



Making a positive difference
for energy consumers

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Dear Bill

Approval of the modified charging methodology for the EirGrid East-West Interconnector (EWIC) including a direction to approve pursuant to Standard Licence Condition 10 paragraph 14 of the electricity interconnector licence

On 8 November 2013, EirGrid Interconnector Limited¹ (EIL) submitted its proposed modified charging methodology (the "modified EWIC charging methodology") to the Authority² for approval. This was submitted pursuant to Standard Licence Condition (SLC) 10 of EIL's electricity interconnector licence. The EWIC charging methodology explains the charges that will be applied by EIL to users for access to (including use of) interconnector capacity on EWIC³.

This letter contains a direction to approve the proposed modified EWIC charging methodology and sets out the background and reasons for our approval under section 49A of the Electricity Act 1989.

Background

On 10 November 2011, the Third Package⁴ was transposed into GB legislation resulting in amendments to the standard conditions of the electricity interconnector licence⁵. This included changes to SLC 10 on the approval by the Authority of the charging methodology to apply to third-party access to the licensee's interconnector. In particular, the relevant charging methodology objectives were amended, against which the Authority will assess the charging methodology and proposed amendments. The relevant charging methodology objectives are that the charges and the application of the underlying charging methodology shall be transparent, objective, non-discriminatory and compliant with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

¹ EirGrid Interconnector Limited is a wholly owned subsidiary of EirGrid Plc the Irish TSO. The company commercially operates an electricity link between Great Britain and the Republic of Ireland.

² The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority" "we" and "us" are used interchangeably in this letter.

³ The EirGrid East-West Interconnector is a 500MW High Voltage Direct Current link that runs between the Republic of Ireland and Great Britain.

⁴ The term "Third Package" in this letter refers to the Electricity Regulation (Regulation (EC) No 714/2009 and to the Electricity Directive (Directive 2009/72/EC).

⁵ The revised electricity interconnector licence standard conditions can be found here:

[https://epr.ofgem.gov.uk//Content/Documents/Electricity Interconnector Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf](https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Interconnector%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf)

On 4 September 2012 Ofgem approved the EWIC charging methodology in accordance with SLC 10 on the approval by the Authority of the charging methodology to apply to third party access to the licensee's interconnector.

In line with the SLC 10 paragraph 9, the licensee should review its charging methodology at least once in each calendar year and make any modifications necessary to ensure that it better achieves the relevant charging methodology objectives set out at SLC 10 paragraph 4. When proposing to make a modification to its charging methodology, the licensee should take all reasonable steps to ensure that all relevant parties are consulted on the proposed modification for a period of not less than 28 days⁶. Following such consultation, the licensee is required to furnish the Authority with a report meeting the requirements set out in SLC 10 paragraph 11(b).

EIL's proposed modified charging methodology

EIL issued its proposed modified charging methodology for consultation on 2 August until 6 September 2013. This consultation was run in parallel with EIL's consultation on EWIC's modified access rules. A number of minor changes were proposed to the EWIC charging methodology. These changes included to remove redundant wording, remove references to Balancing Services Use of System (BSUoS) charges, which are no longer applicable to interconnector users, and update the EWIC contact details.

EIL received two responses covering both consultations. No comments were made on the charging methodology. The proposed modified charging methodology, the consultation responses and the required report setting out the changes were submitted to Ofgem on 8 November 2013.

Approval of the modified EWIC charging methodology

The Authority has decided to approve the proposed modified EWIC charging methodology on the basis that it meets the relevant charging methodology objectives. A direction issued in accordance with paragraph 14 of SLC 10 of the interconnector licence to this effect can be found in the Annex to this letter.

Given the date of this approval letter, EIL will not be in a position to publish the modified EWIC charging methodology 28 days before they become effective. The Authority, in accordance with SLC10(14), has therefore directed EIL to publish the modified EWIC charging methodology as soon as possible after the date of this letter and, in any event, not later than 20 January 2014.

Yours sincerely

Rachel Fletcher
Interim Senior Partner, Markets

⁶ SLC 10 paragraph 11(a) sets out this requirement.

ANNEX

Direction issued to EirGrid Interconnector Limited pursuant to paragraph 14 of Standard Licence Condition 10 (Charging Methodology to apply to third party access to the licensee's interconnector) of its electricity interconnector licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to paragraph 14 of Standard Licence Condition 10 of the electricity interconnector licence (the "Licence") granted or treated as granted under section 6(1)(e) of the Electricity Act 1989 to EirGrid Interconnector Limited (the "Licensee").
2. Standard Licence Condition 10 paragraph 2 provides that the Licensee shall prepare and submit for approval by the Authority a charging methodology for access to (including use of) the licensee's interconnector.
4. Standard Licence Condition 10 paragraph 4 requires that the charges and the application of the underlying charging methodology shall be objective, transparent, non-discriminatory and compliant with the Regulation and any relevant legally binding decision of the European Commission and/or the Agency (collectively, the 'relevant charging methodology objectives').
5. Standard Licence Condition 10 paragraph 9 provide that the Licensee shall review its charging methodology at least once in each calendar year and, make such modifications to the charging methodology as may be requisite for the purpose of ensuring that the charging methodology better achieves the relevant charging methodology objectives.
6. Standard Licence Condition 10 paragraph 11, requires the Licensee to take all reasonable steps prior to submitting a modified charging methodology to the Authority to ensure that all persons, including those in other Member States who may have a direct interest in the charging methodology, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee shall also furnish to the Authority a report setting out the terms originally proposed in the charging methodology, the representations, if any, made by interested persons and any change in the terms of the charging methodology intended as a consequence of such representations.
7. In accordance with Standard Licence Condition 10 paragraph 11, on 8 November 2013 the Licensee furnished the Authority with a report setting out the terms originally proposed in its modified charging methodology including any changes as result of the public consultation (the "modified EWIC charging methodology").
8. Having regard to the relevant charging methodology objectives set out in SLC 10 paragraph 4 and to our principle objective and statutory duties, the Authority has decided to approve the modified EWIC charging methodology. The Authority considers that the proposed modified EWIC charging methodology better meets the relevant charging methodology objectives.
9. The Authority hereby directs, pursuant to paragraph 14 of Standard Licence Condition 10 of the Licence, that the modified EWIC charging methodology is approved.
10. Standard Licence Condition 10(14) of the Licence requires that, unless the Authority directs otherwise, that the charging methodology shall be published 28 days prior to coming into effect. Given the date of this direction, the Licensee will not be in a position to publish the modified EWIC charging methodology 28 days before it becomes effective. The Authority, in accordance with Standard Licence Condition 10(14), therefore directs the Licensee to publish the modified EWIC charging methodology as soon as possible after the date of this letter and, in any event, no later than 20 January 2014.
11. This Direction shall have immediate effect and shall remain in effect until such time as the Authority may revoke or vary the Direction in writing upon reasonable notice

12. This direction constitutes notice of the Authority's reasons for the decision pursuant to section 49A of the Act.

Dated: 15 January 2014

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Rachel Fletcher

Interim Senior Partner, Markets
Duly authorised on behalf of the Authority