



Consultation Paper

EIRGRID EAST WEST INTERCONNECTOR

&

MOYLE INTERCONNECTOR

Access Rules and Charging Methodology

Date: 13.06.2017

Introduction:

EirGrid Interconnector DAC (EIDAC) 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 EIDAC Electricity Interconnector Operator licence issued by CER; and
- Conditions 10 and 11a of the Electricity Interconnector licence issued by Ofgem to EIDAC; and
- 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 proposed access rule changes that are required to transition to I-SEM¹, Financial Transmission Rights² (FTRs) and the Harmonised Allocation Rules³.
- To invite the views of interested parties on the continued applicability of the existing Moyle and East West Interconnector Access Rules and Charging Methodology up to the date of I-SEM Go Live.

Overview:

The Access Rules and Charging Methodology of the EWIC and Moyle Interconnectors 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 Regulation establishing a Guideline on Forward Capacity Allocation⁴ (FCA Regulation) proposes the establishment of a single platform for the allocation of Long Term

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 in accordance with EU Directive 2009/72/EC, Regulation (EC) No 714/2009, Regulation (EC) No 713/2009 and Commission Regulation (EU) 2015/1222. I-SEM Industry Guide: http://www.sem-o.com/SEM/General/SEM_Industry%20Guide.pdf.

² Moyle and EWIC will offer FTRs on both interconnectors as part of the new I-SEM arrangements, in accordance with SEM Committee decision [SEM-15-100](http://www.mutual-energy.com/wp-content/uploads/downloads/2017/04/FTRs_01.pdf). FTR Overview: http://www.mutual-energy.com/wp-content/uploads/downloads/2017/04/FTRs_01.pdf.

³ The Harmonised Allocation Rules, more fully 'All TSOs' proposal for harmonised allocation rules for long-term transmission rights in accordance with Article 51 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation' as submitted to all National Regulatory Authorities on 10th April 2017.

⁴ Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.

Transmission Rights on a harmonised basis throughout the EU, together with a single set of Harmonised Allocation Rules (HAR) which set out the rules for long term capacity allocation. The European Network of Transmission System Operators for Electricity (ENTSO-E) has coordinated the development of the HAR for Forward Capacity Allocation and consulted⁵ on a third version of the HAR in January and February 2017 following the entry into force of the FCA Regulation. Articles 51 and 52 of the FCA Regulation 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. EIDAC and MIL submitted a SEM-GB border specific annex for inclusion in the 2017 ENTSO-E consultation on the HAR which was materially updated based on consultation feedback.

The HAR and SEM-GB border specific annex have been submitted for regulatory approval in April 2017, with approval due in October 2017. It is intended that these documents will govern the allocation of FTRs on both Moyle and EWIC 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 and EWIC Access Rules as contemplated by the relevant licences of both interconnector owners. This consultation is primarily concerned with such access rules changes to facilitate the transition from Physical Transmission Rights and the current access rules to FTRs and the HAR.

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, EIDAC and MIL will seek approval for:

- the continued application of the current Access Rules (issue 4.0) and Charging Methodology (issue 2.0) from the relevant National Regulatory Authorities (CER, NIAUR and Ofgem) until I-SEM Go Live; and
- 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 will comprise:
 - o the proposed amendment which will bring the current Access Rules to an end at I-SEM Go Live; and
 - o the new Access Rules which come into effect at I-SEM Go Live.

⁵ ENTSO-E Consultation – Harmonised Allocation Rules: <https://consultations.entsoe.eu/markets/fca-har/>

Proposed Changes to Current Access Rules:

EIDAC 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, other than those required to transition to the HAR and FTRs.

The proposed approach is that the current Access Rules, 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).

The following amendments to the current access rules are proposed:

1. by the addition of the following new Rule immediately after Rule D7.5:

"D7.6: Product Period not to extend beyond I-SEM Go Live

Notwithstanding any other provision of these Rules or any of the provisions of any User Agreement, if the Product Period of any Units would otherwise extend beyond I-SEM Go Live:

- (a) *it shall be conclusively presumed that the Product Period of such Units ends on I-SEM Go Live (the period from the start of the Product Period until I-SEM Go Live being the "**Truncated Product Period**");*
- (b) *the respective rights and obligations of the Operator and each relevant User under these Rules shall be the same as if the Units in question had been originally allocated pursuant to these Rules with a Product Period equal to the Truncated Product Period;*
- (c) *these Rules and each relevant User Agreement shall be construed and given effect accordingly";*

2. by the addition of the following new Rule immediately after Rule F6.2:

"Rule F6.2A : Automatic Termination

Subject to the next following sentence, each User Agreement which is in force immediately prior to I-SEM Go Live shall automatically terminate on and with effect from I-SEM Go Live. No Party to a User Agreement shall be released from any liability which has accrued at the time of such termination or which may thereafter accrue as a result of any matter which has accrued prior to such time.";

3. by the addition of the following new Section G immediately after the end of Rule F9:

"SECTION G: CESSATION OF THE ACCESS RULES AT I-SEM GO LIVE

Rule G1 – No Further Auctions and Rules to cease to have force on I-SEM Go Live

No Auction (whether for Long Term Units, Daily Units or Intraday Units) shall be conducted under these Rules on or after I-SEM Go Live and (subject only to Rules G.2 and G3) these Rules shall cease to have any force or effect on I-SEM Go Live.

