

# Moyle Interconnector Trading From 1 October 2008

A Consultation Paper by  
Moyle Interconnector Limited  
April 2008

## 1. Introduction

Moyle's current relevant access arrangements<sup>1</sup>, which were approved by the Utility Regulator in June 2007, encompass a description of the arrangements and the Moyle Interconnector Capacity Framework Agreement (MICFA) and were primarily written to cover the period 01 November 2007 to 01 October 2008.

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 June 2007 which would apply for Interconnector capacity available from 01 October 2008.

Moyle welcomes responses from interested parties by 30<sup>th</sup> 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 user.
- 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 2008 has been allocated at auction in 2007. General review of auction timing and reserve price is also required.

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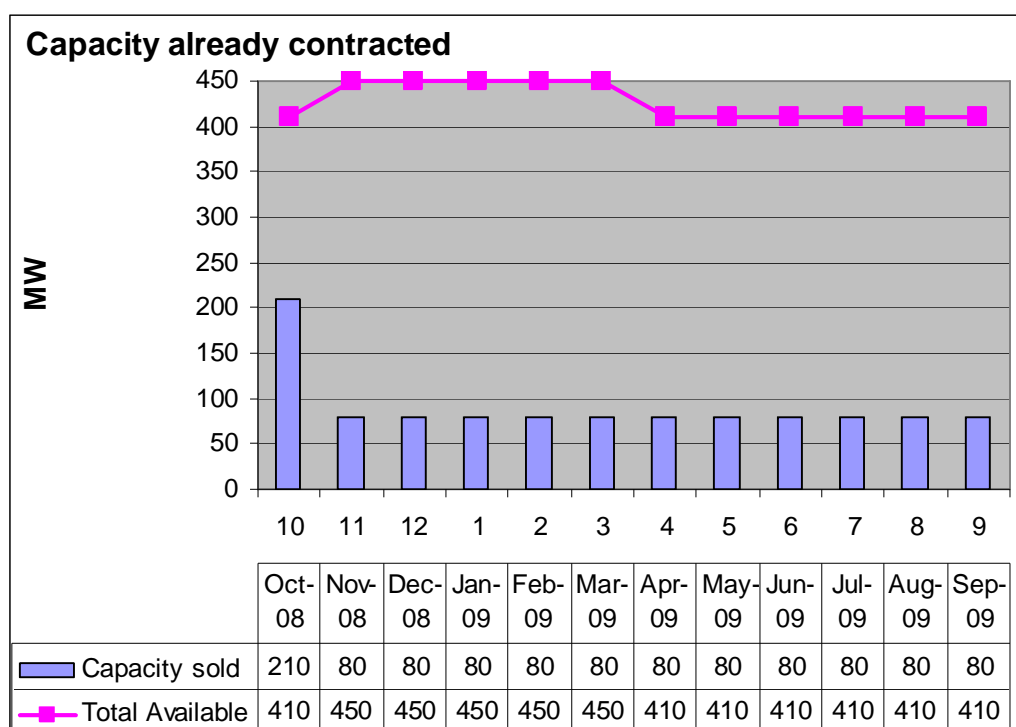
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- 3.2. The approach to introducing a weekly capacity product has been reconsidered
- 3.3. Technically a note on SONI's use of post gate closure capacity is required.
- 3.4. EU regulation 1228 and the congestion management guidelines, while not applicable to Moyle, do provide recommendations for managing congestion on interconnectors. This consultation paper highlights provisions of the congestion management guidelines which may be appropriate to consider incorporating into Moyle's access arrangements.

### 4. Access arrangements modifications

#### 4.1. Quantity of capacity to be offered

80MW of longer term (2 or 3 year) import capacity was contracted in 2007. Additionally 130MW was contracted for a 12 month period from November 2007. The already contracted position for import capacity is shown in the chart below along with the total capacity available.



The objective in the current access arrangements is to align the Moyle tariff year with the SEM tariff year (ie October – September). However it can be seen that some capacity holders acquiring 12 months capacity from 1 October could be left long on capacity for the month of October. Consequently it is proposed that annual capacity is offered so that bidders can elect to bid for the October to September period or the November to September period. A similar situation arises for export capacity with 5MW already contracted for October 2008. Consequently it is proposed to apply the same arrangements to export capacity.

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Assuming the above provision is acceptable then the existing access arrangements table of quantities to be offered would appear to still be valid (as below). However if in the initial annual auctions bidders elect for only 12 month capacity and not the 11 month option then the 12 month product will be restricted in later annual auctions to ensure that the minimum monthly capacity is still available for October 2008.

