



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 capacity statement for the Moyle interconnector

This letter is to approve the capacity statement submitted by Moyle Interconnector Limited (Moyle) to Ofgem¹. Moyle has submitted a capacity statement to Ofgem and to The Northern Ireland Utility Regulator (UR), setting out the methods used to calculate the engineering capacity of Moyle and the maximum capacity available to interconnector users, as required by Article 15(2) and with reference to Article 16(3) of the Third Package Electricity Regulation^{2,3,4}.

Ofgem does not have formal powers to approve Moyle's capacity statement as required by Article 15(2) of the Third Package. 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 capacity statement, 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>

¹ The capacity statement is available on the Moyle website: <http://www.mutual-energy.com/>

² 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 1228/2003. The term "Third Package" in this letter is used to refer to the Third Package Electricity Regulation.

³ Article 15(2) of the Third Package Electricity Regulation relating to provision of information states that the safety, operational and planning standards used by transmission system operators (TSOs) are to be made public. An equivalent provision was set out in Article 5(2) of Regulation 1228/2003. Moyle falls within the definition of a TSO and is therefore under an obligation to publish the relevant information pursuant to Article 15(2) of the Third Package Electricity Regulation. The information published is required to include a general scheme for the calculation of the total transfer capacity and the transmission reliability margin based upon the electrical and physical features of the network. Such schemes are required to be approved by the regulatory authorities, which in the case of Moyle is the Ofgem ("The Authority") and The Northern Ireland Utility Regulator (UR).

⁴ Article 16(3) of the Third Package Electricity Regulation relates to principles of congestion management, it provides that 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.

Until standard licence condition 11A has been inserted into the interconnector licences, we are approving the capacity statement informally. Once Ofgem has formal powers to approve Moyle's capacity statement 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 anticipates that it will be in a position to approve the Moyle capacity statement formally.

The capacity statement which Moyle submitted to Ofgem and to UR for consideration and which we informally approve in this letter sets out:

- The engineering capacity of the line (500MW in each direction)
- The maximum capacity available to interconnector users which is shown in the table below.
- The reasons why the maximum capacity of the interconnector is below the engineering capacity

Direction	Month	Capacity available to interconnector users	Capacity limit set by:
West to East	May – August	287 MW	NG/ GB System
	September - April	295 MW	SONI/ NI System
East to West	April – October	410 MW	SONI/ NI System
	November - March	450 MW	NG/ GB System

Moyle interconnector service disruption and further work

We note that at present there is a disruption to the Moyle interconnector service due to an unplanned outage. But, notwithstanding these events, we recognise that the intention of Moyle and the two National System Operators (National Grid and SONI) is to maximise the available capacity on this line. We welcome the consideration of the TSOs' long-term investment plans in the Moyle capacity statement, and anticipate further work in this area to ensure that the two national transmission systems continue to maximise the efficient cross border transfer capacity on the Moyle interconnector.

We also note that an intraday trading solution will be introduced in the Single Electricity Market to facilitate intraday trading on the Moyle interconnector in 2012. This may present an opportunity for dynamic assessment of available cross border capacity according to, for example, wind generation conditions, potentially allowing additional capacity to be offered intraday, provided system security conditions would not be compromised. We would encourage considerations of these aspects in a future update of this statement.

If you require additional information regarding Ofgem's role in regulating electricity interconnectors please contact my colleague Charlotte Ramsay (email charlotte.ramsay@ofgem.gov.uk; tel 020 7901 0512)

Yours Sincerely,

Martin Crouch
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