



**East West Interconnector (EWIC)
Product Suite Consultation**

Document Type	Consultation Paper
Date Published	February 7 th 2012
Closing Date	March 2 nd 2012

Abstract:

The East West Interconnector (EWIC) Product Suite Consultation discusses the possible capacity products that could be offered on the East West Interconnector through the Auction Management Platform (AMP). This Consultation addresses the various product types and their relative merits, and it seeks feedback on what products Market Participants would like to see offered. It takes into account the comments received from respondents to the East West Interconnector Access Rules consultation, the survey issued at the East West Interconnector Trading workshop in 2010, and addresses issues raised by Participants of the East West Interconnector Trading workshop on November 23rd 2011.

Target Audience:

This consultation paper is addressed, where relevant, to members of the public, the energy industry, customers, and all interested parties in Ireland, Northern Ireland, Great Britain and the FUI region¹.

Responding to this consultation:

Responses should be received by **5 p.m. on Friday March 2nd 2012** and should be sent to:

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The Oval
160 Shelbourne Road
Ballsbridge
Dublin 4

Email: ciara.corby@eirgrid.com

Unless marked confidential, all responses will be published by placing them on EirGrid's website at www.eirgrid.com. Respondents who wish to have their responses remain confidential should clearly mark their response to this effect and include reasons for confidentiality. All responses, including those marked as confidential, will be forwarded to the relevant regulatory authorities for review.

Related Documents:

Other documentation of relevance to this consultation includes:

- East West Access Rules
- Moyle Access Rules
- Interconnexion France-Angleterre (France-England Interconnector), IFA Access Rules, Issue 8.0
- BritNed Access Rules
- (CER/11/55) Interconnector Operator Licence
- OFGEM Electricity Interconnector Licence: Standard Conditions
- Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
- 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

¹ The France-UK-Ireland (FUI) region is one of seven regions in Europe designated by ERGEG in 2006 as part of the Electricity Regional Initiative to integrate Europe's electricity markets.

1. INTRODUCTION

1.1. Purpose of Consultation

EirGrid Interconnector Limited (EIL) the licensed operator of the East West Interconnector (EWIC) will provide access to capacity on the EWIC through sale of capacity products on the Auction Management Platform (AMP).

This consultation paper requests comments from stakeholders on the sample product suites which are illustrated in this consultation paper and seeks feedback on what products should be offered, when they should be offered, and the minimum capacity amounts that should be offered for each product. It also requests feedback on the questions raised in this consultation paper.

EIL, as Interconnector Operator, would like to offer a product mix that best suits participants whilst reflecting the following objectives to:

- Facilitate trade,
- Maximise capacity usage,
- Ensure regional co-ordination with other interconnectors in the FUI,
- Minimise costs to the end consumer.

The maximum capacity for EWIC is set at 530MW import (GB to IE) and 500MW export (IE to GB), at Deeside.

1.2. Auction Characteristics

The main auction characteristics are as follows:

- Pay-as-cleared (Marginal price) rule applied
- Use of “Closed auctions” where users cannot see the detail of other individual bids
- Bids are divisible (pro-rata for equal bids)
- Validation period after long term auction: preliminary results after clearing – final results after validation period
- Possibility to set default bids for automatic submission
- €/MWhr is used for bids and auction results
- Auction granularity of 1 MW
- Netting of intra-day positions in SEM to maximise available capacity (i.e. superpositioning)

1.3. Auction Management Platform (AMP)

- AMP will be the IS tool managing third party access to the EWIC and Moyle Interconnectors (this document is only concerned with EWIC).
- AMP will be the only means to use EWIC third party access rights for the long term and daily timescales.
- AMP will manage both the long term and daily auctions and the long term nomination process to SEM.

