



**Consultation on the East West Interconnector  
(EWIC) Access Rules**

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**Abstract:**

The East West Interconnector (EWIC) Access Rules will govern the arrangements for trading across the EWIC interconnector. This consultation paper sets out the scope of the EWIC Access Rules and identifies a number of areas where feedback is required from stakeholders both in terms of the products to be offered on EWIC and the proposed rules around how these products will be offered.

Accompanying this consultation paper is the draft EWIC Access Rules. This consultation paper seeks comments on the EWIC Access Rules and on the questions raised in this consultation paper.

**Target Audience:**

This consultation paper is addressed, where relevant, to members of the public, the energy industry, customers and all interested parties in Ireland, Northern Ireland and Great Britain.

**Responding to this consultation:**

Responses should be received by **5 p.m. on Friday 18<sup>th</sup> March 2011** and should be sent to:

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Unless marked confidential, all responses will be published by placing them on EirGrid's website at [www.eirgrid.com](http://www.eirgrid.com). Respondents who wish to have their responses remain confidential should clearly mark their response to this effect and include reasons for confidentiality. All responses, including those marked as confidential, will be forwarded to the relevant regulatory authorities for review.

**Related Documents:**

Other documentation of relevance to the East West Interconnector (EWIC) Access Rules includes:

- Moyle Interconnector Capacity Framework Agreement
- Moyle Interconnector Trading - From 1 October 2009
- Interconnexion France-Angleterre (France-England Interconnector), IFA Access Rules, Issue 7.0
- BritNed Access Rules
- (CER/10/230) Interconnector Operator Licence – Proposed Decision and Consultation Response Paper
- OFGEM Electricity Interconnector Licence: Standard Conditions
- Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
- Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003Draft CER Licence

## **1. INTRODUCTION**

### **1.1. Purpose of this consultation paper**

EirGrid in its role as the owner and operator of the East West Interconnector (EWIC) has drafted rules on the access arrangements for trading on EWIC. In drafting these Rules EirGrid has been cognisant of the current market arrangements in the Single Electricity Market (SEM) and British Electricity Transmission and Trading Arrangements (BETTA); all current and pending European legislation relevant to interconnection; and a requirement to coordinate with other neighbouring interconnections.

This consultation paper requests comments from stakeholders on the draft EWIC Access Rules which has been published alongside this consultation paper. It also requests feedback on the questions raised in this consultation paper.

A consultation on the access arrangements for Moyle is intended to take place in the first half of 2011.

### **1.2. Access Rules Scope**

The EWIC Access Rules covers the period from the long term or forward market for annual (and possibly multi-annual) auctions right up to the intraday timeframe on D-1 and D before real time. On other interconnections a single system is used to both manage congestion and allocate capacity to market participants across the different timeframes. As the intraday timeframe is currently being addressed<sup>1</sup> by the Single Electricity Market (SEM), which provides for an implicit solution to capacity determination and allocation on D-1 and D, it was decided to introduce a congestion management solution, the "Auction Management Platform" (AMP), to cater for the long term and daily timeframes. Therefore long term and daily (D-1, prior to the first SEM Gate Closure EA1) capacity determination and allocation will be handled on the Auction Management Platform (AMP) and the intraday timeframe (D-1 and D) in the Single Electricity Market (SEM).

The SEM Trading and Settlement Code (T&SC) already provides detailed rules for the All-island market. Subject to SEM Committee approval, the introduction of intraday trading in compliance with the Congestion Management Guidelines will require a number of Modifications to the T&SC. As the T&SC will cover the arrangements for trading intraday in SEM these arrangements are not duplicated in the EWIC Access Rules. The EWIC Access Rules will provide detailed rules for the long term and daily timeframes and will include the intraday timeframe in terms of providing for similar headings to those used for the long term and daily timeframes. However, in terms of the detailed rules for intraday, the EWIC Access Rules will refer users to the T&SC.

