



Response to RA comments on Interconnector Operators Recommendations on Interconnector Capacity Curtailment

Date: 5th April 2013

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Introduction

This note has been prepared in response to the Regulatory Authority comments issued on March 6th 2013, following their review of the recommendations that Mutual Energy and EirGrid Interconnector Limited issued on 24th December 2012 in response to the 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 Interconnector¹ (EWIC) and the Moyle Interconnector² the respective regulators requested that a review and consultation dealing with this matter be undertaken³ on a joint basis by the EWIC and Moyle interconnector operators. The consultation review issued on 24th December 2012 summarised the responses to the consultation⁴.

As we outlined previously, conclusions and recommendations for amendments, if any, arising from this consultation will be considered as part of the next annual review of the Access Rules in 2013.

Responses to RA Queries

Auction Management in the Event of Curtailment

The RAs have requested further thoughts from the interconnector operators on the concerns raised by ElectroRoute.

Electroroute have quoted part of Annex 1 (2.7) of the congestion management guidelines "*Capacity allocation shall not discriminate between market participants that wish to use their rights to make use of bilateral supply contracts or to bid into power exchanges*" to make their point that the current curtailment processes are discriminatory.

EIL and Mutual Energy believe that the intent and context within which this applies, is based on normal operation of an interconnector at full capacity and is not intended to deal with management of capacity auctions after curtailment events, other than to ensure any available capacity is auctioned in a transparent, objective and non-discriminatory manner. Annex 1 (2.7) of the congestion management guidelines continues "*The highest value bids, whether implicit or explicit in a given timeframe, shall be successful*". Annex 1 (2.7) in its entirety therefore appears to envisage a situation where both implicit and explicit capacity allocation processes are running simultaneously and is making the point that that no discrimination shall apply between implicit and explicit

¹ EWIC Access Rules –

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

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

³ EWIC CER Approval Letter – 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

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)

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

allocation methods – this is a different interpretation to that made by ElectroRoute which concerns treatment of short term and implicit products which have not yet been entered into. .

As per the Access Rules, interconnector operators auction their forecast available capacity and do not auction capacity that is unavailable due to curtailment. This helps to avoid/limit the application of curtailment which is itself consistent with the spirit and intent of the Congestion Management Guidelines.

The cancellation of shorter term auctions where interconnector capacity is not available in order to deliver on already allocated capacity contracts does not in our view represent discrimination between market participants that wish to use their rights to make use of bilateral supply contracts or to bid into power exchanges. How users intend to use capacity is irrelevant to the capacity allocation process and capacity that is allocated in long (e.g. annual) or short (e.g. monthly) term auctions may be used in either way.

Responses to the queries listed are provided below:

Question 1: Whether the more frequent level of outages and reduced availability on the interconnectors might warrant a change in either the curtailment policy or the auction schedule?

1. We acknowledge the issue of recent months where capacity has been curtailed. Both interconnector operators expect this to be temporary in nature, and programmes are in place to return the interconnectors to full capacity and, in Moyle’s case, to improve reliability⁵. In light of this the current curtailments do not warrant a change in the curtailment policy or the auction schedule.

Question 2: If any change were to be made, what approach would be best and why?

2. The current process is to adjust auction volumes for future auctions after a curtailment event to reflect the available capacity – such a process is not explicitly set out in the Access Rules. Since the process should be transparent, objective and non-discriminatory, we propose that in the event of a reduction in interconnector availability a pro-rata reduction of future auction volumes across the product portfolio for the expected duration of the curtailment within the context of the expected interconnector availability is explicitly included in the access rules.

Question 3: What are the potential impacts of making any changes

- a. On existing and potential long term capacity holders?
- b. On existing and potential short term capacity holders?
- c. On overall auction revenues?
- d. On overall utilisation of the interconnectors?

⁵ A reconfigured mode of operation has been tested that to allow Moyle to continue operating at its current level of 250 MW in the event of further cable faults of the type recently experienced. Any long term solution to return Moyle to its full capacity will aim to avoid these types of cable faults so recent experience is not expected to be indicative of the longer term performance.

3. Potential impacts of documenting and applying such a pro rata process in respect of future auctions post a reduction in expected interconnector availability would be:
 - a. For existing long term capacity holders, there would be no significant impact. For potential long term capacity holders, there is the prospect of reduced volumes available in future auctions.
 - b. For existing short term capacity holders, there would be no significant impact. For potential short term capacity holders, there is the prospect of increased volumes available in future auctions.
 - c. There would be no significant anticipated impact on auction revenues.
 - d. There would be no significant anticipated impact on utilisation

Question 4: Finally, we would welcome a more detailed analysis from the interconnector owners on how the recommendations submitted on 24th December complies with the licence requirement that it is transparent, objective and non-discriminatory and must comply with all relevant EU legislation.

4. There can be differing interpretations of the EU Regulations; however we note that five of the six respondents to the consultation 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 and provided supporting arguments as outlined in our review of 24th December 2012.

The methodologies for auction management in the event of curtailment for Moyle and EWIC are transparent and described in the published Access Rules and Charging Methodology documentation. The methodologies in place are also objective, as demonstrated by fact that the regulators felt it appropriate to approve them in September 2012.

The capacity allocations do not discriminate between market participants that wish to use their rights to make use of bilateral supply contracts or to bid into power exchanges. Some concerns have been raised by ElectroRoute regarding available capacity in short term auctions, however in normal operation at full capacity this will not be an issue, and in curtailment events, we believe a pro-rata allocation of available capacity for future auctions is a fair and non-discriminatory approach.

While the interconnector operators do not have any particular interest in the pursuit of any particular methodology or approach, on balance the interconnector operators do not feel that the auctioning of capacity that is not available is necessarily appropriate as it could be perceived to be contrary to the requirement to *“optimise the degree to which capacity is firm”* to offer capacity that you know will be curtailed and increase curtailment of already allocated capacity. To that end it would seem to be at odds with Article 16(3) of EU Regulation 714/2009, which states *“The maximum capacity of the interconnections and/or the transmission networks affecting cross-border flows shall be made available to market participants, complying with*

safety standards of secure network operation” as we would allocating capacity in excess of that compatible with secure network operation.

Management of Scheduled Transactions in the Event of Curtailment

The Regulatory Authorities had no specific questions on this issue other than to request further analysis on how the current approach complies with the licence requirement that it is transparent, objective and non-discriminatory and must comply with all relevant EU legislation.

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.

There are different ways of handling the management of scheduled transactions in curtailment events, each of which has merit; however the interconnector operators’ believe that, on balance, the current methodology in place for EWIC and Moyle offers a transparent, objective and non-discriminatory solution where curtailment of capacity allocations is applied equally between market participants.