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21<sup>st</sup> July 2017

### **Moyle Interconnector Access Rules and Charging Methodology Statement approval**

Dear Joe, Ikbal

Please find attached Moyle Interconnector Access Rules, Charging Methodology Statement and Capacity Calculation methodology. These are submitted for approval following consultation in accordance with rule A4 of the Moyle Access Rules, Condition 17 of the NIAUR Participation in Transmission Licence and Conditions 10 and 11a of the Ofgem Electricity Interconnector licence.

The Moyle Interconnector Access Rules and Charging Methodology Statement reflect the expected transition from Physical Transmission Rights ("PTRs") and the current access rules, to allocating financial transmission rights ("FTRs") under the harmonised allocation rules ("HAR") for long term transmission rights as part of the I-SEM market arrangements. The HAR and SEM-GB border specific annex have been submitted for regulatory approval in April 2017, with approval expected in October 2017. It is intended that these documents will govern the allocation of FTRs on Moyle for product periods commencing from the I-SEM Go Live date (expected to be 23rd May 2017). In line with regulatory approval of these documents it is necessary to give them legal effect via the Moyle Access Rules as contemplated by the relevant licences.

The proposed approach is that the current Access Rules (v4.0), amended to cater for the transitional period, will continue in force until the I-SEM Go Live date, at which point they, and related User Agreements, will be terminated (save for settlement of outstanding obligations).

Simultaneously at I-SEM Go Live, a new set of Moyle Access Rules (v5.0) will come into force. Unlike the current access rules this will be a short document referring to the fact that long term transmission rights on the Moyle Interconnector will be in the form of FTRs with effect from I-SEM Go Live and that the FTRs shall be allocated in accordance with the HAR.

The drafting also clarifies that the HAR proposed by the TSOs (defined as the TSO Proposed HAR) will apply on a transitional basis if the HAR have not been formally approved by the EU National Regulatory Authorities (NRAs) and (in the case of the border specific Annex for GB – Ireland) UREG,



CER and Ofgem by I-SEM Go Live. Because the move to FTRs and I-SEM is such a significant change, it would not be possible for the SEM-GB interconnectors to continue using the existing access rules beyond I-SEM Go Live in the event that all NRA approval of the HAR was outstanding. This transitional drafting therefore mitigates against the potential circumstance where there are no access rules under which third parties can access the SEM-GB interconnectors.

We are also seeking approval of an updated Charging Methodology Statement as the existing version of this relates to the current bespoke SEM arrangements. The FTR charging arrangements are in practice incorporated into the HAR, therefore the updated Charging Methodology simply refers to the Access Rules, which in turn refer to the HAR.

Consultation was carried out jointly with EirGrid Interconnector Designated Activity Company (“EIDAC”), ran from 13<sup>th</sup> June 2017 to 11<sup>th</sup> July 2017 and the consultation document is attached. One response to the consultation was received. The respondent sought clarification on a number of matters but indicated that they were satisfied with the proposed drafting.

It is our view that these documents fulfil the objectives of allocation and charging for interconnector capacity in an open, transparent and non-discriminatory manner. To that end, Moyle hereby seeks approval for the drafting to give effect to the HAR and SEM-GB border specific annex to the HAR to apply for the allocation of long term transmission rights with a product period that begins on or after I-SEM Go Live. This comprises:

- amendments to the current Access Rules (v4.0 becoming v4.1) which will mean they effectively terminate at I-SEM Go Live; and
- the new Access Rules (v5.0) which come into effect at I-SEM Go Live; and
- The new Moyle Charging Methodology Statement to apply from I-SEM Go-Live

### **Capacity calculation methodology**

In January 2017 Moyle signed an ‘agreement to vary’ it’s bilateral connection agreement with National Grid. This grants Moyle additional Transmission Entry Capacity (“TEC”) onto the GB system in future years but also commits National Grid to undertake a daily capacity calculation to release spare capacity on the GB network for Moyle’s use, commencing November 2017<sup>1</sup>. Our understanding is this constitutes ‘new interconnector capacity’ per condition 11a of the Ofgem Electricity Interconnector licence. Further, under that condition the access rules should include the methodology for calculation of interconnector capacity.

When ‘new’ capacity was last made available on Moyle in 2011, a joint capacity calculation methodology document<sup>2</sup> was produced by Moyle, SONI and National Grid. On this occasion, the approach to satisfying condition 11a has been to update that document, primarily to reflect the new processes that National Grid propose to undertake. In broad terms, National Grid will conservatively forecast how much spare capacity is available for Moyle and that capacity will be made available for allocation at the day ahead stage. This process is expected to commence from 10<sup>th</sup> November 2017 so spare capacity will initially be made available for daily explicit capacity auctions, from which capacity can be nominated into the SEM. Due to the timing of these auctions National Grid will have to calculate the spare capacity two days ahead. After I-SEM goes live, spare capacity would be made available to the market coupling process and it is envisaged this would facilitate National Grid moving to a day ahead capacity calculation.

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<sup>1</sup> Moyle’s TEC is due to reduce to 80MW in November 2017 and this ‘drop’ prompts the new process

<sup>2</sup> <http://www.mutual-energy.com/downloads/news/2011/110930-mil-soni-ng-capacity-calc-combined-sept-2011.pdf>

Moyle consulted on the updated capacity calculation methodology from 15<sup>th</sup> June to 13<sup>th</sup> July 2017 and received one consultation response. The respondent sought clarification on a number of points but did not suggest any changes to the document.

Introduction of this capacity calculation will be an important step to reducing future restrictions on Moyle's capacity and deliver increased benefits of interconnection to consumers at both ends of the interconnector, therefore Moyle hereby seeks approval of the July 2017 Moyle Interconnector Capacity Calculation document.

We look forward to receiving your approval but in the meantime please do not hesitate to contact me should you wish to discuss.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul McGuckin', with a stylized flourish at the end.

Paul McGuckin