

Respondent: Paddy Larkin, Moyle Interconnector Limited
Date: 2 February 2009

Draft Revised ERGEG Guidelines of Good
Practice for Electricity Balancing Markets
Integration (GGP-EBMI)

5.2 Charge on access to interconnection capacity

The paper proposes that no charge should be made for interconnection capacity made available for balancing energy. This is justified on the basis that any charge would uplift the price of balancing energy and therefore impede competition. Obviously there is an underlying assumption that any charge would be energy related and a fixed rate per unit of energy flowed. This does not need to be the case and a charge that is fixed in an overall sense or a charge that is a percentage of the benefits of a particular trade of balancing energy would have no effect on competition or the level of balancing energy flowed. Consequently the justification is unfounded. Surely it would be more sensible to ensure that any charges cannot have the effect of impeding trade in balancing energy and perhaps widen the guideline to include other system charges (eg GB BSUoS, TNUoS) – not just interconnector capacity.

Additionally there is an assumption that gate closure would be the same at each end of an interconnector. This currently is not the case between many control areas and consequently what one system operator views as balancing flows would be viewed by another as market flows. The guidelines should allow for and address these flows after gate closure in one control area but before gate closure in the other.

If no charge is allowed for using interconnector capacity, then there is an assumption that there is no cost. This again is not a valid assumption. Maintenance opportunity is lost, in the case of a bipole DC interconnector transfer losses may increase due to distributing market flows in a certain way to leave capacity available for balancing flows, certain charges such as connection charges (eg GB generation TNUoS) may be avoided if balancing capacity did not have to be made available. If paying a charge the SO can then be justified in penalising the interconnector owner for failure to perform when called upon to deliver balancing energy flow. Given that balancing flows are generally arranged near real time such an incentive to ensure reliability should be welcomed.

In summary a charge for use of interconnector capacity for balancing flows does not necessarily impede trades in balancing energy and in many cases there is a cost to providing that capacity. A charge could be used as a means to incentivise reliability. Consequently ERGEG guidelines should only prohibit charges that impede competition.

Regards
Paddy

Paddy Larkin

Managing Director

Tel: 02890 437587
Mob: 078 8511 8022

Moyle Interconnector Limited
First Floor The Arena Building
85 Ormeau Road
Belfast BT7 1SH

<http://www.nienergyholdings.com/>

Registered in Northern Ireland , No. NI036562.
Registered Office: Capital House, 3 Upper Queen Street , Belfast BT1 6PU

This e-mail is intended only for the addressee named above. As this e-mail may contain confidential or privileged information, please advise immediately if you are not the named addressee or the person responsible for delivering the message to the named addressee. The contents should not be disclosed to any other person nor copies taken.

email scanned by Ikarus ContentWall
filename: mailbody --> clean
filename: mailbody(html) --> clean
SCANMODULE: IkarusT3 vdb: 23.01.2009 06:04:21 (72197) version: 1.1.34.0