2. SAMPLE PRODUCT SUITES

2.1. Introduction

Three auction product suites were presented at the East West Interconnector workshop in Croke Park on November 23rd 2011. The product suites ranged from:

- i. a product offering based on similar product offerings of IFA and BritNed;
- ii. a product offering based on customer feedback from the Access Rules Consultation and previous surveys; and
- iii. a product offering focused on providing daily flexibility, which may support in particular variable renewable sources.

Each product suite has its own merits, and most likely the appropriate product suite will be an amalgamation of a number of features within each sample product suite.

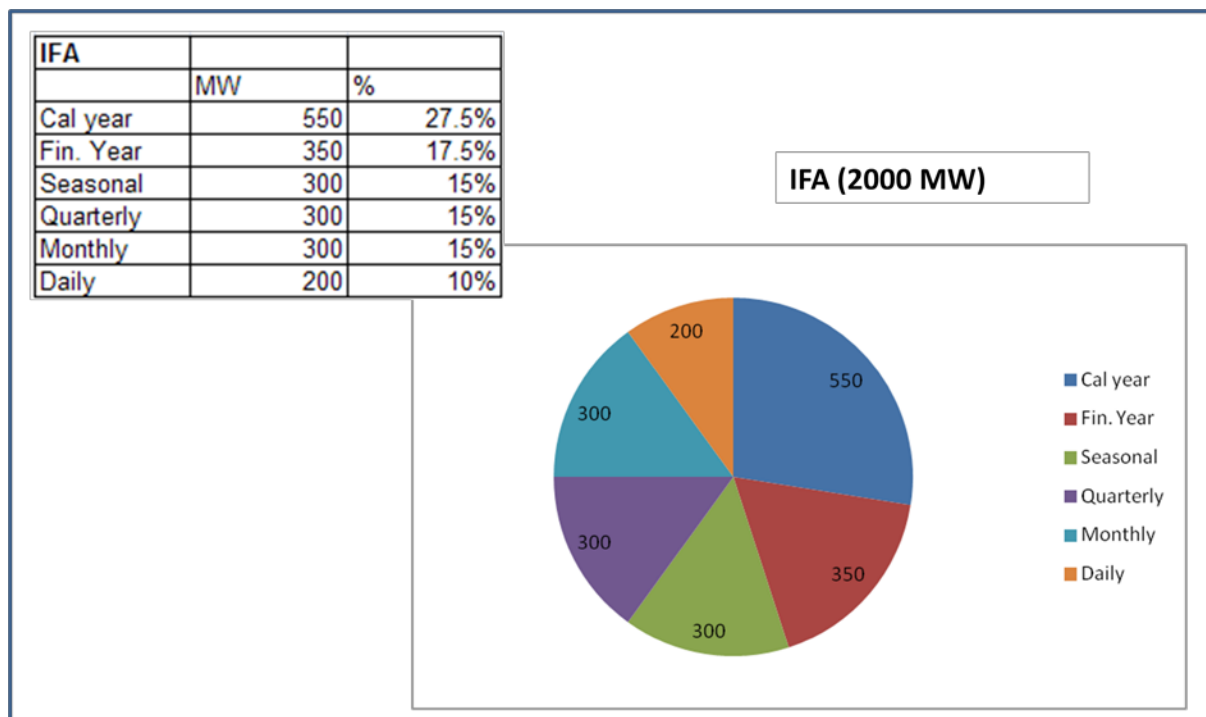
The following provides an overview and analysis of the sample product suites.

Example Suite 1: “Existing Mix”

The IFA Interconnector between Great Britain and France is a 2,000MW high voltage direct current (HVDC) link between the French and British transmission systems with ownership shared between National Grid and Réseau de Transport d'Electricité (RTE).²

For the 2011 year, 900 MW or 45% of the total capacity was offered in the combined annual auctions (financial and calendar) and the auctions are split up into a number of tranches or iterations e.g. 2 financial year auctions held, one in January and one in February, and 2 calendar year auctions held, one in November and one in December.

