



East West Interconnector Access Rules and Charging Methodology Consultation Review

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Introduction

This report has been prepared following consultation on proposed changes to the East West Interconnector (EWIC) Access Rules and Charging Methodology. The consultation was carried out in accordance with rule A4 of the existing EWIC Access Rules and Condition 20 of the CER Electricity Interconnector Operator license and Conditions 10 and 11a of the Ofgem Electricity Interconnector license issued to EirGrid Interconnector Limited (EIL). The consultation period ran from August 2nd to September 6th 2013 and included a EWIC User Forum on September 4th where stakeholders and participants were invited to discuss the proposed changes to the Access Rules and Charging Methodology and also raise any other comments or queries in relation to the commercial or operational aspects of EWIC.

The proposed changes to the Access Rules and Charging Methodology are listed in the Appendix to this document. Clean and tracked changes versions of the proposed EWIC Access Rules and Charging Methodology will be issued in tandem with this report.

Apart from minor changes to correct the name of an agreement used and align the rules with the Auction Management Platform (AMP) system design, the main changes to the Access Rules were to include two new rules (E7.1.3, E7.1.4) and edit an existing rule (E7.3.1) to give further details to participants on curtailment and auctions following a Net Transfer Capacity (NTC) Reduction on EWIC.

Rule E7.1.4 was added to the proposed Access Rules following publication of the SEM Committee decision¹ on “Curtailment Approach on SEM Interconnectors”. In this decision paper, 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”; Rule E7.1.4 is included in the proposed Access Rules to address this request.

A number of changes were also proposed to the Letter of Credit wording. The most significant change was the removal of the reference to “Advising Bank” in the letter.

A number of minor changes are proposed to the EWIC Charging Methodology; these changes remove redundant wording, remove reference to BSUoS charges which are no longer applicable to Interconnector Users and update the EWIC contact details.

As part of the consultation documentation attention was drawn to EIL’s intention to publish, on a monthly basis, the long term capacity holdings of market participants on the EWIC website: www.eirgrid.com/eastwest . Rule B3.8.3 of the existing Access Rules allows participants to opt out of this publication if they so wish.

¹ Single Electricity Market Committee – “Curtailment Approach on SEM Interconnectors” Decision Paper, SEM-13-061, 5 September 2013:
http://www.allislandproject.org/en/TS_Current_Consultations.aspx?article=7ef81e9f-949e-474e-848c-45934650fa48

Summary of Responses

Responses on the consultation were submitted by two parties.

Publication of Capacity Holdings

One respondent welcomes EIL's intention to publish long term capacity holdings and believes this will heighten transparency and assist secondary trading. The respondent noted that the full benefit of this publication will not be achieved if some market participants opt-out of this publication. In addition, the respondent believes that if this publication is available to those who opt-out it would result in a competitive advantage to those participants. Furthermore, the respondent suggests that those participants who opt-out of the publication should be precluded from accessing the long-term capacity holding information of their competitors.

Rule Addressing Curtailment

The respondent welcomed the addition to rule E7.3.1 regarding the pro-rata curtailment of all ICEs and believes it is correct not to discriminate in curtailment between long and short term capacity holders. In relation to the proposed new rule E7.1.3, the respondent believes that long-term and short-term auctions should be cancelled for the period of an NTC Reduction and long term capacity holders should be kept as close to their original position as possible.

Letter of Credit Adjustments

The second respondent was concerned with aspects of the proposed changes to the Standard Letter of Credit in Schedule 7 of the EWIC Access Rules.

- They were concerned with the proposal to remove the references to 'advising bank' as this might cause complications for counterparties not using an Irish bank.
- They requested the words 'subject to extension' be retained and expanded upon to describe the extension arrangements.
- They objected to the removal of the 2pm notification deadline for making payments on the same working day and in subsequent communications requested that this deadline be modified to 4pm on the previous working day (i.e. that the notification be received on the prior working day to the day on which the payment must be made).

EirGrid Interconnector Limited Position

EIL, having reviewed the responses to the consultation and taking on-board the SEM Committee decision regarding curtailment approach, propose the changes listed in the Appendix to the EWIC Access Rules and Charging Methodology for approval.

Publication of Capacity Holdings

With regards to publication of long-term capacity holdings on a monthly basis, EIL believes that this publication will increase transparency and promote competition in the secondary market. EIL does not believe that the ability to opt-out of this publication and still see other participants capacity holdings presents a competitive advantage to those customers and therefore does not intend to exclude any participants from this publication irrespective of whether their capacity holdings are included in the publication or not. To date, no participant has contacted EIL to state that they wish to keep their capacity holdings private.