The timeframe after the last intraday gate closure in SEM (WD1) dealing with system balancing and SO-SO trading is outside the scope of the EWIC Access Rules and will be covered in SO-SO trading arrangements ("Operating Protocol") between EirGrid and National Grid.

### **1.3. What is the Auction Management Platform (AMP)?**

- AMP will be the IS tool managing third party access to the EWIC and Moyle Interconnectors (this document is only concerned with EWIC).
- AMP will be the only means to use EWIC third party access rights for the long term and daily timescale.
- AMP will manage both the long term and daily Auctions and the long term Nomination process.

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<sup>1</sup> The specific details of intraday auctions are currently under consideration by the SEM Committee and it is expected a decision will be made in March 2011.

## 2. EWIC AUCTIONS

### 2.1. Auction Characteristics

The main auction characteristics are as follows:

- Use of “Closed auctions” where users cannot see each others bids
- Pay-as-cleared (Marginal price) rule applied
- Bids are divisible (pro-rata for equal bids)
- Validation period after long term auction: preliminary results after clearing – final results after validation period
- Possibility to set default bids for automatic submission
- €/MWhr is used for bids and auction results
- Auction granularity of 1 MW
- Netting of intra-day SEM nominations to maximise available capacity

### 2.2. Auctions

EirGrid is open to what types of auction products are offered on EWIC, and is eager to hear the views of stakeholders in terms of what type of products should be offered.

#### Auction Products

- At a minimum, EirGrid is proposing the following auction products: Trading Annual, Trading Monthly, Daily and Intraday (note intraday auctions take place in SEM, not on the Auction Management Platform).

The provision of Annual, Monthly, Daily and Intraday auctions is in line with the products offered on IFA and BritNed.

EirGrid would like to establish the level of interest in the auction products listed above and for any additional products that stakeholders might be interested in such as:

- Calendar Annual, Financial Annual, Calendar Monthly, Seasonal, Quarterly etc.

#### Auction Product types

The Long-Term Auction may also be held for one of the following standard products:

- Base - includes all hours of all days
- Peak - defined as hours e.g. 7:00 - 19:00 of each trading day
- Off-peak - defined as all hours of all days except 7.00 to 19.00 of trading days (i.e. it is complementary of peak)

EirGrid proposes offering **Base** auction products, however, we would like to establish the level of interest in any other product types.

#### Auction Product Periods

Two options have been considered for the product period. The first is to offer products on a Trading Day basis (06:00 - 06:00) which is in line with SEM. The second is to offer products on a Calendar Day basis (midnight – midnight) which is more closely coordinated with Europe and is in line with IFA and BridNed. EirGrid proposes to offer products (Yearly, Monthly, Daily etc) on a Trading Day basis.

An annual product based on the Trading Day would not start until 06:00 on January 1<sup>st</sup> and would end at 05:59 on January 1<sup>st</sup> of the following year.

#### Daily Auctions

Section 3.2 of the CMG requires a “common coordinated congestion-management method and procedure for the allocation of capacity to the market at least annually, monthly and day-ahead”

between the interconnections in FUI. EirGrid considers that this requires us to allocate capacity on EWIC for annual, monthly and day-ahead auctions. Therefore EirGrid proposes that a Daily auction be held on D-1 in advance of the first SEM Gate Closure at 9:30 (EA1). We would, however, welcome views from stakeholders on this, particularly in terms of your views on its practicality.

### Auction Participation

Given the relatively small size of our market EirGrid is interested in feedback on whether there should be, where appropriate, restrictions on the amount of capacity that can be acquired in any one auction in general or on an individual company on account of market dominance. Should a cap of say 40% be introduced and if so should bids over this limit be automatically capped at this limit or accepted and subject to review by the market monitor.

Question 1: What Auction Products would you like to see offered on EWIC?

Question 2: What Auction Product Types are required by market participants?

Question 3: From a practical point of view, do you consider it feasible and/or desirable to have an auction on D-1 prior to the first SEM Gate Closure at 9.30 (EA1)?

Question 4: Should there be a restriction on the amount of capacity that can be acquired by any one individual market participant on any auction?