<b>Capacity Product</b>	<b>Minimum Import Capacity to be auctioned Oct 08- Sep 09</b>	<b>Minimum Export Capacity to be auctioned Oct 08- Sep 09</b>
	MW	MW
<b>2 and 3 Year</b>	40	0
<b>Annual</b>	200	30
<b>Monthly</b>	60	10

### **4.1.1. Timing of auctions**

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. 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.

### **4.1.2. Reserve price**

The maximum reserve price will be set at £2078/MW/month (£2010/MW/month inflated from Mar 07 to Feb 08 using RPI all items index to move a Nov07 price to Oct08). Moyle may set a lower reserve price for any auction or type of product subject to the cap of £2078/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 £2078/MW/month.

## **4.2. Weekly capacity product**

The current access arrangements anticipate a weekly product being introduced before October 2008. It was always expected that a move to a weekly product would require a computerized auction system to be developed.

However EU standards (and indeed expected changes in Interconnector user demands) anticipate not only weekly capacity products but also daily and intraday products. There is also an expectation that auction systems will be standardised as much as possible across EU interconnectors.

In this context it would be inefficient to commit finance to developing a system for weekly products only to change it in a short time for a more functional system unless there was a huge demand for this product. Consequently it is proposed not to develop a system to introduce a weekly product at present.

Instead it is proposed to work towards introducing an auction platform that will accommodate any further granularity in capacity products and be compatible with other EU interconnectors. IFA (Anglo-French Interconnector) are currently tendering for such an auction platform and Moyle is liaising closely with them to determine if their solution could work on Moyle. It is also expected that such a system could be used for capacity allocations on the proposed East-West Interconnector. However the system adopted is not likely to be implemented until 2010. It is also worth noting that a European auction clearing system is being proposed across the regions as the ultimate target however this is still a long way away.

#### **4.3. Use of capacity by SONI**

Moyle's relevant access arrangements should cover how Moyle's capacity is allocated to persons requiring access.

Due to the market rules after gate closure only SONI can make use of any unused capacity however the access arrangements at present do not refer to SONI's use of the capacity and technically they should. In fact National Grid could also access the capacity but any arrangements would have to be co-ordinated with SONI because the Betta market has a much shorter gate closure than SEM. Consequently for practical reasons SONI act as the sole user of unused capacity post gate closure. The unused capacity is currently used for system operator bi-lateral trades and mutual reserve support.

It is proposed to correct this omission from the relevant access arrangements by adding wording essentially in the form of:

*“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.*

*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.”*

#### 4.4. EU guidelines

A number of what Moyle believe to be non-contentious issues would provide some alignment with the EU regulation 1228 and the congestion management guidelines:

- Publication of the following reports on the Moyle website
  - o current and historic summary of capacity holdings and update after each auction.
  - o historic summary of average auction prices and auction allocations (essentially the information that SONI publishes after each auction)
  - o current proposed outage plans with an “updated date”
  - o history of outages with reasons for failure
  - o history of aggregate physical flows half hourly
- Clearly state the “use it or lose it” or “use it or sell it” arrangements within the relevant access arrangements (which are that a capacity holder may put bids into the SEM for gate closure, after which any capacity for which bids are not accepted is lost to the capacity holder)

Moyle is currently revising its website (accessed under Northern Ireland Energy Holdings <http://www.nienergyholdings.com/index.php>) and it would be appropriate to include the above listed reports in the scope of work. It is understood that apart from Moyle reasons for outages all of the information is publicly available but not collated, therefore Moyle does not expect any objections due to the commercial sensitivity of the information.

The EU guidelines also deal with other issues which for alignment purposes may involve changes to Moyle’s access arrangements in future. Any such changes would be consulted on following the formulation of proposals by Moyle, NIAUR and SONI.

#### 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
		11/12 month	2 year	3 year	11/12 month
Long term iteration 1	21/05/08	50	10	10	20
Long term iteration 2	24/06/08	70	10	10	20
Long term iteration 3	28/08/08	80			20

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<b>Monthly</b>	25 <sup>th</sup> M-1 approx	90 summer/ 130 winter	20
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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.

### **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. (For example you may consider it to be simpler to hold the longer term auctions on the same days as monthly auctions)**

### **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](mailto:paddy.larkin@moyleinterconnector.com)

Responses to the consultation to be received by 25<sup>th</sup> April 2008. 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-rate
- 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 40% limit 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
- 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

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- 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