Rule Addressing Curtailment

With regard to the proposed new rule E7.1.3, the wording of this rule is consistent with the system design of the Auction Management Platform (AMP), and accurately describes what occurs in the event of curtailment at present. All long term capacity holders are curtailed pro-rata. Following this curtailment, the capacity holdings of each capacity holder are rounded down to the nearest whole number; this rounding can result in a small number of MW (generally 2-4 MW) becoming available. Where this occurs, the available MWs are auctioned in the Daily Auctions. The AMP design requires that long term nominations are whole numbers and therefore this rounding is required following pro-rata curtailment.

Letter of Credit Adjustments

In relation to the Standard Letter of Credit in Schedule 7 of the EWIC Access Rules, EIL followed up with the respondent to discuss and fully understand their concerns. As a result of this conversation and further communications, the following position has been taken regarding the changes to the Letter of Credit template in Schedule 7:

- The removal of references to ‘advising bank’ will mainly result in more onerous obligations on the beneficiary, which have been accepted by EIL.
- EIL accepts the comments regarding the removal of the ‘subject to extension as described below’ and added the following text to the definition of Expiry Date: ‘The Expiry Date may be extended by agreement between the Issuing Bank and the Applicant and as notified to the Beneficiary’.
- The removal of the 14:00 notification deadline for the receipt of a signed Beneficiary Statement for same working day payments. EIL clarified that this removed the requirement to make payment on the same working day, which is less favourable for the beneficiary, and therefore the modifications as proposed in the consultation remain unchanged.

As these changes to the Letter of Credit are applicable only to future letters of credit and do not apply retrospectively, we consider these changes to be of a positive nature and will facilitate greater competition through reduced perceived barriers to the registration process.

Request for Approval

EIL now request approval from the CER and Ofgem for these amendments to the EWIC Access Rules and Charging Methodology.

Change Record for East West Interconnector Access Rules V3

The table below details the proposed changes between v2 and v3 of the East West Interconnector Access Rules.

Rule No.	Section	Rule Name	Change	V3 Rule Reads	Reason
B2.1	Rules Applicable to Participation: Participation Requirements	Eligibility	B2.1 (f) (i) wording “a Use of System Interconnector Agreement with the Operator;” removed and replaced with “an Interconnector Administrator Deed with the Operator;”	<p>B2.1 To be eligible to participate in the Auctions, the Secondary Market and Long Term Nominations process, a person, and/or its associated third party, must satisfy the following conditions:</p> <p>(a) be a party to an EWIC User Agreement;</p> <p>(b) not have had its eligibility to participate suspended under Rule F6.3.1 [Suspension by the Operator] (unless it has been reinstated under Rule B2.3) [Suspension and Reinstatement];</p> <p>(c) have provided Payment Security in accordance with Rule C3 [Payment Security];</p> <p>(d) have given its Standing Data to the Operator in accordance with Rule B3.8 [Information provided by Users];</p> <p>(e) have established its interface between its User System and the Auction Management Platform and SEM systems in accordance with Rule B4 [User Systems];</p> <p>(f) be a party to the following agreements:</p> <ul style="list-style-type: none"> (i) an Interconnector Administrator Deed with the Operator; (ii) a Framework Agreement established under the SEM Trading and Settlement Code; (iii) a Framework Agreement established under the CUSC; and (iv) a Framework Agreement as defined in the Balancing and Settlement Code. 	Correction required to name of agreement
C2.3.2	Invoicing and Payment	Invoices	Wording “ 3 rd Business Day” removed and replaced by “5 th Calendar Day” throughout this rule	<p>C2.3.2 No later than the 11th Business Day of each month M, the Operator will send by email (or by any other means as indicated from time to time by the Operator) to the User an invoice notification that the invoice is available, with a backup version using post or facsimile, stating:</p> <p>(a) the monthly instalments payable by the User in respect of the portion related to month M+1 of Long Term Units, the Product Period of which is equal or greater than one month, and the allocation of which will have taken place before the 5th Calendar Day of month M. The monthly instalment payable is calculated as the product of the Unit Quantity and the Unit Price across the total Product Period, prorated by one month over the total number of months in the Product Period, rounded down to the nearest Euro cent for each monthly instalment, with the balance in the last monthly instalment. For example, a Unit with Product Period of a Trading Year allocated before the 5th Calendar Day of December will be invoiced in twelve (12) monthly instalments, starting in December and ending in November of the following year;</p> <p>(b) the monthly instalments payable by the User in respect of the portion related to month M of Long Term Units, the Product Period of which is equal or greater than one month, and the allocation of which will have taken place after or on the 5th Calendar Day of month M-1. The monthly instalment payable is calculated according to the same rule as in Rule C2.3.2(a);</p>	Change of wording to reflect invoice process in the Auction Management Platform