### **2.3. Timing of Auctions**

In determining the timing of auctions, EirGrid is minded to provide for closer coordination with other interconnections in line with Section 3.5 of the CMG, whilst at the same time minimising the impact such changes would have on the SEM market design.

EirGrid welcomes the development of closer coordination and cooperation with other neighbouring interconnections within the France-UK-Ireland region. However, we would welcome feedback from stakeholders with regard to the extent that timing of auctions should be coordinated (identical) or different between the different interconnectors.

Question 5: What level of coordination is required on the timing of auctions with other interconnections?

Question 6: Do you feel the timing of the auctions proposed in the draft Access Rules is appropriate? If not, can you please provide details of the auction timings you would consider appropriate.

### **2.4. Capacity Allocation**

EWIC has a capacity of 500MW in both directions and it has yet to be determined how this capacity will be allocated across the different timeframes, for example, in the annual, monthly and daily auctions. It seems reasonable to assume that most of the capacity will be allocated in the long term auctions but it is unclear how much capacity should be allocated to the annual and monthly auctions and how much, if any, should be reserved for the daily auctions. We would welcome the views of stakeholders as to how they would like to see the capacity allocated across the annual and monthly auctions (or across other auction types) and whether there is merit in withholding any capacity for the daily auctions.

Any un-utilised capacity will be made available in subsequent auctions to ensure the maximisation of capacity for the benefit of market participants. Superpositioning will apply to the physical capacity in SEM.

Question 7: How would you like to see capacity allocated on EWIC?

- (a) % allocated to annual auctions
- (b) % allocated to monthly auctions
- (c) % allocated to daily auctions
- (d) % allocated to other auction types (e.g. Multi-annual/Quarterly etc)

### 3. CAPACITY USE

#### 3.1. Secondary Trading

Market Participants will be able to avail of Capacity Transfers and Capacity Resales on EWIC. This service will be facilitated by the EWIC operator and will be available to market participants free of charge.

Question 8: Please provide any feedback you might have on the proposals for the provision of Secondary Trading on EWIC.

#### 3.2. UIOSI (long and medium term allocation)

Section 2.5 of the Congestion Management Guidelines (CMG) requires that “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.”

For clarity, UIOSI applies to any unused Long Term capacity that is re-auctioned in the subsequent Daily Auction with proceeds returned to the previous owner. UIOLI is different in that proceeds are not returned to the previous owner.

It is proposed to introduce UIOSI and apply it to long term capacity units that have not been nominated. This approach ensures we are fully compliant with the CMG. It is also in line with the approach taken on other interconnections.

Those who decide not to nominate to use some or all of their long term capacity holdings will be compensated with the price determined as the auction price of the daily auction.

Where a capacity shortage results in curtailment, it is proposed to refund market participants at a price based on the weighted-average price of their long term units.

#### 3.3. UIOSI/UIOLI (short term allocation)

UIOSI/UIOLI could also be applied in SEM to short term allocations intraday. EWIC will already be compliant with the CMG once UIOSI is introduced for long and medium term allocations. Therefore, there is no legal requirement to introduce UIOSI or UIOLI in SEM.

The standard approach taken on other interconnections is to apply UIOSI to explicit long term nominations and UIOLI to explicit daily nominations. It is generally not considered relevant to apply UIOSI/UIOLI to implicit auctions as the nomination procedure is obligatory rather than optional as with explicit auctions. That said EirGrid is seeking views as to any potential merit of extending the UIOSI/UIOLI provisions to the implicit intraday timeframe in SEM. Three main options are possible and all are compliant with the CMG:

1. UIOSI to long term nominations only
  - a. In line with the approach taken elsewhere in Europe
  - b. Requires no change to SEM systems
2. UIOSI to long term nominations and UIOSI to units that are outside the merit order in EA1
  - a. Is different to approach taken elsewhere in Europe with UIOSI applying to implicit timeframe in SEM

- b. Provides price for capacity outside the merit order
  - c. Requires changes to SEM systems (Impact assessment underway <~€500k cost)
3. UIOSI to long term nominations and UIOLI to units that are outside the merit order in EA1
- a. Is different to approach taken elsewhere in Europe with UIOLI applying to implicit timeframe in SEM
  - b. Provides price for capacity outside the merit order
  - c. Requires changes to SEM systems (Impact assessment underway <~€500k cost)

Question 9: Which of the three (3) options provided for above is your preferred option, bearing in mind the relative costs and benefits of each?

