

## **RWE Supply & Trading response to Report on Curtailment Approach**

The allocation of capacity on interconnectors and transmission networks affecting cross-border flows is governed by Regulation 714/2009 and the Guidelines in its attached Annex. This current European legislation sets out a number of requirements for congestion management which are relevant to the “Report on Curtailment Approach” document issued by interconnector operators between GB and the All Island market.

Transaction curtailment procedures shall only be used in emergency situations where the transmission system operator must act in an expeditious manner and re-dispatching or countertrading is not possible. Any such procedure shall be applied in a non-discriminatory manner. Except in cases of force majeure, market participants who have been allocated capacity shall be compensated for any curtailment.

*Article 16(2)*

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.

*Article 16(3)*

The methods adopted for congestion management shall give efficient economic signals to market participants and TSOs, promote competition and be suitable for regional and Community-wide application.

*Annex Article 1.5*

Depending on competition conditions, the congestion-management mechanisms may need to allow for both long and short-term transmission capacity allocation.

*Annex Article 2.2*

Each capacity-allocation procedure shall allocate a prescribed fraction of the available interconnection capacity plus any remaining capacity not previously allocated and any capacity released by capacity holders from previous allocations.

*Annex Article 2.3*

TSOs shall optimise the degree to which capacity is firm, taking into account the obligations and rights of the TSOs involved and the obligations and rights of market participants, in order to facilitate effective and efficient competition. A reasonable fraction of capacity may be offered to the market at a reduced degree of firmness, but the exact conditions for transport over cross-border lines shall, at all times, be made known to market participants.

*Annex Article 2.4*

The access rights for long and medium-term allocations shall be firm transmission capacity rights. They shall be subject to the use-it-or-lose-it or use-it-or-sell-it principles at the time of nomination.

*Annex Article 2.5*

Our interpretation of these requirements are that curtailment should be seen as a last resort and therefore a very infrequent occurrence. This is reflected, in particular, in the drafting of Article 16 and the Annex Article 2(3).

It is also clear from the Regulation that, once a curtailment has occurred, it is not permitted to continue to allocate capacity in excess of the forecast availability. This would be contrary to Article 16(3) since it would clearly be beyond the level compatible with secure system operation.

Article 2(5) of the Annex also allows for, and indeed encourages, different degrees of firmness according to the time period for the capacity offered. Capacity subject to long and medium term forward allocation must be firm transmission rights. Day ahead rights need not be subject to the same level of firmness.

We therefore conclude that

- (1) the current approach of GB-I interconnector operators is consistent with the Regulation in terms of the “auction approach” and should not be changed.
- (2) Regarding the “curtailment approach”, we recommend that the approach used by IFA should be adopted by all GB-I interconnectors. In any case, the medium and long term rights *must* be firm transmission rights.

In the future, further changes to the regulatory regime will occur as a result of Network Codes that are currently under development; in particular, the Capacity Allocation and Congestion Management (CACM) network code and the Forward Capacity Allocation (FCA) network code. These are likely to be adopted by the Commission as binding Regulations over the next 2 years.

The main change which will be made is that day-ahead capacity will be allocated through implicit auctions. This will remove many of the current issues since the nature of the rights being allocated, from then on, be rather different between day-ahead and forward rights.