



Consultation Paper

EIRGRID EAST WEST INTERCONNECTOR

&

MOYLE INTERCONNECTOR

Access Rules and Charging Methodology

Date: 09.08.2016

Introduction:

EirGrid Interconnector Limited (EIL) and Moyle Interconnector Ltd (MIL) seek to consult on the Access Rules and Charging Methodology of the East West Interconnector (EWIC) and the Moyle Interconnector (Moyle). This consultation is as per:

- Rule A4 of the existing East West Interconnector Access Rules and Condition 20 of the CER Electricity Interconnector Operator licence; and
- Conditions 10 and 11a of the Ofgem Electricity Interconnector licence issued to EIL; and
- per Rule A4 of the existing Moyle Interconnector Access Rules and Condition 17 of the Moyle Interconnector Transmission Licence issued by NIAUR; and
- Conditions 10 and 11a of the Electricity Interconnector licence issued by Ofgem to MIL.

Purpose of this consultation:

The purpose of this consultation is to invite the views of interested parties on the continued applicability of the existing Moyle and East West Interconnector Access Rules.

The interconnector owners are also using this consultation to advise interested parties of their intention to adopt a new version of the Harmonised Allocation Rules (“HAR”) for allocations of Financial Transmission Rights in the new I-SEM¹ in line with the Network Code on Forward Capacity Allocation (“NC FCA”). The interconnector owners also seek views on their proposed border specific annex to the HAR, which is attached to this consultation document.

Overview:

The Access Rules and Charging Methodology of the East West Interconnector and Moyle Interconnector govern the allocation of interconnector capacity rights as well as setting out more general terms of use. The objective of these documents is to ensure allocation and charging for interconnector capacity is open, transparent and non-discriminatory.

The NC FCA proposes the establishment of a single platform for the allocation of Long Term Transmission Rights on a harmonised basis throughout the EU, together with a single set of Harmonised Allocation Rules (“HAR”). The European Network of Transmission System Operators for Electricity (ENTSO-E) has been asked by the Agency for the Cooperation of Energy Regulators (ACER) to develop the HAR for Forward Capacity Allocation in advance of the NC FCA coming into force. ENTSO-E consulted² on a second version of the HAR in April

¹ I-SEM is the name given to the project to redesign the single electricity market on the island of Ireland in order to implement the European target model for electricity. The European target model is set out in the Framework Guideline on Capacity Allocation and Congestion Management for Electricity (CACM FG) published by ACER in July 2011.

² ENTSO-E Consultation – Harmonised Allocation Rules: <https://consultations.entsoe.eu/markets/copy-of-fca-harmonisation-of-allocation-rules>

and May 2016 on the understanding that a further consultation will be required when NC FCA comes into force later in 2016.

In line with the NC FCA, the HAR set out the rules for long term capacity allocation. Articles 51 and 52 of NC FCA address the principle that regional/border specific requirements may be included in the HAR proposal – the adopted approach to this is to include border specific annexes with the HAR.

EIL and MIL submitted an indicative SEM-GB border specific annex for inclusion in the 2016 ENTSO-E consultation on the HAR. No feedback was received in relation to this annex via the ENTSO-E consultation. The interconnector owners have received informal feedback and are conscious that not all interested parties were aware of the inclusion of the SEM-GB border in the ENTSO-E consultation so have chosen to consult on the annex at this time. The annex has also been updated to reflect the greater level of detail that is now available around the design of the I-SEM, and we welcome comments on this.

The SEM-GB border specific annex specifies that the HAR would apply to the allocation of long term transmission rights with a product period beginning on or after the go-live date of the I-SEM subject to the rules in the annex. I-SEM go-live will see the all-island market on the island of Ireland aligning with the European Target Model, including the introduction of market coupling between I-SEM and the wider European market, through the Euphemia algorithm. This is viewed as an appropriate time to introduce the HAR for allocation of cross border capacity between the I-SEM and GB electricity markets in the forward timeframe as the day ahead and intraday electricity markets of the island of Ireland will become coupled with the rest of Europe. Currently Moyle and EWIC issue a particular cross border product that is unique in Europe so it is not appropriate to adopt the HAR until the all-island market becomes more harmonised with Europe.