#### 4. TRANSPARENCY

It is proposed to have the following information publicly available on the Auction Management Platform. EirGrid would like to hear from stakeholders on the level of transparency they consider appropriate.

##### 4.1. Publishing of Statistics Information

The following statistical information is available for the Long-Term Auction via a public web form on the AMP:

- Offered Capacity [MW]
- Total Requested Capacity [MW]
- Total Allocated Capacity [MW]
- Auction Clearing Price [EUR/MWh or GBP/MWh]
- Number of participating Traders
- Number of Traders with non-zero allocated Capacity
- Number of bids

The price curves are available in a graphical form.

##### 4.2. Data Communication with ENTSO-E Transparency Platform

After the Contestation Period, the following three values are concurrently submitted into the ENTSO-E Transparency Platform:

- Total requested Capacity within that auction
- Total allocated Capacity within that auction
- Auction Clearing Price

##### 4.3. Where can I find publication figures?

- Auction information will be available on the AMP public pages and on the ENTSO-E Transparency Platform;
- The aggregate of nominations can be obtained from the ENTSO-E Transparency Platform only;
- Data on AMP and the ENTSO-E Transparency Platform will not be duplicated on the EirGrid/SEMO websites – links will be provided to AMP and the ENTSO-E Transparency Platform;
- For ENTSO-E Transparency Platform access, market participants may register on the ENTSO-E Transparency Platform website;

- To facilitate secondary trading the default setting on the AMP provides information on Capacity Holders. However, Capacity Holders may opt out of having their auction allocations published on AMP (visible to other EWIC participants only).

#### **4.4. What information will be available on AMP?**

- A market participant can access all public data on the AMP (e.g. auction timetables, specifications, results, etc) and its own data (e.g. bids, allocations, nominations, registration data, etc)
- A message board will provide market participants with acknowledgement of any data submission to the AMP (e.g. bids, nominations, secondary trades)
- the AMP message board will be used to send messages to Users (general information, curtailment, fallback procedure, etc)

Question 10: Do you agree that information on Capacity Holders should be publicly available to:  
(a) TSOs (i.e. to NG for balancing purposes)  
(b) Other EWIC Participants (i.e. to facilitate secondary trading)

## **5. OTHER ISSUES**

### **5.1. Curtailment**

It is proposed that in the event of curtailment market participants will be reimbursed the auction price paid for the capacity.

### **5.2. Charging Methodology**

To ensure transparency, EirGrid will include and communicate all related charges to its customers. These charges will be outlined in a Charging Methodology which is separate to the EWIC Access Rules, following regulatory approval of the Access Rules.

### **5.3. Transmission Pass-through Charge**

The application of TUoS charges with regard to EWIC are currently under discussion with the relevant authorities. Any decision to not include TUoS charges will be subsequently updated in the EWIC Access Rules.



## **6. COMPLIANCE WITH THE “CONGESTION MANAGEMENT GUIDELINES”**

### **6.1. Introduction**

The East West Interconnector (EWIC) Access Rules have been developed to comply with European legislation. As part of the consultation process, EirGrid provides the following additional information in relation to the EWIC Access Rules and its compliance with the Guidelines on the Management and Allocation of Available Transfer Capacity of Interconnections between National Systems, the “Congestion Management Guidelines” and ERGEG’s Electricity Regulation (EC) 1228/2003 Compliance Monitoring, Third Report, 2010, Ref: E10-ENM-04-15, 7 December 2010. The EWIC Access Rules will be reviewed regularly to ensure the Rules are compliant at all times with the prevailing national and European legislation. With the introduction of the Third Energy Package in March 2011, this will include any future network codes on capacity allocation and congestion management, in addition to the Regulation 714/2009 and its associated CMG.

