

EIRGRID INTERCONNECTOR DAC

By email only

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15 February 2019

RE: Preparing for EU Exit: statutory consultation on consequential licence modifications in the event the UK leaves the EU without a deal

Dear Ms Stewart,

Thank you for the opportunity to provide a response to your consultation on the proposed modifications to the conditions of the Electricity Interconnector Licence, which would apply in the event that the UK leaves the EU without a deal. EIDAC welcomes the opportunity to share its views on this topic, and would like to extend an offer to engage with you further to explain the rationale behind these views and to discuss our thoughts on the impact of a “No Deal” scenario in more detail.

The focus of this response is on the Standard Licence Conditions that impact the GB-Ireland and GB-Norther Ireland border. For that reason, no comments relating to the Nemo Link Limited Special Conditions or National Grid North Sea Link Limited Special Conditions are included in this submission.

Summary – EIDAC’s continued commitment to the Internal Energy Market

In general terms, the EU has sought to build, and continues to optimise, an internal market for electricity, to help deliver energy supplies that are affordable, secure and sustainable. This EU Electricity Target Model is based upon a set of harmonised arrangements for the cross-border trading of wholesale energy and balancing services across Europe, in line with the provisions of the Third Energy Package. In support of this, the Integrated Single Electricity Market (I-SEM) replaced the all-island wholesale market arrangements in Ireland as recently as October 2018, following an instruction from the Irish and Northern Irish authorities. It was envisaged that this would increase access to more economic and low-carbon sources of electricity, facilitate access to a more open and efficient pan-European electricity market (thus delivering significant benefits to consumers) and serve as a platform for the development of intraday, forward, futures and derivative markets that enable investors and operators manage risk.



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EIDAC remains fully supportive of the principles that underpin I-SEM. Most notably, it acknowledges its role in working with industry stakeholders to generate maximum competition through trading in the day-ahead, intra-day and balancing markets. These short-term markets are directly linked to similar markets in EU Member States and, as such, will provide efficient pricing which will enhance trading in the forwards timeframe via long-term hedging products.

We would hope, and expect, that all enduring arrangements associated with interconnector operation in a “No Deal” Brexit scenario would serve to support these principles. This is in the context of the Interconnector Licence obligation placed on EIDAC through the licence granted by the Commission for the Regulation of Utilities (CRU) in Ireland to undertake its activities “*in compliance with applicable EU and Irish laws (including, Electricity Market Regulation, the Network Codes and their subsidiary methodologies)*” which will remain extant in a ‘No Deal’ scenario.

Regulatory Alignment

EIDAC notes the proposed amendments to Standard Licence Conditions 5(1), which emphasises Ofgem’s change in focus from “*(promoting) effective competition and the efficient functioning of the internal market*” to “*(promoting) effective competition and the efficient functioning of the electricity market in Great Britain*”. EIDAC’s priorities centre on the development of customer-centred and non-discriminatory arrangements, with the ultimate goal of providing a holistic benefit to the consumers, in line with the direction of ACER and, ultimately, the European Commission. While we acknowledge Ofgem’s change in role in the event of a “No Deal” scenario, we would expect to see the organisation continue to demonstrate good will towards EU counterparties, including EIDAC, in their attempts to deliver benefits to the markets into which GB interconnectors are linked.

We would hope, and anticipate, that this would be in keeping with the expectations of CRE, CREG, ACM, and CRU, who would wish to protect the consumers of the EU, and Utility Regulatory who would wish to protect the consumers of Northern Ireland, whilst still facilitating cross-border power trading opportunities with GB. We wish to express our concern at Ofgem’s decision to explicitly state this revision to its remit in the interconnector licence and fear that this could serve as a barrier in the development of mutually-acceptable arrangements, should a “No Deal” scenario come to pass. As such, we would like to understand how Ofgem would propose to work with the aforementioned regulatory authorities to ensure that interconnector operations continue to be mutually beneficial to GB, Northern Ireland and neighbouring EU Member States.

Acknowledgement of EU Member States’ feedback in approving Charging Methodologies and Access Rules

EIDAC notes the proposed amendments to Standard Licence Conditions 10(5)(a), 10(11)(a), 11A(5)(a) and 11A(10), which focus on the development and modifications to an interconnector’s Charging Methodology and Access Rules. We note the requirement to “*take all reasonable steps to ensure that all persons including those in member States who may have a direct interest in*” the Charging Methodology and Access Rules are consulted. EIDAC supports Ofgem’s approach in ensuring that EU



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stakeholders' input would continue to be a key part of the development of these arrangements in a "No Deal" scenario.

Interregnum Period

In the letter accompanying the consultation documents, Ofgem makes reference to the possibility of an "unavoidable" interregnum period. It is worth reiterating the significant changes that we believe would need to be made to govern the GB markets enduring relationship with Ireland via the East-West Interconnector and Northern Ireland via the Moyle interconnector; which could extend to potential licence changes and access rules modifications.

While EIDAC welcomes the proposed issuance of "*further guidance in the event of an interregnum*", we believe that a one size fits all approach may not be appropriate. Indeed in particular such an approach may not ultimately be in the best interest of consumers in GB and those consumers under the SEM market in Northern Ireland and Ireland. We would propose that the interregnum period should last until such time that optimal trading arrangements are finalised between BETTA and the respective markets. Hence, we would suggest that no changes are introduced to the current suite of interconnector frameworks until all market parties have been consulted on these proposed new enduring market arrangements and an implementation programme has been agreed by the relevant stakeholders and NRAs.

On behalf of EIDAC, I wish to reiterate our appreciation for the opportunity to respond to this consultation and welcome the chance to engage further with you on "No Deal" Brexit scenario planning, whether through public fora or bilateral meetings.

Yours faithfully,

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EIDAC Commercial

Cc;

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