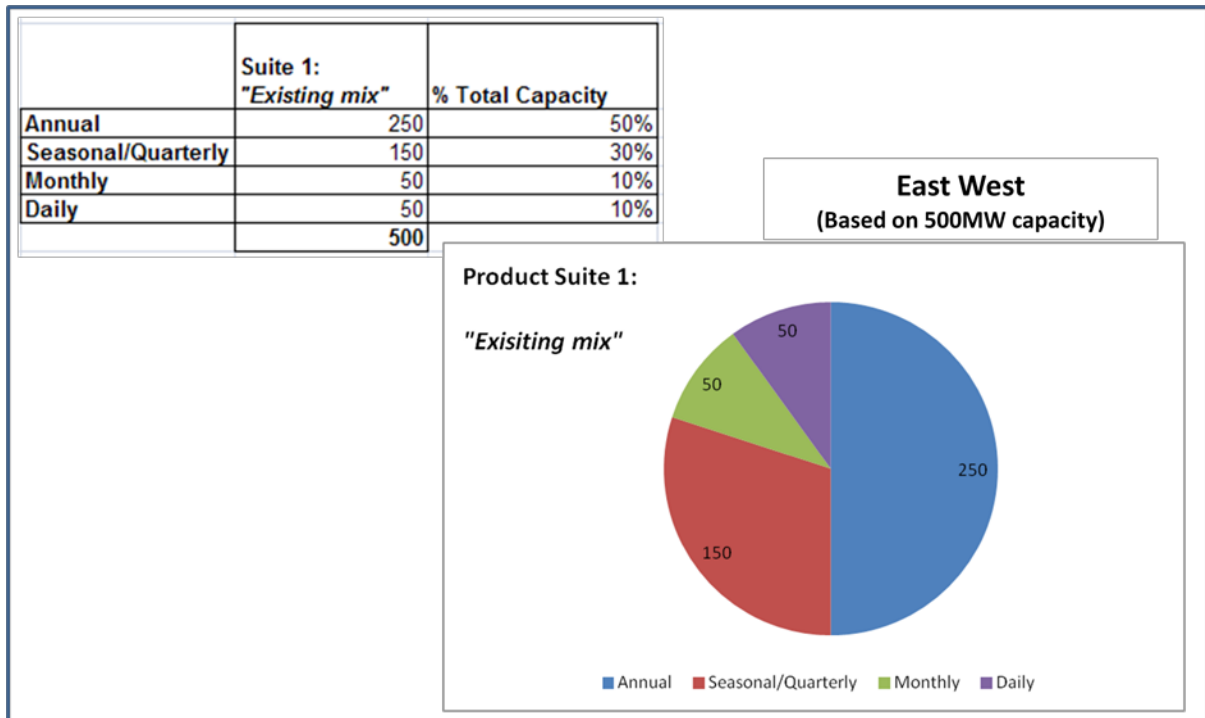
The IFA interconnector offers a UK financial year (April to March). It is possible, if participants desire it, to offer both a calendar year product (January – December) and a SEM tariff year product (October - September).



² <http://www.nationalgrid.com/uk/Interconnectors/France/GeneralInfor/>

A sample product mix broadly based on IFA, and thus weighted towards annual capacity, is provided below. In this example, 250 MW of the total 500MW would be offered into the annual auctions, which could be offered between calendar/financial year auctions and SEM tariff year auctions. This type of product mix may be preferable to participants who wish to fix their positions year ahead.

In this sample product mix, the remaining 50% of the product is offered through a combination of Seasonal/Quarterly, Monthly and Daily products. Only 10% of capacity is offered in each of the monthly and daily products, so this product suite may be less favourable for those participants who wish to fix their positions closer to delivery day.