Prior to I-SEM go-live it is proposed that long term, daily and intra-day capacity allocations will continue to be governed by the existing East West Interconnector and Moyle Interconnector Access Rules respectively.

Subject to responses received during this consultation, EIL and MIL will seek approval for the continued application of the current Access Rules and Charging Methodology from the relevant NRAs (CER, NIAUR and Ofgem) until I-SEM go-live. In parallel with this process, EIL and MIL will seek approval from CER, NIAUR and Ofgem for the HAR and the SEM-GB border specific annex to the HAR to apply to the allocation of long term transmission rights with a product period that begins on or after I-SEM go-live.

Proposed Changes to current access rules:

EIL and MIL have reviewed the current versions of the Access Rules and Charging Methodology and believe that the objectives of allocation and charging for interconnector capacity in an open, transparent and non-discriminatory manner are achieved by the current Access Rules and Charging Methodology and therefore do not propose to make any changes to these documents. Comments are welcome in response to this consultation on the current versions of the Access Rules and Charging Methodology.

Links to Access Rules and Charging Methodology:

<http://www.eirgridgroup.com/customer-and-industry/interconnection/key-information/>

<http://www.mutual-energy.com/electricity-business/moyle-interconnector/access-arrangements/>

Interested parties are also invited to comment on the interconnector owners' proposal to adopt the HAR from I-SEM go-live.

Updated content of SEM-GB border specific annex:

Changes to the SEM-GB border specific annex versus the version consulted on and approved in 2015 are described below:

Article 2 (2) - this has been added to clarify that FTR options will be issued on the SEM-GB border as the regulatory decision³ on this matter has become available since the 2015 consultation.

Article 2 (3) - it is likely auctions for Financial Transmission Rights (FTR) options on Moyle and EWIC will be held in advance of I-SEM go-live. This clause has been added to provide clarity on the status of such FTR options in the event of any delay to the I-SEM go-live date.

Article 2 (6) - at the time of writing the fallback for implicit allocation for the daily allocation timeframe is unclear. Again, this clause aims to provide clarity for all parties as to remuneration of FTRs should this fallback be invoked.

Article 2 (7) - This has been added as the regulatory decision on FTRs determined that remuneration of same could be adjusted to take account of electrical losses across the interconnectors.

Article 2 (8) – The 2015 version of the border specific annex introduced a concept of 'capacity shortage' as a potential reason for application of curtailment. In our view clarification of circumstances where curtailment may occur is necessary for HVDC interconnectors as European legislation is generally drafted with AC interconnection between synchronous

³ <https://www.semcommittee.com/news-centre/financial-transmission-rights-decision-paper-published>

systems in mind⁴. We received informal feedback that the proposed drafting was undesirable as ‘capacity shortage’ was not clearly defined and too open. We have therefore reconfigured this wording to avoid using undefined terms and to be clear on our intentions.

Target Audience:

This consultation paper is addressed, where relevant, to members of the public, the energy industry, customers, and all interested parties in Ireland, Northern Ireland, Great Britain and Member States.

Responding to this consultation:

Responses should be received by **5 p.m. on Wednesday 7th September 2016** and should be sent to:

Stephen Gannon
EirGrid Interconnector Limited
Block 2, The Oval
160 Shelbourne Road
Ballsbridge
Dublin 4
Email: EastWestInterconnector@eirgrid.com

and

Paul McGuckin
Mutual Energy
First Floor, The Arena Building
85 Ormeau Road
Belfast
BT7 1SH
Email: paul.mcguckin@mutual-energy.com

Unless marked confidential, all responses will be published in a report on the East West Interconnector and Mutual Energy websites respectively. Respondents who wish to have their responses remain confidential should clearly mark their response to this effect and include reasons for confidentiality. All responses, including those marked as confidential, will be forwarded to the relevant NRAs for review.

⁴ Physical asset unavailability is less likely to be a significant cause for curtailment of cross border capacity within the European synchronous system due to the absence of any DC to AC conversion and redundancy built into such AC systems.

