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Consultation on proposed approach to cost recovery in relation to Capacity Allocation and Congestion Management mechanisms for electricity interconnectors

Dear Mr. Stone,

Thank you for providing the views of Ofgem on the above topic. In response to your request for responses on this consultation we are happy to provide the views of EirGrid Interconnector DAC (EIDAC), the owner of the East West Interconnector (EWIC). This interconnector is entirely funded by Irish customers, while its continued operation and provision of services can, when appropriately regulated provide significant benefits to SEM, GB and European consumers. On this basis EWIC will be affected by the future operation of Ireland-UK (SEM-GB¹) Regional Coupling. It is our view that consistency is of major importance to ensure the harmonisation of approach between all adjacent Regions in which the proposed Integrated Electricity Market will operate for the benefit of all.

We would like to confirm that EWIC is not party to the arrangements being outlined in the proposal and that a bespoke SEM-GB solution is required.

We have identified the following items to consider in order to ensure that a harmonised approach is adopted on all GB electricity interconnectors to provide optimum benefits:

- The implementation timelines for the SEM-GB border are different to those proposed in the document based on the implementation in the Channel region. The single day-ahead coupling and I-SEM interim intraday solutions are to be implemented for I-SEM go-live (expected May 2018) while the single intraday coupling (XBID) solution via a SEM-GB Local Implementation Project is likely to be in 2020 at the earliest. For alignment with the Ofgem proposal, different dates would need to be considered for those periods of initial development costs.
- The proposed implementation approach and associated governance on the SEM-GB border differs to that proposed for the Channel region. For example, the parties signing the contracts to implement single day ahead coupling in SEM are EirGrid and SONI in their roles as TSOs and NEMOs, rather than the interconnectors. Unlike the Channel region, EIDAC does not have direct control over the development costs of pilot and/or other projects and it is not clear that EIDAC will be able to have confidence that these costs are reasonable, efficient, and appropriate. We suggest that the governance arrangements for cost decisions need consideration to achieve those objectives.
- The proposed use of congestion revenues does not align with the details in Article 16(6) of Regulation (EC) No 714/2009 which are also included in the EIDAC licence.

¹ SEM-GB refers to market coupling between the SEM and GB markets via both the Northern Ireland to Great Britain interconnector (the "Moyle Interconnector") and the Ireland to Great Britain interconnector (the "East West Interconnector").

- EIDAC is fully funded by Irish customers with use of congestions revenues considered consistent with our licences. The use of EIDAC congestion revenues to fund GB costs would be a deviation from that which would require consultation with the Commission for Energy Regulation.
- We would hope that there would be consistency between the CER and Ofgem in respect of future development costs. If the decision is to recover future development costs from congestion revenues, then we recommend that this recovery should be capped at a certain amount of congestion revenue per annum in both percentage and financial terms. Allocation constraints being applied to interconnectors, particularly those on the SEM-GB border, will result in a significant reduction in the levels of congestion rent achievable and also potential periods when negative congestion rent is likely to occur. This would limit the ability to fund developments from congestion revenues.

We look forward to developing a consistent approach with respect to CACM costs both with the Commission for Energy Regulation and Ofgem. If you require any further information about any aspect of this response, then please do not hesitate to contact me.

Yours sincerely,



Aidan Corcoran
EIDAC