Example Suite 2: “Survey based mix”

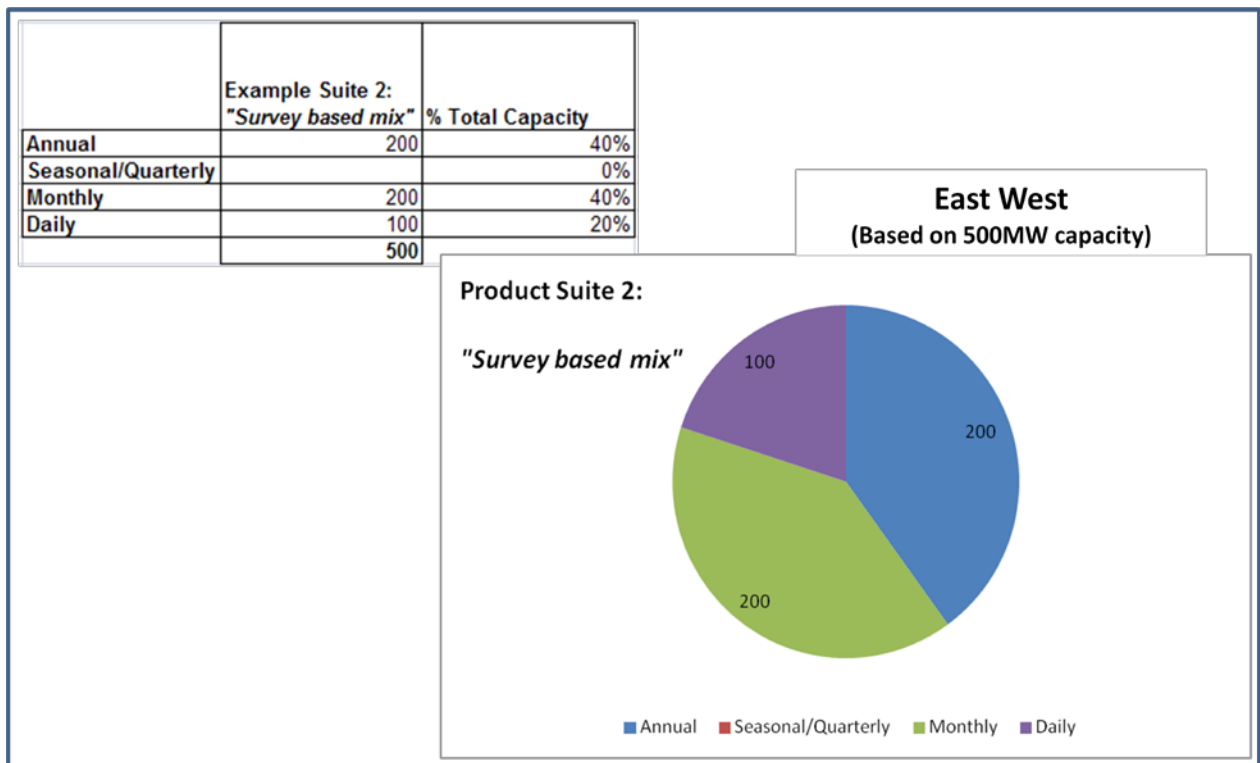
A sample product suite was produced which takes into account the comments received from respondents to the East West Interconnector Access Rules Consultation in 2011, and survey issued in 2010.

The East West Access rules consultation asked how capacity should be allocated on EWIC and what % of capacity should be allocated to each individual auction. The answers to this varied significantly and this formal consultation further explores the allocation of capacity in auctions.