EirGrid will also participate fully in the electricity regional initiative (France-UK-Ireland) to ensure continued progress towards pan-European market integration.

The purpose of this section is not to provide a line by line assessment of EWIC compliance with the CMG but rather to outline some of the key provisions contained in the CMG and how EirGrid intends to comply with them.

### **6.2. General Provisions**

There will be open access to capacity on EWIC and EirGrid will endeavour to accept all commercial transactions from market participants who are eligible to participate. The maximum capacity of EWIC shall be made available to market participants, complying with safety standards of secure network operation. Where scheduled commercial transactions are not compatible with secure network operation, EirGrid will look to alleviate congestion in compliance with the requirements of network operational security while trying to ensure that any associated costs remain at an economically efficient level. There will be no restriction on access to EWIC when it is not congested.

EirGrid will only curtail capacity in accordance with its operational security standards and when re-dispatching or countertrading is not possible, with market participants compensated for their capacity. EirGrid will report on the costs and volumes of re-dispatching and countertrading to the regulatory authorities.

The methods used for congestion management shall be non-discriminatory and market-based providing efficient economic signals. Although it is proposed to introduce an explicit daily auction before the first SEM Gate Closure, the solution for capacity allocation in SEM is based on the principle of implicit allocation which is considered more efficient. The options for introducing a market coupling solution day-ahead are also now being considered by the regulatory authorities.

It is envisaged, subject to SEM Committee approval, that intraday auctions will be established in the Single Electricity Market (SEM) to provide for congestion management closer to real time.

### **6.3. Congestion-management methods**

The methods used for congestion management will be market-based and allow for both long and short term capacity allocation with long term and daily capacity allocated using explicit auctions on the Auction Management Platform and intraday capacity using implicit auctions in SEM.

In allocating a percentage of the available capacity between different timeframes, any remaining capacity not previously allocated and any capacity released by capacity holders from previous allocations shall be made available to the market via subsequent auctions in an open, transparent and non-discriminatory manner. EirGrid will facilitate Secondary Trading on EWIC free of charge.

EirGrid will seek to optimise the degree to which capacity is firm with rights for long term allocations granted firm access and subject to the principle of UIOSI at the time of nomination. The consultation also includes options for possibly introducing UIOSI or UIOLI in SEM.

As EWIC is a regulated interconnector, no reserve price will apply. If capacity is curtailed, EirGrid will compensate the market participant, with no consequential losses taken into account.

#### **6.4. Coordination**

A Common coordinated congestion-management method and procedure for the allocation of capacity to the market at least annually, monthly and day-ahead is required within the France-UK-Ireland (FUI) regional group. In drafting the EWIC Access Rules, EirGrid was minded to harmonise, where possible, the EWIC access arrangements with access arrangements on the other interconnections in FUI and it is intended EWIC will allocate capacity annually, monthly and day-ahead as is the case on the IFA and BritNed interconnections.

Work on closer coordination is currently taking place between the TSOs in FUI to identify:

- Areas common to all interconnections;
- “Quick Wins” that can be achieved by introducing relatively minor changes in the short term; and
- Areas where harmonisation is more difficult and requires a long or medium term solution

EirGrid considers that coordination shall also include the exchange of information between TSOs.

#### **6.5. Timetable for market operations**

Auctions for capacity on EWIC shall be allocated sufficiently in advance and include any capacity transfers or resales. Long Term Nominations will also take place before the Daily Auctions and prior to the first SEM Gate Closure. Superpositioning shall be applied in SEM with capacity netted in opposite directions over the congested interconnection in order to maximise the capacity available to market participants. All required information will be provided to the TSOs and to the ENTSO-E Transparency Platform at the day-ahead stage to ensure information exchange and the optimal use of the network.