Rule No.	Section	Rule Name	Change	V3 Rule Reads	Reason
				<p>(c) the amount payable by the User in respect of Units, the Product Period of which is less than one (1) month and starts in month M-1, calculated as the product of the Unit Quantity and the Unit Price;</p> <p>(d) the monthly instalments payable by the Operator to the User in respect of the portion related to month M+1 of Units resold in Long Term Auctions, the Product Period of which is equal or greater than one month, and the allocation of which will have taken place before the 5th Calendar Day of month M. The monthly instalment receivable is calculated as the product of the Resold Unit Quantity and the Unit Resale Price, prorated by one month over the total number of months in the Product Period, rounded down to the nearest Euro cent for each monthly instalment, with the balance in the last monthly instalment. For example the Resale of a Unit having a Product Period from January to March is credited in three (3) monthly instalments, starting in December the year before and ending in February;</p> <p>(e) the monthly instalments payable by the Operator to the User in respect of the portion related to month M of Units resold in Long Term Auctions, the Product Period of which is equal or greater than one month, and the Resale of which will have taken place after or on the 5th Calendar Day of month M-1. The monthly instalment receivable is calculated according to the same rule as in Rule C2.3.2(d);</p> <p>(f) the amount payable by the Operator in respect of the Units resold in Auctions, the Product Period of which is less than one month and starts M-1, calculated as the product of the Resold Unit Quantity and the Unit Resale Price;</p> <p>(g) the amount payable by the Operator in respect of Unused Units (as set out in Rule E5.2) [Use-It-or-Sell-It], and in respect of Trading Days within M-1, calculated as the product of the Unused Unit Quantity and the corresponding Auction Price of the Auction at which the Unused Units are re-allocated;</p> <p>(h) any amounts payable or credits due to the User by the Operator under Rule E8 [Curtailed Reconciliation];</p> <p>(i) any amount payable by the User to the Operator for any training requested by the Users, in addition to the Standard Training provided to the use of the Auction Management Platform pursuant to Rule B4.5 [Training];</p> <p>(j) any Taxes payable by the User or the Operator in respect of amounts in the invoice;</p> <p>(k) the total amounts payable by the User to the Operator under that invoice (or receivable by the User from the Operator under that invoice); and</p> <p>any other information legally required to be included in the invoice.</p>	
E4.4.1	Capacity Usage Rules	Capacity Transfer	<p>Wording “Trading” removed and replaced with “hourly” in E4.4.1 (b)</p> <p>Wording “Trading” removed and replaced with “hourly” in E4.4.1 (f)</p>	<p>E4.4.1 Capacity Transfer of a Unit Holder’s rights to use Units is permitted under these Rules only if the following conditions are satisfied:</p> <p>(a) the Unit Holder gives the Operator a notice of the Capacity Transfer (“Capacity Transfer Notice”) that complies with Rule E4.4.5;</p> <p>(b) Units are subject to Capacity Transfer across hourly periods and in at least one (1) hour period of one (1) Trading Day;</p> <p>(c) the Capacity Transfer is made to an existing User who has not been suspended in any way pursuant to Rule F6.3.1 [Suspension by the Operator];</p>	Change of wording due to system limitations issue.