The East West Access Rules Consultation sought feedback from participants regarding a number of areas including:

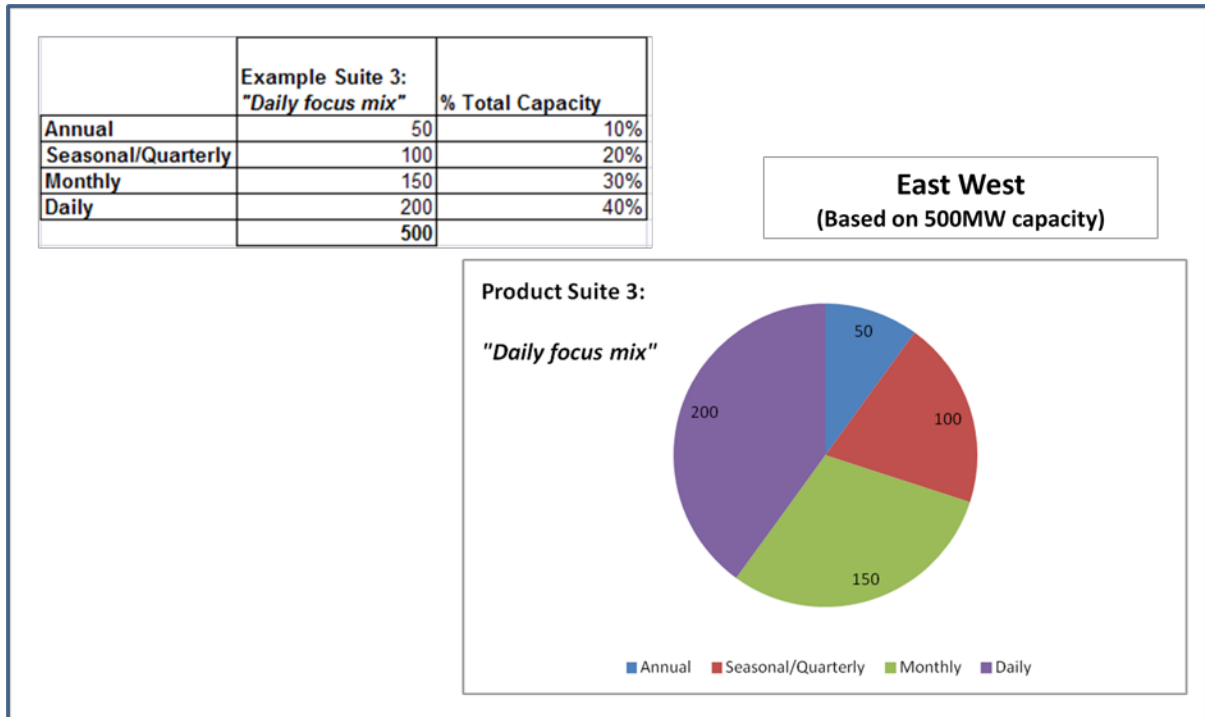
- Products offered
- % of capacity in each auction
- Product types
- Coordination with other Interconnectors
- Auction timings

At a minimum, there appeared to be a strong preference from participants for Annual, Monthly and Daily products. Annual, Monthly and Day-Ahead products are required under Section 3.2 of the Congestion Management Guidelines and in this particular scenario, the portfolio concentrates solely on offering these products. Some Interest was also expressed in Multi-annual, Seasonal, Quarterly, and Weekly products but for the purposes of this particular portfolio these are not included.



Example Suite 3: “Daily Focus Mix”

There may be a desire for a product which has an emphasis on shorter term capacity allocation in consideration of Ireland’s unique renewable energy position, favourable wind conditions and EU 2020 targets.



The above product suite offers export capacity at a shorter timeframe and therefore 40% (200 MW) of the total export capacity would be reserved for the daily auctions. 30% (150 MW) of export capacity would be allocated on a monthly basis with the remaining 30% allocated between Seasonal/Quarterly (20%) and Annual auctions (10%).

