

Mr Bill Thompson
Group Regulation Manager
EirGrid plc
The Oval
160 Shelbourne Rd.
Ballsbridge
Dublin 4

15 January 2014

Re: Approval of the Access Rules and Charging Methodology Statement for the East-West Interconnector

Dear Bill,

This letter gives notice of the approval by the Commission for Energy Regulation (CER) of the Access Rules and Charging Methodology Statement submitted by EirGrid Interconnector Limited (EIL) on 4 October 2013¹. The CER exercises its power to approve the Access Rules for cross border interconnector operators under Article 34A(1) of the Electricity Regulation Act (1999) (as amended).

This approval follows consideration by the SEM Committee of the amended Access Rules and Charging Methodology Statement as submitted on 8 November 2013. The effective date of this approval is Monday, 20 January 2014.

We have reviewed the corresponding consultation document and acknowledge the key changes are to reflect the SEM Committee's decision detailed in the 'Curtailment Approach on SEM Interconnectors' published on 6 September 2013. We also note that a number of smaller changes have been proposed to the Access Rules and Charging Methodology and that these changes also formed part of the consultation process.

Background:

In September 2011, the interconnector owners (EirGrid Interconnector Limited and Moyle Interconnector Limited) consulted upon and submitted Access Rules to the SEM Committee. Co-ordinated Access Rules were approved by the respective regulators (Ofgem and SEM Committee) for the East West Interconnector (EWIC) and Moyle and these Access Rules came into effect in October 2011.

¹ A copy of the EIL Access Rules submission letter will be published on the All Island Project website, alongside this letter.

In September 2012 an amended version of the Access Rules was approved by SEM Committee and Ofgem to reflect changes consequent upon the introduction of intra-day trading in SEM.

In approving this amended version of the Access Rules for the East West Interconnector² and the Moyle Interconnector³ in 2012, Regulators requested that a review and consultation dealing with capacity auction management and the curtailment of capacity on the SEM Interconnectors be undertaken on a joint basis by the EWIC and Moyle Interconnector Owners. The Regulators requested that two issues be addressed as part of this review.

1. To consider whether, in the event of reduced availability, the practice of auctioning (in future auctions) only the capacity which is forecast to be available was the correct approach and was in accordance with Regulation (EC) No. 714/2009.
2. To consider precisely how already allocated capacity would be curtailed in the event of an outage as both the EWIC Access Rules and the Moyle Access Rules are silent on this presently. Current practice dictates that all Modified Interconnector Nominations are reduced on a pro-rata basis.

SEM Committee Decision:

The SEM Committee's decision with respect to capacity auction management was that no change should be made to current practices by Interconnector Owners. However, the SEM Committee requested that the Access Arrangements make it explicit that where interconnector capacity is reduced that the reduced availability is spread pro-rata across all future auction volumes.

Secondly, with respect to the curtailment of capacity, the SEM Committee opined that where curtailment of allocated 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 allocated should be curtailed on a pro-rata basis.

Consultation on Access Rules and Charging Methodology:

The proposed changes to the Access Rules fall into three broad categories:

1. Publication of Capacity Holdings to heighten transparency and assist secondary trading⁴;
2. Rules addressing Curtailment and providing explicitly for pro-rata curtailment in the event of an outage⁵;
3. Letter of Credit Adjustments⁶;

² EWIC Access Rules – <http://www.eirgrid.com/media/East%20West%20Interconnector%Access%20Rules%20-%20approved%20September%202012.pdf>

³ Moyle Access Rules – <http://www.mutual-energy.com/Download/120821%20Moyle%20Interconnector%20-%20Access%20Rules.pdf>

⁴ See Rule B3.8.3

⁵ See Rule E7.1.3, Rule E7.1.4 and Rule E7.3.1

⁶ See Schedule 7

It should be noted that responses to the consultation were submitted by two parties.

Publication of Capacity Holdings:

With respect to Publication of Capacity Holdings, one respondent welcomed EIL's intention to publish long term capacity holdings stating that this measure would increase transparency and assist secondary trading but advised that Participants who opt-out of the publication should be precluded from accessing the long-term capacity holding information of their competitors. It is noted that EIL state that no participant has contacted EIL to state that they wish to keep their capacity holdings private.

Rule Addressing Curtailment:

This change has been inserted as per SEM Committee Decision SEM-13-061. No comments were received.

Letter of Credit Adjustments:

One respondent raised three concerns relating to this issue. Firstly, that references to 'advising bank' may cause complications for counterparties not using an Irish bank. Secondly, that the words 'subject to extension' be retained and expanded upon to describe the extension agreement. Thirdly, they objected to the removal of the 2pm notification deadline for making payments on the same working day.


We understand that these issues have now been fully resolved.

Further Action in respect of the Access Rules:

We note that the Access Rules that a number of minor changes have been submitted for approval. We further note the addition of New Rules in Sections E7.1.3 and E7.1.4 of the Access Rules to reflect SEM Committee Decision SEM-13-061. We also note the specific reference to pro-rata curtailment to indicate how capacity would be curtailed in the event of an outage. We acknowledge the addition of the publication of capacity holdings on the auction management platform.

Having provided our approval for both the revised Access Rules and Charging Methodology Statement, we request that EIL publish the approved updated Access Rules and Charging Methodology Statement, any non-confidential response received and this letter on its website.

Yours sincerely,


Denis Cagney
Director
Commission for Energy Regulation