----------------------------|
| | | 1 year | 2 year | 3 year | 11/12 month |
| Long term iteration 1 | 19/05/09 | 50 | 15 | 15 | 20 |
| Long term iteration 2 | 17/06/09 | 60 | 15 | 15 | 20 |
| Long term iteration 3 | 26/08/09 | 70 | | | 20 |
| Monthly | 25 th M-1 approx | 100 winter/ 60-110 summer | | | 20 |

Dates and volumes are indicative only and may change within the NIAUR approved limits 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.

6. 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 in section 5 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.**

7. Responses

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

Paddy Larkin
 Moyle Interconnector Limited
 First Floor The Arena Building
 85 Ormeau Road
 Belfast BT7 1SH
 e-mail: paddy.larkin@moyleinterconnector.com

Responses to the consultation to be received by 16th April 2009. Moyle will publish all responses received on its website <http://www.nienergyholdings.co.uk/> 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 and overseen by the Utility Regulator
- The auctions will be sealed envelope, pay-as-bid and bids will be binding
- 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
- Available Transfer Capacity (ATC) for imports to SEM of 450MW in winter (Nov-Mar) and 410MW in summer (Apr-Oct) and 80MW for exports to Scotland, all quoted at Auchencrosh meters
- 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 Utility Regulator.
- 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, 2 year, 3 year and monthly 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 by the Utility Regulator, in relation to the access arrangements (eg 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
- Standard or non-standard capacity products will continue to be offered as appropriate

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- A maximum reserve price will be approved by the Utility Regulator 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