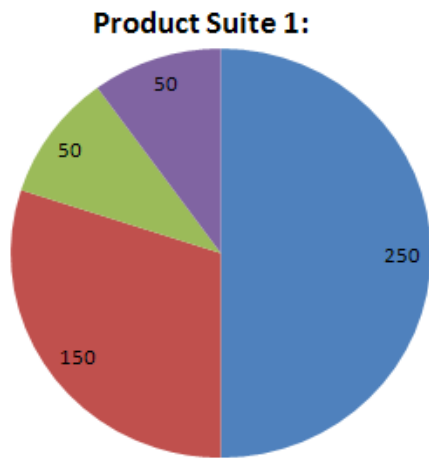
The advantage of this product suite is that it may suit the variability of renewable generation. It could also be offered as an “export only” product which could be coupled with a more “traditional” import product offering, whereby a large amount of import capacity is offered in long term auctions. The disadvantages of this type of offering are that it may not provide certainty to participants who wish to fix their positions well in advance of delivery i.e. less hedging opportunities.

Product suite summary

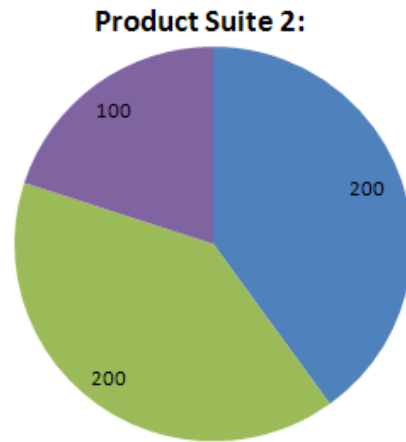
The three sample product suites range from existing product suites whereby a large amount of capacity is sold up front (Product suite 1) to very little capacity being sold in advance forward auctions (Product Suite 3). These suites are not discrete options and the final suite may be an amalgamation of different elements of each. It is not suggested that any of these suites will satisfy the requirements of all participants and objectives. However they do provide good discussion points in order to attain participant feedback on what products should be offered.

	Example Suite 1: <i>"Existing mix"</i>	Example Suite 2: <i>"Survey based mix"</i>	Example Suite 3: <i>"Daily focus mix"</i> (Export only)
Annual	250	200	50
Seasonal/Quarterly	150		100
Monthly	50	200	150
Daily	50	100	200
	500	500	500

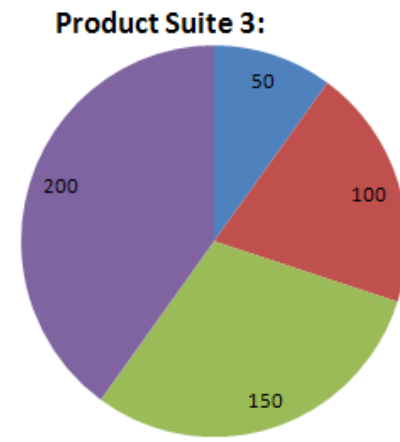
Participants are asked to provide feedback on the appropriateness of each type of product suite. Should different import and export products be offered?



■ Annual ■ Seasonal/Quarterly ■ Monthly ■ Daily



■ Annual ■ Seasonal/Quarterly ■ Monthly ■ Daily



■ Annual ■ Seasonal/Quarterly ■ Monthly ■ Daily

3. CAPACITY ALLOCATION PREFERENCES

This section offers an opportunity for participants to tailor their own product suite in order to indicate their capacity allocation preferences.

Respondents are requested to populate the grid below to indicate:

- i. Product type preference**
- ii. Preferred distribution of capacity of the various product types**
- iii. Preferred timing of the auctions**

Please provide reasons for your choices.

Please indicate your preference for total allocation of the import and export capacity. Figures should add up to 530MW import (GB to IE) and 500MW export (IE to GB). Please note import and export values can be the same or different depending on your preference and opinions of the sample suites.

	Import	Export	Preferred Timing	Rationale
Annual: Calendar year				
Annual: SEM Tariff year				
Seasonal (6 month duration)				
Quarterly (3 month duration)				
Monthly				
Daily				
Total	530 MW	500 MW		

Note: If you believe that there should be a minimum allocation of capacity in certain auctions please include a note to that effect and your preference for minimum capacity allocation amounts for import and export.

