

EIRGRID INTERCONNECTOR LIMITED

The Oval
160 Shelbourne Road
Ballsbridge
Dublin 4
Ireland

160 Bóthar Sciól Bhroin
Broichead ne Borthra
Baile Átha Cliath 4
Éire

t: +353 (0)1 677 1700
f: +353 (0)1 661 5375
e: eastwestinterconnector
@eirgrid.com

www.interconnector.ie

James Curtin,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

Jessica Housden,
OFGEM,
9 Millbank,
London SW1P 3GE,
England

15th July 2015

Our Ref: EWIC/2015/Access Rules

EWIC Access Rules and Charging Methodology Statement Approval

Dear Jessica and James,

Please find attached the East West Interconnector Access Rules and Charging Methodology Statement. These are submitted for approval following consultation in accordance with rule A4 of the existing East West Interconnector Access Rules, Condition 20 of the CER Electricity Interconnector Operator license and Conditions 10 and 11a of the Ofgem Electricity Interconnector licence issued to EirGrid Interconnector Limited (EIL).

It is our view that both documents are operating in line with and fulfilling the objectives of allocation and charging for interconnector capacity in an open, transparent and non-discriminatory manner. Therefore we do not propose to make any changes to the current approved Access Rules and Charging Methodology.

The consultation was carried out jointly with Mutual Energy Ltd – the owner/operator of the Moyle Interconnector, and ran from 20th April 2015 to 20th May 2015 and the consultation document is attached.

One response to the consultation was received which requested the offering of weekly and single-priced (as opposed to hourly-priced) daily products on the interconnector to cater for short term hedging needs of market participants. This response requested that Schedule 6 ("List of Long Term products") of the Access Rules be amended to include these products. Schedule 6 reads as follows "*On the date of entry into force of these Rules, the following products are offered under Long Term Auctions.*" and "*The Operator may offer other Long Term products if in its reasonable opinion the current Long Term products are not sufficient. Should the Operator deem it necessary to offer other Long Term products then the Operator will provide Users with reasonable notice of such products and the timings of when such products will be offered.*" There are a number of issues to consider with this request:

- Offering these additional products would require changes to our Auction Management Platform as we do not currently have the required functionality. There would be an associated cost.
- Given that a single party made this request it would not appear that there is significant demand for such products. Any capacity allocated to these products would obviously reduce that available for other products. Market participants would need to be consulted if this proposal was to be brought forward.
- To the best of our knowledge such products are not in use on other European borders so introducing these would decrease harmonisation with neighbouring borders.
- In any case, a change to Schedule 6 is not needed, whether we were to ultimately decide to offer these additional products or not. As per the wording quoted above, this Schedule represents a minimum range of long term products to be offered at the time of entry into force and does not prevent the operator from offering additional products. This request does not therefore require an Access Rules change so does not influence our assertion that the Access Rules are operating effectively.

Harmonised Allocation Rules

The current East West Interconnector Access Rules will ultimately be superseded by the Harmonised Allocation Rules ("HAR"), which have been drafted by ENTSO-E as part of the early adoption of the proposed Network Code for Forward Capacity Allocation ("NC FCA"). The Harmonised Allocation Rules will contain the terms and conditions for the allocation of Long Term Transmission Rights for participating borders, proposed to include EWIC, including provisions regarding the auction processes, return and transfer of long term transmission rights, curtailment principles, invoicing, payment and collateral. ENTSO-E consulted on a draft version of the HAR in March 2015¹ on the understanding that should the NC FCA be amended further then the HAR will be subject to the associated amendments when approved by the relevant National Regulatory Authorities (NRAs). The comitology process for NC FCA is expected to be progressed further this year, and is likely to come into force in 2016.

Where a border has different requirements to any particular aspect of the HAR then it is an accepted principle that a local variation may be achieved by means of an annex to the HAR, subject to approval by the relevant local NRAs.

EIL and Moyle submitted a SEM-GB border specific annex for inclusion in the ENTSO-E consultation on the HAR in March 2015. The SEM-GB border specific annex specified 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-SEM² subject to the rules in the annex. A small number of amendments to the HAR were included in the SEM-GB border specific annex. Feedback on this was received both as part of the ENTSO-E consultation and as part of our own access rules consultation in April/May 2015. These comments and our assessment of same are included as an appendix to this letter.

I-SEM go-live is believed to be an appropriate time to introduce the HAR for allocation of cross border capacity between the I-SEM and GB electricity markets as the electricity market on the island of Ireland will become more aligned with the rest of Europe. This includes introducing market coupling which underpins remuneration of long term transmission rights

¹ ENTSO-E Consultation – Harmonised Allocation Rules: https://consultations.entsoe.eu/markets/fca-harmonisation-of-allocation-rules/consult_view

² 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.

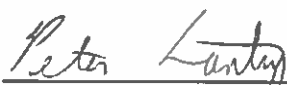
under the HAR. Prior to I-SEM go-live it is proposed that long term, daily and intra-day capacity allocations will be governed by the existing East West Interconnector Access Rules.

We are now seeking approval:

1. for the current East West Access Rules and Charging Methodology to remain in force for the allocation of capacity with product periods ending before I-SEM go-live; and
2. 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 beginning on or after I-SEM go-live.

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



Peter Lantry, EirGrid Interconnector Limited