



To: electricity generators,
interconnector owners and
operators, suppliers, customer
representatives and other
interested parties

*Promoting choice and value for
all gas and electricity customers*

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Dear Colleague

Approval of the access rules for the Moyle interconnector

This letter is to approve the access rules submitted by Moyle Interconnector Limited (Moyle) to Ofgem on 09 September 2011¹.

Ofgem does not have formal powers to approve Moyle's access rules. However, we anticipate that we will have these powers once the Third Package legislation has been implemented in Great Britain. We anticipate that regulations under section 2(2) of the European Communities Act 1972 (domestic regulations) which will transpose the Third Package into domestic legislation and into licences will come into force in November 2011. The draft domestic regulations, including the proposed new standard licence condition 11A of the interconnector licence which will give the Authority formal powers to approve Moyle's access rules were laid before parliament on 18 July 2011 and can be viewed at the following link: <http://www.legislation.gov.uk/ukdsi/2011/9780111513965/contents>

Until standard licence condition 11A has been inserted into the interconnector licences, we are approving the access rules informally. Once Ofgem has formal powers to approve Moyle's access rules under standard licence condition 11A of the interconnector licence, and subject to there being no material change to the arrangements relating to the Moyle interconnector, Ofgem will approve the access rules formally.

Moyle's consultation and subsequent approval process has led to material improvements in the access rules:

- Introduction of day-ahead capacity auctions to facilitate more efficient allocation of capacity
- Introduction of use-it-or-sell-it and use-it-or-sell-it mechanisms to prevent capacity hoarding
- Harmonisation of the Moyle access rules with the IFA interconnector access rules
- The development of rules that are, as far as possible, identical for Moyle and Eirgrid's East-West Interconnector facilitating the common auction platform
- Removal of the reserve price

¹ A copy of the access rules has been published alongside this letter for your information. The same documents are also available on Moyle's website: <http://www.mutual-energy.com>

- Inclusion of detailed transparency provisions in an additional schedule

We understand that the access rules will be amended again with the planned introduction of intraday trading over Moyle in July 2012. Market participants should also note that regulators and TSOs in the France-UK-Ireland region are in the process of developing a joint regional work plan for further harmonisation of cross-border trading rules. The work plan will be consulted on with market participants before it is finalised.

If you require additional information regarding Ofgem's role in regulating electricity interconnectors please contact my colleague Olaf Islei (email olaf.islei@ofgem.gov.uk; tel 0207 901 7114)

Yours Sincerely,

Martin Crouch
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