4. PRODUCT TYPES

The access rules consultation asked participants what Auction Product Types should be offered. There was a strong interest in Base products for long term auctions (i.e. products with a minimum granularity of one day. Some respondents requested:

- Peak/off peak products
- Calendar Day products
- Products aligned with EFA Blocks

It is proposed that Base products will be offered initially which is in line with the long term explicit forward products offered on IFA, BritNed and Moyle. The products will be offered on a Trading Day basis to align with the SEM design. This may be changed at a later date should the SEM trading day change to align with neighbouring markets.

Respondents are asked to comment on the appropriateness of this proposal.

5. TIMING OF AUCTIONS

Respondents to the access rules consultation were asked about the level of coordination required regarding the timing of auctions with other interconnectors. Feedback received indicated that long term auctions should be coordinated but should not be on same day in order to allow optimal opportunity to access capacity.

It is proposed that the Moyle and East West auction calendars be co-ordinated so that timings of long term auctions are the same but where the auctions are held on differing days.

Auction calendar

It is proposed that an indicative outage schedule will be published between September and December of the previous calendar year and the auction schedule will be published around the same time (Q4 Y-1).

Annual, Seasonal and Quarterly products

Feedback is requested on the timing of the annual, seasonal and quarterly products. Annual products in the form of both Calendar year (January – December) and SEM Tariff year (October - September) could be offered to participants.

Options for the timing of Annual auctions include:

- Directed Contracts window
- Two months in advance of the start of the year i.e.
 - Annual/Financial – Held in November of previous year.
 - SEM Tariff year – Held in August of previous tariff year.
- Based on IFA timing, and in line with Transparency requirements
 - E.g. Annual NTC published in November, so annual auctions held then

Seasonal products are of 6 month duration and quarterly auctions are of 3 monthly duration.

Monthly auctions

It is proposed that monthly auctions will be held month ahead (e.g. The Month of February will be sold in January). Participants are asked to provide feedback on the exact timing of the monthly auctions (E.g. Week 1, Week 4 etc).

If there is significant capacity for any long term auction products it may be sold in iterations. The timings of these will be coordinated with other iterative auctions across the FUI region.

Daily auctions

Section 3.2 of the CMG requires a “common coordinated congestion-management method and procedure for the allocation of capacity to the market at least annually, monthly and day-ahead” between the interconnections in FUI. A Daily auction will be held on D-1 (i.e. Day ahead) in advance of the first SEM Gate Closure at 9:30 (EA1). The exact timing of the daily auction is to be determined but should allow sufficient time for Capacity holdings to be sent to SEM in advance of the 9:30 am gate closure. It is proposed that Moyle and East West Daily auctions be held at slightly different times.

Intraday auctions

Capacity will not be reserved for Intraday trading. The Capacity available will be residual capacity and that freed up through Super-positioning.

Respondents are requested to provide feedback on the proposed timing of the auctions:

- (i) Annual**
- (ii) Seasonal**
- (iii) Quarterly**
- (iv) Monthly**
- (v) Daily**

Respondents are asked to provide feedback on how Long term and Daily auctions might be co-ordinated with other interconnectors.

Commencement of first auctions

In April 2012, EIL plans to issue an initial product suite. This will be followed by the first EWIC Interconnector capacity auction. Participants are requested to provide feedback on when the first capacity auction might take place. The timing should allow participants enough time to register to trade on EWIC in both SEM as all participants who wish to buy advance capacity need to fulfil all registration requirements in advance of auctions.

Respondents are requested to provide feedback on the timing of the first forward capacity auctions i.e. when the first auctions should take place.

6. CONCLUSION

The East West Interconnector is due to commence commercial operation in September 2012. The Access rules (available on the EirGrid website) were approved in October 2011 and will govern the arrangements for trading across the EWIC interconnector. EIL is keen to get the views of participants on the product suite which should be offered on the Auction Management Platform. Several sample product suites are put forward in this consultation and participant input is required in order to inform an optimal East West product offering.