The CMG requires that successive intra-day allocations of available transmission capacity for Day D shall take place on Days D-1 and D. Following extensive consultation on the intraday timeframe in SEM between market participants, regulators and TSOs, it has been agreed to introduce two intraday implicit auctions in SEM, the first (EA2) at 11.30 on D-1 and the second (WD1) at 8.00 on D. This decision is now awaiting SEM Committee approval in March 2011.

#### **6.6. Transparency**

EirGrid will publish at a minimum:

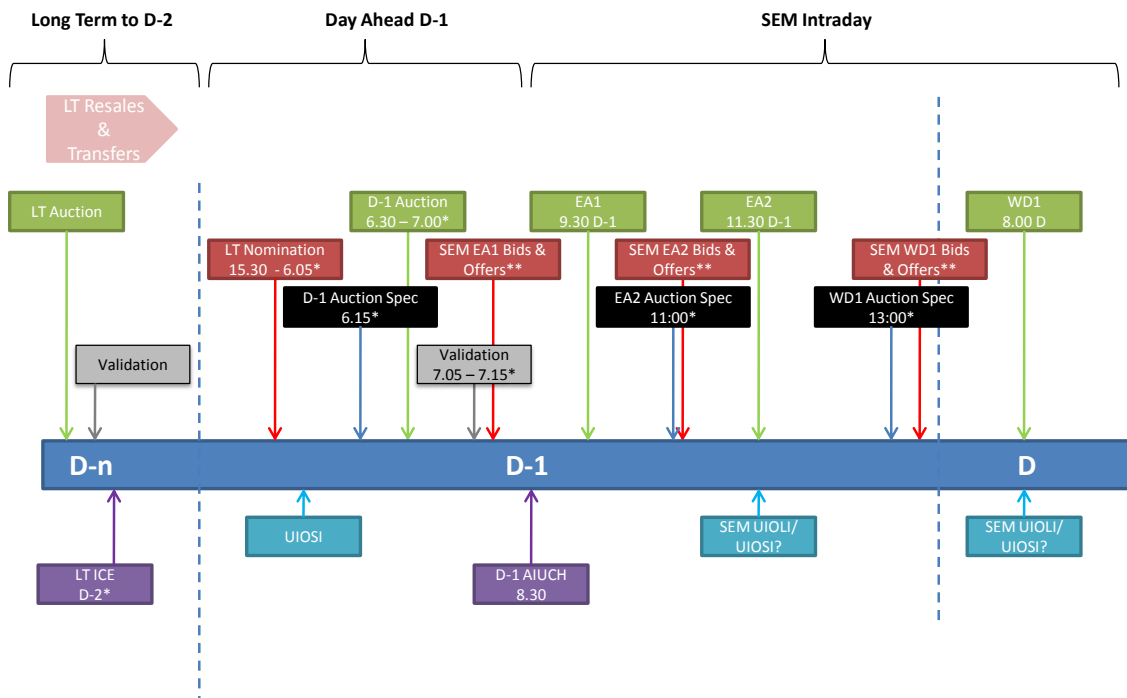
- All relevant data related to network availability, network access and network use, including a report on where and why congestion exists, the methods applied for managing the congestion and the plans for its future management;
- A general description of the congestion-management method applied and a general scheme for the calculation of the interconnection capacity for the different timeframes;
- The EWIC Access Rules contains all the relevant information on congestion management and capacity-allocation procedures in use, times and procedures for allocation and a description of the products offered and the obligations and rights of each party;
- Operational and planning security standards;
- All relevant data concerning cross-border trade on the basis of the best possible forecast;
- All relevant information on forecast demand and on generation and ex-post realised values for the forecast information;
- All information published by the TSOs shall be made freely available.

#### **6.7. Use of congestion income**

In line with its licence conditions for operating EWIC and the CMG, EirGrid will determine how congestion revenues are to be used and report this to the relevant national regulatory authorities in Ireland and Great Britain for approval.

## 7. TYPICAL AUCTION CALENDAR

### East West Process – Draft Access Rules



\*Exact timings TBC but before EA1

\*\*Implicit auction determines the Interconnector User Nominations