Rule G2: Accrued Liabilities

Neither the Operator nor any User shall be released from any liability which has accrued at the time of such cessation or which may thereafter accrue as a result of any matter which has occurred prior to such time.

Rule G3: Survival

Rule D7.6, Rule F6.2A, Rule F3, Rule F7, Rule F8, Rule F9, Rule G1, Rule G2, this Rule G3, Rule G4 and (to the extent required to give effect to such Rules) Schedule 1 shall remain in full force and effect after the Rules cease to have force or effect pursuant to Rule G1.

Rule G4 – Release of Credit Cover

The Operator shall release any Credit Cover held by it for a User promptly (and in any event not later than [10] Business Days) after the later of (i) I-SEM Go Live and (ii) the date on which the User has ceased to have any further liability in respect of capacity charges for any capacity allocated in respect of a period ending on or prior to I-SEM Go Live."; and

4. by the addition of the following definition to Schedule 1 of the Rules immediately after the definition of "**Irish Regulator**":

"I-SEM Go Live" means and shall occur at the time at which the new wholesale electricity market for the island of Ireland (to be known as the Integrated Single Electricity Market ("I-SEM")) goes live, as determined by the SEM Committee;"

Format of Access Rules Post-I-SEM Go Live

Simultaneously at I-SEM Go Live, a new set of Moyle and EWIC Access Rules 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 shall 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.

An updated Charging Methodology, which is a licence requirement, will also come into effect at I-SEM Go Live and is consulted on at this time. The arrangements previously defined in the Charging Methodology are in practice incorporated into the HAR, which is to be in force from I-SEM Go Live in accordance with proposed revised Access Rules. Therefore

the updated Charging Methodology simply refers to the Access Rules (which in turn refer to the HAR, on a transitional basis if not formally approved by the NRAs). Although the draft updated Charging Methodology refers to Moyle, the interconnector owners are considering issuing a joint document.

Note that both interconnector owners will sell FTRs through the Joint Allocation Office⁶ (JAO) and its eCAT auction platform. JAO is a joint service company of European Transmission System Operators (TSOs) performing explicit auctions of transmission rights on borders throughout Europe. The JAO platform will manage the FTR auctions including settlement of auction sales and pay-outs. TSOs have proposed JAO as the Single Allocation Platform in line with the FCA Regulation.

The proposed draft future Access Rules are included here as Appendix 1.

The current Charging Methodology primarily addresses arrangements in the current SEM design and will be naturally superseded from I-SEM Go Live by the HAR and the new Access Rules. Therefore no Charging Methodology will apply in the period from I-SEM Go Live.

Regional Market Coupling – Day Ahead and Intraday

The current Moyle and EWIC access rules set out the arrangements for long term and daily explicit auctions as well as the implicit intraday auction mechanism used in SEM. From I-SEM Go Live interconnector capacity will be allocated by an implicit auction mechanism facilitated as part of the MRC Day Ahead market coupling arrangements which encompass interconnector capacity and power exchanges' order books from SEM, GB, France, Germany, Benelux, Scandinavia, Poland, Slovenia, Italy, Spain and Baltic countries. A similar mechanism will be introduced for intraday allocations⁷.

Where implicit allocations are in operation, no price is payable by third parties for capacity allocated via this mechanism and the allocated capacity cannot be readily attributed to a specific market participant. Where capacity is so allocated, the value attached to it is based on the loss adjusted price differential between SEM and GB and the scheduled flow determined by the implicit allocation algorithm, and this will be passed through to Moyle and EWIC by the power exchange clearing houses.

Operation of implicit allocations under market coupling is not covered by the HAR and, due to the characteristics mentioned here (no direct charges levied by interconnectors, no identifiable capacity holder, operated and governed by power exchanges), nor is it considered appropriate that such arrangements be described in the future Moyle and EWIC access rules.

⁶ Joint Allocation Office S.A. www.jao.eu.

⁷ The interim I-SEM intraday solution will only be SEM-GB coupling.

Supporting Documents:

Links to current 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/>

The HAR as submitted to the NRAs in April 2017:

HAR: <http://www.eirgridgroup.com/site-files/library/EirGrid/ENTSO-E-All-TSOs-proposal-for-Harmonised-Allocation-Rules-for-long-term-transmission-rights.PDF>⁸

HAR supporting document:

https://www.entsoe.eu/Documents/Network%20codes%20documents/NC%20FCA/170410_Atth_5_HAR_SupportingDocument_FINAL.PDF

The SEM-GB Annex to the HAR, as submitted to CER, NIAUR and Ofgem:

<http://www.eirgridgroup.com/site-files/library/EirGrid/Annex-7-to-the-Harmonised-Allocation-Rules.PDF>⁹

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 **11th July 2017** and should be sent to:

Michael Carrington
EirGrid Interconnector DAC
Block 2, The Oval
160 Shelbourne Road
Ballsbridge
Dublin 4
Email: EastWestInterconnector@eirgrid.com

⁸ Also at https://www.entsoe.eu/Documents/Network%20codes%20documents/NC%20FCA/170414_Atth4_HAR_MainBody_FINAL.PDF.

⁹ Also at <http://www.mutual-energy.com/downloads/other/150715%20Border%20Specific%20Annex%20SEM-GB%20-%20for%20submission.pdf>

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.