Annex 12 to the harmonised Allocation Rules for Forward Capacity Allocation

Regional specific annex for the borders Great Britain-Ireland and Great Britain-Northern Ireland (SEM-GB)

Article 1

Subject-matter and scope

1. In accordance with Article 4 of the Allocation Rules regional specificities may be introduced for one or more Bidding Zone borders. The rules described in this border specific annex apply to the SEM-GB Border¹.
2. This annex shall be effective from the date of entry into force of the Allocation Rules subject to approval from the relevant National Regulatory Authorities. This annex shall be reviewed annually by the TSOs and the National Regulatory Authorities may also request a review. In the event that this annex requires amendment, Article 68 of the Allocation Rules shall apply.
3. The terms used in this annex shall have the same meanings as set out in the Allocation Rules to which this annex is attached unless otherwise specified.

¹ SEM is the single electricity market in Northern Ireland and Ireland. SEM-GB, as used in this annex, refers to both the Northern Ireland to Great Britain interconnector (the “Moyle Interconnector”) and the Ireland to Great Britain interconnector (the “East West Interconnector”).

Article 2
SEM – GB border specific rules

1. The Allocation Rules for Forward Capacity Allocation shall apply to the allocation of Long Term Transmission Rights on the SEM – GB bidding zone border with a Product Period beginning on or after the go-live date of the Integrated Single Electricity Market (I-SEM)² on the island of Ireland subject to the rules in this annex.
2. The form of Long Term Transmission Rights to be issued under the Allocation Rules on the SEM – GB bidding zone border will be Financial Transmission Right Options (“FTRs”).
3. The expected go-live date of the I-SEM is 1st October 2017. In the event that the actual I-SEM go-live date and introduction of day ahead market coupling is later than this, Long Term Transmission Rights issued under the Allocation Rules for the period before the actual I-SEM go-live date will be curtailed and holders will be entitled to reimbursement in line with Article 60 of the Allocation Rules.
4. The East West Interconnector Access Rules³ (as amended from time to time) shall govern access arrangements for long-term, daily and intra-day allocations on the East West Interconnector until the I-SEM go-live date, except for Long Term Transmission Rights which are allocated in accordance with Article 2(1) of this annex.
5. The Moyle Interconnector Access Rules⁴ (as amended from time to time) shall govern access arrangements for long-term, daily and intra-day allocations on the Moyle Interconnector until the I-SEM go-live date, except for Long Term Transmission Rights which are allocated in accordance with Article 2(1) of this annex.
6. By way of amendment to Article 48 (1) a, in case of fallback allocation of Implicit Allocation for the daily allocation timeframe the price for the Long Term Transmission Rights remuneration shall be the Marginal Price of the initial Auction.
7. By way of clarification to Articles 48(1) and 59(1), the ‘price’ (or Market Spread) for compensation or remuneration of FTRs will be adjusted to reflect losses of electricity during transmission across the relevant interconnector. Market Spread will be reduced by a loss factor and will only be positive where the Market Spread exceeds the cost of interconnector losses. The loss factors and associated payment formulae will be published on the Allocation Platform website.

² I-SEM is the name given to the project to redesign the electricity market of Ireland and Northern Ireland to implement the European Target Model in accordance with EU Directive 2009/72/EC, Regulation (EC) No 714/2009, Regulation (EC) No 713/2009 and Commission Regulation (EU) 2015/1222.

³ East West Interconnector means the interconnector connecting Ireland at Woodland to Wales at Deeside. The East West Interconnector Access Rules are available at <http://www.eirgridgroup.com/customer-and-industry/interconnection/key-information/>

⁴ Moyle Interconnector means the interconnector connecting Northern Ireland at Ballycronan More to Scotland at Auchencrosh. The Moyle Interconnector Access Rules are available at <http://www.mutual-energy.com/electricity-business/moyle-interconnector/access-arrangements>

8. By way of clarification to Article 56 of the Allocation Rules, in the case of direct current interconnectors on the SEM-GB border, 'ensuring operation remains within Operational Security Limits' shall include cases where:

$$ICdir < \Sigma \text{ Capa dir}$$

where:

- a. ICdir is the value of the interconnector transmission capability in MW at that time in that direction; and
- b. $\Sigma \text{ Capa dir}$ is the MW sum of the allocated Long Term Transmission Rights across all Registered Participants at that time in that direction under the Allocation Rules,

Also, in the case of direct current interconnectors on the SEM-GB border, Force Majeure may include circumstances where interconnector capability is reduced due to the real-time operation of interconnector control and protection systems.

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