Rule No.	Section	Rule Name	Change	V3 Rule Reads	Reason
				<p>(d) the duration of the Capacity Transfer (“Capacity Transfer Period”) is one (1) or more consecutive Trading Days of the specified Day Type, and is within the Product Period of the Units being subject to Capacity Transfer;</p> <p>(e) at least one (1) Unit is being subject to Capacity Transfer and shall be a whole number;</p> <p>(f) the Unit Holder has at least as many Units as the number it wishes to Capacity Transfer in each hourly period of each associated Trading Day (taking into account any reduction(s) due to previous Capacity Transfer(s), Resale(s) or Curtailment(s)); and</p> <p>(g) at the time it gives the Capacity Transfer Notice, the Unit Holder is not in default under these Rules and its rights to use Interconnector Capacity and participate in Auctions have not been suspended.</p>	
E4.4.5	Capacity Usage Rules	Capacity Transfer Notice	Wording “Trading” removed and replaced with “hourly” in E4.4.5 (e)	<p>E4.4.5 The Capacity Transfer Notice submitted by the Unit Holder making the Capacity Transfer must:</p> <p>(a) identify the Unit Holder making the Capacity Transfer;</p> <p>(b) identify the User to whom the Units are being subject to Capacity Transfer;</p> <p>(c) state the Capacity Transfer Period;</p> <p>(d) state the Day Types for which the Capacity Transfer is to apply;</p> <p>(e) specify the hourly periods of the Trading Days in which the Capacity Transfer is to be made; and</p> <p>(f) state the number and category (including the Trading Period) of the Units the subject of the Capacity Transfer Notice.</p>	Change of wording due to system limitations issue.
E7.1.3	Capacity Usage Rules	Curtailment	New Rule	<p>E7.1.3 Following an NTC Reduction, if the already allocated capacity is greater than or equal to the NTC limit, no further long-term capacity auctions will be held for the period affected by the NTC Reduction while that reduction is in place. Capacity may be offered in the daily auctions for this period if it becomes available due to pro-rata curtailment applied to long term capacity holdings.</p>	Rule added to describe the cancellation of long term auctions in the event of an NTC Reduction
E7.1.4	Capacity Usage Rules	Curtailment	New Rule	<p>E7.1.4 Following an NTC Reduction, if the already allocated capacity is less than the NTC limit, a pro-rata distribution of capacity based on the original long term product breakdown will be applied to the remaining long-term capacity auctions for the period affected by the NTC Reduction. Where, as a result of pro-rata reductions in auction volumes, capacity volume in any given auction is less than ten (10) MW, the Operator may at its discretion roll capacity into the next scheduled long-term auction.</p>	Rule added to address request in the SEM Committee Decision Paper - “Curtailment Approach on SEM Interconnectors”, to make it explicit that where interconnector capacity is reduced that the reduced availability is spread pro-rata across all future auction volumes.
E7.3.1	Capacity Usage Rules	Curtailment	Wording added “Pro-rata curtailment will be applied across all ICES.”	<p>E7.3.1 When there is a change in NTC prior to first SEM Gate Closure then the Operator shall take account of such change and if possible recalculate and resubmit the ICES to SEM prior to Gate Closure. Pro-rata curtailment will be applied across all ICES.</p>	Statement added to describe method of curtailment applied.

Rule No.	Section	Rule Name	Change	V3 Rule Reads	Reason
Schedule 7	Standard Letter of Credit		A tracked changes version of the letter of credit is supplied as part of the consultation.	<p>Schedule 7: Standard Letter of Credit OPERATOR EURO IRREVOCABLE STANDBY LETTER OF CREDIT TEMPLATE</p> <p>Applicant:</p> <p>Issuing Bank:</p> <p>Beneficiary: EirGrid, The Oval, 160 Shelbourne Road, Ballsbridge, Dublin4, Ireland “the licensed Operator defined under these Rules”.</p> <p>Dear Sir/Madam,</p> <p>We, the Issuing Bank, hereby issue our irrevocable Standby Letter of Credit No..... by order of (applicant), for a maximum total amount of EUR..... (in words.....) which expires at the counters of the Issuing Bank on [insert date].</p> <p>In this Letter of Credit and in the Beneficiary Statement (except where the context otherwise requires or there is an express provision to the contrary) the following expressions shall have the following meanings:</p> <p>"Access Rules" means the access arrangements applying to the East West Interconnector (EWIC);</p> <p>"Beneficiary Statement" means a statement in the form of the Appendix attached hereto;</p> <p>"Expiry Date" means the last date on which this Letter of Credit may be presented for value at the Issuing Bank being the XX Day of Month 20XX. The Expiry Date may be extended by agreement between the Issuing Bank and the Applicant and as notified to the Beneficiary;</p> <p>"Same Day Value" means that the relevant funds shall be available to the Beneficiary on the same day as the funds transfer has been authorised by us without any loss of value arising between such authorisation and the funds being available for use by the Beneficiary;</p> <p>"SWIFT" means the worldwide financial messaging network of The Society for Worldwide Interbank Financial Telecommunication;</p> <p>This irrevocable Standby Letter of Credit is available by payment at sight against presentation to the Issuing Bank of a Beneficiary Statement.</p> <p>Conditions:</p> <ol style="list-style-type: none"> 1. Partial drawings are allowed. 2. This Letter of Credit shall expire on the Expiry Date and our obligations under this Letter of Credit shall also expire on that date. 3. The Beneficiary Statement must be made on original letterhead paper of the Beneficiary and signed on its behalf, and must be presented to the Issuing Bank on or before the Expiry Date. 4. Upon receipt of a signed Beneficiary Statement in compliance with the above conditions we shall make payment value one working day after receipt, a working day being a day on which banks are open for business in Dublin and Belfast, with funds to be received by Beneficiary for Same Day Value on that day of transfer. 5. All Issuing Bank charges are for the account of the Applicant. <p>Except where otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice</p>	Updated Letter of Credit to remove reference to Advising Bank

