



Mr Paul McGuckin  
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The Arena Building,  
85 Ormeau Road,  
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**04 September 2012**

**Re: Approval of the Access Rules for the East-West Interconnector**

Dear Paul

This letter is to give notice of the approval by the Utility Regulator (UR) of the Access Rules and Charging Methodology Statement submitted by Moyle Interconnector Limited (MIL) on 22 August 2012<sup>1</sup>.

This approval is forthcoming following consideration by the SEM Committee of the amended Access Rules and Charging Methodology Statement as submitted on 22 August 2012. The effective date of this approval is 6 September 2012.

The UR has the power to approve Access Rules for cross border interconnector operators under Condition 17, paragraph 4 of Moyle Interconnector Licence, which states that:

*Revisions to the relevant access arrangements proposed by the licensee and sent to the Authority pursuant to paragraph 3 shall require to be approved by the Authority.*

### **SEM Committee decision on intra-day congestion management and MIL's proposed Access Rules**

Paragraph 1.9 of the Congestion Management Guidelines which are annexed to, and form part of, the Electricity Regulation<sup>2</sup>, requires mechanisms for intra-day congestion management of interconnector capacity to be established in a coordinated way by 01 January 2008. To meet this requirement reforms were initiated in Ireland and Northern Ireland to introduce intra-day trading in the Single Electricity Market (SEM). The

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<sup>1</sup> A copy of the MIL Access Rules submission letter will be published on the All Island Project website, alongside this letter.

<sup>2</sup> The Guidelines on the management and allocation of available transfer capacity of interconnectors between national systems annexed to the Electricity Regulation.

implementation of intra-day trading in the SEM and on the Moyle Interconnector is necessary to ensure compliance with the Congestion Management Guidelines.

Following approval of the MIL Access Rules in September 2011, MIL and EirGrid Interconnector Limited (EIL) issued a joint consultation on charging for interconnector capacity allocation intra-day<sup>3</sup>.

MIL and EIL's joint consultation closed on 14 March 2012. On 4 May 2012, EIL and MIL submitted a recommendation paper, together with the ten consultation responses received, to the SEM Committee and Ofgem proposing intra-day congestion charging arrangements.

Following consideration of the consultation responses and discussion with Ofgem, the SEM Committee issued a Decision Paper on 6 July 2012 on the intraday congestion charging methodology<sup>4</sup>. The Decision Paper also instructed MIL to amend the Access Rules to incorporate the SEM Committee decision and to submit the Access Rules to the relevant Regulatory Authorities for approval by 13 July 2012.

Intra-day trading went live in SEM on 21 July 2012<sup>5</sup> and on 9 July 2012 MIL submitted amended Access Rules as well as a report explaining the proposed changes to the UR for approval. These Access Rules amended the September 2011 Access Rules to incorporate the SEM Committee decision on the intraday congestion. Further amendments were made following a request from the UR and the MIL Access Rules were finally re-submitted for approval on 22 August 2012.

As part of the transitional arrangements for island systems with central dispatch provided for in the Capacity Allocation and Congestion Management Framework Guideline and the anticipated Network Code<sup>6</sup>, the SEM Committee and Ofgem committed to monitor the efficiency of the cross-border trading arrangements on interconnectors and publish an annual report. As part of this monitoring exercise the Regulatory Authorities will assess the operation of the intra-day congestion charging arrangements.

### **Charging Methodology Statement**

MIL has also submitted the Charging Methodology Statement for approval by the UR. MIL submitted the draft Charging Methodology Statement to the UR for approval in on 9<sup>th</sup> July 2012. Further amendments were made following a request from the UR and the MIL Charging Methodology Statement was re-submitted for approval on 22 August 2012.

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<sup>3</sup> <http://www.mutual-energy.com/Download/Congestion%20charging%20consultation.pdf>

<sup>4</sup> SEM12054 - Decision Paper on Intraday Congestion Charging

<sup>5</sup> <http://www.sem-o.com/MarketDevelopment/IDT/Pages/Home.aspx>

<sup>6</sup> <https://www.entsoe.eu/resources/network-codes/capacity-allocation-and-congestion-management/>

### **Further review of the Access Rules**

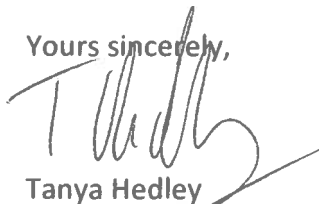
We note that MIL Access Rules are silent on precisely how capacity would be curtailed in the event of an outage. Some market participants have raised concerns regarding the order in which long-term and daily capacity is curtailed on SEM interconnectors.

We also note that, while not required in the current version of the Access Rules, MIL has committed to publish the intraday auction results on the Auction Management Platform.

We request MIL to review the MIL Access Rules in light of the above issues and to provide UR with a report on the review, including any proposed Access Rules amendments, by 04 December 2012. As part of this we expect that MIL will consult with interconnector users and interested parties.

Finally, we request that MIL publishes the approved updated Access Rules and Charging Methodology Statement and this letter on your website.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T Hedley', written over a horizontal line.

Tanya Hedley  
Director of Electricity  
Utility Regulator

