Re: Charging for Interconnector Capacity Allocated Intra-day in SEM

Endesa Ireland welcomes the opportunity to respond to Moyle Interconnector Limited and EirGrid Interconnector Limited's consultation on Charging for interconnector capacity allocated intra-day in SEM.

As a general query, Endesa Ireland would welcome clarity on the question of how allowed revenue for the Interconnectors is to be determined, and if there is over-recovery or under-recovery of this revenue how it is to be dealt with, for example is it to be returned to the TUoS customer or would it increase/reduce interconnector allowed revenue for the following year.

Consultation Question 1: What are your views on each option and issues arising in relation to implementing UIOSI/UIOLI on the SEM Interconnectors?

Endesa Ireland considers that Option 3 (UIOSI(b)) should be adopted; that if not scheduled in EA1 in the SEM, any charges for scheduled flows in EA2 and WD1 which are made possible by unused and previously allocated capacity are attributed to capacity holders at the EA1 gate closure. This should apply to long term capacity which has been nominated but has not been scheduled; to capacity which was not nominated and was not sold by daily explicit auction; as well as to capacity allocated for the first time by daily explicit auctions.

Endesa Ireland is content that charges for flows using any capacity which was not sold in the first place (long term auctions or daily explicit auctions) can be retained by the Interconnector Owner. However, where capacity is allocated implicitly or in the day ahead auction, Endesa Ireland considers that there should be a presumption that the first capacity to be so allocated is long term capacity surrendered by others (rather than capacity that was never sold in the first place).

Endesa Ireland considers that this approach preserves the value of long term capacity, and believes that this is beneficial as it provides stable revenue for the Interconnector Owners and provides a degree of certainty to Interconnector Users. We do not consider it appropriate that under UIOLI the Interconnector Owner can be rewarded multiple times for the same capacity.

Endesa Ireland considers that this question should be settled quickly as, with auctions for EWIC approaching, it is a material consideration for participants in deciding whether to bid for capacity on Moyle or EWIC.

Endesa Ireland notes the consultation paper's statement that the systems required for UIOSI may be complex or expensive. We do not see that the costs would be significantly more than for the implementation of UIOLI. We consider that the Interconnector Owners must ensure that any solution developed is flexible enough to cope with any change to the SEM made on foot of European Market Integration requirements and that cost is minimised to the greatest extent possible.

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Consultation Question 2: What is your preferred option for determining congestion intraday on the SEM interconnectors as described above? Suggestions other than those outlined above are welcome.

Endesa Ireland queries why the consultation paper assumes that any charges due to be collected for flows made possible by superpositioning would be due to the interconnector owner and would not be payable to EA1 capacity holders under any UIOSI arrangements.

Endesa Ireland agrees with the consultation paper preferred option that congestion be determined by whether the sum of all interconnector offers at gate closure is greater than the available capacity at gate closure.

Question 3 - What is your preferred option for calculating congestion charges for implicitly allocated capacity on the SEM interconnectors? Suggestions other than those outlined above are welcome.

Endesa Ireland supports Option 2. The infra-marginal rent should be shared between the interconnector user and the capacity holder (if this capacity has been relinquished). In the event that the capacity was unsold the infra-marginal rent should be shared between the interconnector user and the interconnector owner.

Endesa Ireland considers that Option 1, the marginal pricing approach, may have merit for interconnector imports, but it is not obvious how this will work for implicitly allocated exports. As capacity charges are assessed for exports, marginal pricing could be deemed a barrier to export as exporters will no longer have a means of recovering capacity charges. In addition, it is not clear that implicitly allocated exporters will be aware that their power is being exported. In such a situation, who bears the capacity costs?

It is also not clear how the marginal pricing approach will work with the regional integration options set out by the SO in Option 4 of SEM-12-004. If there is no additional income (over SMP) to be earned for intraday trades (and potentially day-ahead trades), how will the Shipping agent recover costs?

Endesa Ireland considers there is some merit to Option 3, as this will reduce the barriers to export identified above. However, given its complexity, the costs and benefits of implementing this approach should be reviewed.

It is suggested that all of these questions should be revisited within the process for designing changes to the Irish market in order to comply with the European Market Integration Target Model.