

Auctions/ Capacity Trading

- Access arrangements process
- Moyle Interconnector Capacity Framework Agreement
- Access Arrangements Proposals
 - Capacity products
 - Auction timing & process
 - Other
 - Indicative Auction programme

Access Arrangements Process

- Condition 17 Moyle licence
 - Requirement to establish and operate relevant access arrangements in relation to Moyle interconnector
 - Periodically review the arrangements in consultation with affected parties
- Drivers for review
 - Nature of market changes with SEM
 - Limited flexibility to change within existing arrangements
 - Alignment with EU congestion management guidelines
- Process
 - Q1 07 - Discussions with potential post SEM i/c users
 - April 07 - Preparation of consultation documentation in consultation with SONI and NIAUR
 - 4th to 28th May 07 – Public consultation on MAA, MICFA, MIFD
 - 4th June 07 Proposal sent to Ofreg for approval
 - 11th June 07 – *Expected NIAUR approval*
 - 11th June + – *ITB sent out as auctions arise*
 - *Late June – possible first auction of annual capacity*

Moyle Interconnector Capacity Framework Agreement (MICFA)

- Document under which capacity is contracted and forms part of the Access Arrangements
- New Agreement must be signed by all potential users (and bidders)
 - Propose that once approved final version will be sent to all on SONI circulation list for completion if desired
- New agreement starts at SEM go live – old agreement falls away then
 - Documents work if SEM go live moves
- Modifications
 - Principally to allow for introduction of SEM
 - Definitions added and revised
 - Eg IA, TSC, IUN, SEM
 - Preconditions for use of capacity expanded
 - Registration of an Interconnector Unit
 - Provision of required information to Moyle/ TSO/ IA
 - Still have to comply with system documents – a use of system agreement may be introduced and would be a system document
 - Notice of capacity assignment to be copied to IA
- MIFD now a schedule to MICFA – was previously part of ISC
 - Modifications deal with introduction of SEM and new licences to participate in transmission

Access arrangements – proposed to NIAUR

- Consultation on Arrangements complete
- Consultation responses have been considered
- Still to be approved by NIAUR so only proposals presented here

- Significant changes summary
 - Limit any optional changes to process until stakeholders get over workload associated with introducing SEM.
 - Import Available Transfer Capacity subject only to availability of the interconnector and the GB system – consequently 410MW available all year round (no summer profiling), additional 40MW available November to March – still stated at Achencrosh
 - PPB contract coincidentally finishes by SEM go live and no other capacity contracted yet therefore full capacity available for sale from 1st November
 - North South interconnector constraint removed and therefore no direct cost to users for its use

- Note:
 - Proposed access arrangements and auctions relate to capacity under SEM. If SEM go live is delayed then sales are void during the delay and new auctions will be held.

Access Arrangements proposal – Capacity products

- Longer term (23 month & 35 month term)
 - Difficult to price due to uncertainty of SEM, suspect will be undervalued but there is a desire to meet demand
 - High risk of collapsing price if supply exceeds demand
 - Explicit auctions favoured in consultation responses
 - Propose explicit option but limited supply – only release more product if price similar to annual product
- Annual (match potential customer contract terms)
 - Anticipated that customer contracts will align with all island tariff year (Oct – Sep) however this is not at all certain
 - Propose 11 month product offered from Nov 07, bidders elect for 11 or 12 months with no impact on their bid ranking
 - Some 12 month product offered from Apr 08
- Monthly
 - Standard and non standard products offered
- Weekly
 - To be introduced subject to development of satisfactory administrative arrangements
 - Standard and non standard products offered
- Moyle determine exact quantities within boundaries

Access Arrangements proposal – Auction Timing and process

- Timing
 - Exact schedule of auctions to be set by Moyle subject to certain boundaries
 - In order to maximise interconnector use and capacity sales revenue
 - Expect early auction of annual product to offer an alternative to directed contracts, main annual auction iterations in September, further auction for Apr-Mar product held circa Feb 08.
- Process
 - Little change to auction process
 - Registration for each auction no longer required
 - ITB will be posted on website and sent to circulation list as usual
 - Bidders need only submit their bid but must ensure they are eligible to bid
 - Sealed envelope bid process continues
 - Likely to change with weekly product introduction, not feasible to change before this

Access Arrangements proposal – Other

- Reserve Price
 - £2010/MW/month for standard product (inflationary increase)
 - Considered low given no NS interconnector cost and new profiled CPM payments for flows
 - Moyle may at their discretion set a lower reserve
 - Expect this will primarily be by adjustment of minimum volumes on the non standard product
- Post gate closure capacity
 - Tidies up existing arrangements
 - Subject to commercial agreement unused capacity reverts to SONI after market gate closure
 - Commercial arrangements to be approved by NIAUR if appropriate
- 10MW/min ramp rate will continue to be applied
- Losses procedure and values remains unchanged
- Following auctions SONI will inform successful bidders as soon as practically possible

Auction Programme - indicative

4th June 2007																	
Auction Date	Minimum	Minimum	Capacity Period														
	Import Capacity Offered MW	Export Capacity Offered MW	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Apr-09	Sep-09	Sep-10
27/06/2007	20	10															
	20	10															
	50	10															
19/09/2007	TBA	TBA															
	TBA	TBA															
	100	10															
26/09/2007	TBA	TBA															
	TBA	TBA															
	90	10															
Feb/ Mar 08	60																
Monthly/ Weekly	70	30						*	*	*	*	*	*				
	170	30	*	*	*	*	*										
TBA	To be agreed - volumes will depend on outcome of previous auctions																
Capacities and timings shown are indicative only and may change.																	