Rule No.	Section	Rule Name	Change	V3 Rule Reads	Reason
				<p>for Documentary Credits latest version on the date of the issuance of this Letter of Credit [MOST RECENT VERSION TO BE INSERTED WITH EACH LETTER OF CREDIT].</p> <p>We the Issuing Bank hereby waive any right to set off or counterclaim whatsoever against any amounts payable under this Standby Letter of Credit in respect of any claims we may have against the Beneficiary and such amounts shall be paid free and clear of all deductions or withholdings whatsoever.</p> <p>This Letter of Credit and any non-contractual obligations arising out of or in connection with this Letter of Credit shall be governed by and construed in accordance with the laws of the Republic of Ireland.</p> <p style="text-align: center;">Yours faithfully</p> <p style="text-align: center;">[Issuing Bank]</p> <p>by (Authorised Signatory)</p> <p>Letter of Credit: Beneficiary Statement</p> <p>[Operator letterhead]</p> <p>We, the Operator under the EWIC Access Rules (the “Beneficiary”) hereby state that [insert applicant’s name] is in default of its obligation to pay pursuant to the EWIC Access Rules (to which the applicant is a party) under paragraph [insert details] and as a result we hereby demand[insert amount being claimed] under Standby Letter of Credit number..... issued by[insert name of Issuing Bank].</p> <p>Payment in respect of this Beneficiary Statement shall be effected immediately to [insert relevant account details]. We confirm that the signatory(ies) to this Beneficiary Statement are empowered to sign and make this Beneficiary Statement on behalf of the Beneficiary.</p> <p>Terms defined in the Standby Letter of Credit referred to above have the same meaning when used in this Beneficiary Statement.</p> <p>For and on behalf of EirGrid</p> <p>Authorised Signatory(ies)</p>	

Change Record for East West Interconnector Charging Methodology V2

The table below details the proposed changes between v1 and v2 of the East West Interconnector Charging Methodology.

Rule No.	Section	Rule Name	Change	V3 Rule Reads	Reason
1.3	Introduction	Introduction	Removal of the words 'following the launch of the new Auction Management Platform (AMP) scheduled for 'Go Live' in June 2012'	1.3 This document sets out the charging methodology which is applied by EIL for the use of the East West Interconnector in compliance with Condition 20 of the CER Licence and Condition 10 of the Ofgem Licence.	Wording is redundant
1.5	Introduction	Introduction	Removal of the words 'Name' and 'John Fitzgerald'	1.5 Further information on EirGrid activities and the information contained within this document can be obtained by contacting us by telephone, email or in writing: Contact: Manager, East West Interconnector Telephone: +353 (0)1 677 1700 E-mail: EastWestInterconnector@eirgrid.com Post: EirGrid, The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4, Ireland	John Fitzgerald is no longer manager of the East West Interconnector
3.4	Charging Methodology	Eligibility to Use the Interconnector	Removal of reference to BSUoS charges for interconnector BM Units	3.4 It is the responsibility of EWIC users to comply with these codes. EIL understands that the payment of charges associated with the Balancing & Settlement Code, the Trading and Settlement Code and the Connection & Use of System Code are levied by Elexon, SEMO and National Grid Electricity Transmission respectively. Further detail of the charges can be found in the respective codes.	

Note: There are some minor adjustments to capitalisation of terms and typo corrections also made to the document as can be seen in the tracked version provided. Some formatting changes have also been made which are not tracked.