



# Curtailment Approach Consultation Review

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## Introduction

This note has been prepared following consultation on the approach to auction capacity and curtailment used on the SEM interconnectors when some or all of the interconnector capacity is unavailable.

In approving the Access Rules for the East West Interconnector<sup>1</sup> (EWIC) and the Moyle Interconnector<sup>2</sup> the respective regulators requested that a review and consultation dealing with this matter be undertaken<sup>3</sup> on a joint basis by the EWIC and Moyle interconnector operators. This consultation review outlines the responses to this consultation<sup>4</sup>.

Conclusions and recommendations for amendments, if any, from this consultation will be considered as part of the next annual review of the access rules in 2013.

## Summary of Responses

Responses on the capacity auction management and capacity curtailment approach were submitted by six parties.

Comments regarding the objectives of transparency, objectivity, non-discrimination and compliance with EU Regulation and other binding requirements were included as part of these responses.

## Capacity Auction Management

As per the Access Rules, the interconnector operators only auction forecast available capacity and do not therefore currently auction capacity that is unavailable due to the application of curtailment. This helps to avoid/limit the application of curtailment.

One of the respondents would prefer to see all auctions held irrespective of available interconnection capacity and apply the pro-rata reductions to all capacities held afterward. This respondent holds the view that the current approach applied in the Access Rules is discriminatory between long term and short term purchasers of capacity, is therefore not in accordance with the EU Regulation (particular reference is made to paragraph 2(7) of the congestion management guidelines) and supports their argument by presenting an interpretation of the regulation which differs from that of the interconnector operators.

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<sup>1</sup> EWIC Access Rules –

<http://www.eirgrid.com/media/East%20West%20Interconnector%20Access%20Rules%20-%20approved%20September%202012.pdf>

<sup>2</sup> Moyle Access Rules – <http://www.mutual-energy.com/Download/120821%20Moyle%20Interconnector%20-%20Access%20Rules.pdf>

<sup>3</sup> EWIC CER Approval Letter – [www.allislandproject.org/GetAttachment.aspx?id=26d6be2c-fc23-4c20-890f-b868bcf40bc4](http://www.allislandproject.org/GetAttachment.aspx?id=26d6be2c-fc23-4c20-890f-b868bcf40bc4)

EWIC Ofgem Approval Letter – [www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Approval of EWIC Access rules.pdf&refer=Europe](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Approval%20of%20EWIC%20Access%20Rules.pdf&refer=Europe)

Moyle UR Approval Letter – [www.allislandproject.org/GetAttachment.aspx?id=e84af30e-4c85-4bfa-8982-0c00387c4083](http://www.allislandproject.org/GetAttachment.aspx?id=e84af30e-4c85-4bfa-8982-0c00387c4083)

Moyle Ofgem Approval Letter – [http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Approval of Moyle Interconnector Access Rules.pdf&refer=Europe](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Approval%20of%20Moyle%20Interconnector%20Access%20Rules.pdf&refer=Europe)

<sup>4</sup> Consultation <http://www.eirgrid.com/media/CurtailmentApproachonEWICandMoyleConsultation.pdf>

Five of the six respondents agree with the current approach to capacity auction management where capacity auctions are not held for capacity over and above the forecast available interconnection capacity. These five respondents stated that the current approach is in accordance with the EU Regulations. One respondent stated that any sale of capacity above that forecast to be available at the time of the auction would contravene the objective of the EU Regulation. Another mentioned that once a curtailment has occurred it would be contrary to Article 16(3) to continue to allocate capacity in excess of the forecast availability since it would be beyond the level compatible with secure system operation. Furthermore, value was placed on the fact that the current approach regarding the auctioning of capacity ensured that the FUI region was fully aligned on this matter.

Apart from compliance with EU Regulation it was also stated that the current approach is considered the most economically correct approach and that offering capacity for sale which, with the best available knowledge, will be unavailable is contrary to the principles of fair trade.

### **Capacity Curtailment Approach**

In situations where curtailment of sold capacity is required on the Moyle and EWIC (i.e. where the volume of capacity which has been sold in auctions is greater than the capacity that is available following an outage or a trip of an interconnector) all capacity which has been sold is currently curtailed pro-rata and there is no differentiation made between longer term capacity holdings (e.g. annual) and shorter term capacity holdings (e.g. daily).

In relation to the curtailment of capacity which has been purchased in an auction, BritNed aligns with the approach of the Moyle and EWIC, i.e. all capacity holders are curtailed pro-rata. The Interconnexion France-Angleterre (IFA) interconnector takes a different approach in this regard where capacity products are curtailed in order from the shortest product duration to the longest.

Three of the respondents agree with the current arrangements where curtailment is applied pro-rata and one in particular believes there is no just reason to discriminate between long and short term capacity holdings. They state that this may impact efficient cross-border trading in contravention of the EU Regulation.

Three of the respondents would prefer to see the approach taken by the IFA implemented which favours long term capacity holders with capacity products curtailed in order from the shortest product duration to the longest. Two of the respondents support their view by explaining that such an approach would reflect the long term commercial commitment by parties that hold long term capacity products.

### **Interconnector Operators' Position**

On balance and having reviewed all responses, both the EWIC and Moyle interconnector operators are satisfied that the approach taken in the Access Rules is fully in accordance with EU Regulation (in particular see Article 16(3) and Annex I paragraph 2.3)<sup>5</sup>. There was strong support from respondents regarding the interconnector operators' compliance with EU Regulations and the continued practice

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<sup>5</sup> Note in addition to our understanding of the EU regulation that the Ofgem Interconnector Operator licence requires that the Access Rules must include arrangements for maximising the available interconnector capacity (see Condition 11A 3(a))

of auctioning forecast available capacity and not auctioning capacity that is unavailable due to the application of curtailment. As acknowledged by one respondent this is an important area for alignment across the FUI region and we would add also with other GB interconnectors.

On the curtailment approach, the respondents were split on the matter, where half of the respondents favoured an approach where capacity products are curtailed in order from the shortest product duration to the longest and the other half preferred a pro-rata curtailment approach where no differentiation is made regarding capacity products. The interconnector operators would note that a capacity right once nominated could be considered to hold the same value regardless of the timeframe it was bought, despite the initial right to nominate having various values over time. It is also noted that the pro-rata approach is the most prevalent approach in the FUI and GB interconnectors.

It is considered that the approach taken is consistent with the Access Rules objectives as set out in the respective interconnector operator licences, namely; offering available capacity, transparency, objectivity, non-discrimination, compliance with EU Regulation and other binding requirements.

## **Next Steps**

This note and all responses to the consultation will be provided to the relevant regulatory authorities<sup>6</sup>. Conclusions and recommendations for amendments, if any, from this consultation will be considered as part of the next annual review of the Access Rules required under the respective EWIC and Moyle interconnector operator licences.

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<sup>6</sup> CER, OFGEM and NIAUR