

Mr. Paddy Larkin
Chief Executive Officer
Moyle Interconnector Limited
First Floor, The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Ref: WM018-11-879

10 July 2020

Dear Paddy

Moyle's request for a direction to apply the credit balance on the Distributions Account

I am writing in response to your letter of 1st July 2020. The letter essentially requests that the UR approve, effectively by way of giving a direction under paragraph 4 of the direction dated 1 October 2018 and given under Condition 13 of Moyle Interconnector Limited ("Moyle")'s electricity transmission licence, a mechanism for Moyle to apply its surplus cash reserves towards a reduction in electricity tariffs.

The UR welcomes the proposal to apply the surplus congestion income collected by Moyle and to use it for the benefit of end consumers.

In brief, the proposal is -

- for Moyle to pay the amount of the surplus to SONI Limited – acting in its capacity as the Transmission System Operator as authorised under the electricity transmission licence held by SONI; and
- for SONI to reflect and take full account of the amount of the payment it receives from Moyle in its SSS/TUoS tariffs for tariff year 2020/2021 such that they are reduced accordingly.

In this respect, the payment will be

- (a) based on the Collection Agency Income Requirement ("CAIRt") provided for in both the Moyle Interconnector Transmission Licence and the SONI Transmission System Operator Licence, and

- (b) made in line with the arrangements explained in your letter of 1st July 2020 and will follow the arrangements set out in the Collection Agency Agreement (“CAA”) between Moyle and SONI.

On 1 October 2018, the Authority issued a direction to Moyle under paragraph 2 of Condition 13 (in Part IID) of the electricity transmission licence granted to Moyle on 28 February 2003 (the **Moyle Direction**). Paragraph 4 of the Moyle Direction provides that if there is a credit balance on the Distributions Account at any time, Moyle shall apply the amount in such manner as the Authority specifies in a written direction and that Moyle shall not transfer any amount out of the Distributions Account other than in accordance with such a direction.

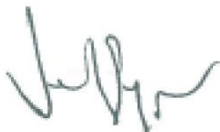
The UR notes that, subject to the necessary regulatory approval, Moyle’s financing arrangements also include a means by which surplus cash can be extracted via a ‘Distributions Account’.

The UR also notes that Article 19(3) of Electricity Regulation 2019/943 (the “Regulation”) provides that, subject to certain priority objectives having been adequately fulfilled, congestion revenues may be taken into account by regulatory authorities when approving the methodology for calculating network tariffs, or fixing network tariffs, or both.

Accordingly, having reviewed the details set out in your letter of 1st July 2020 and having received written acknowledgment from SONI that any payment it receives Moyle will be applied to effect a reduction in the SSS/TUoS tariffs for tariff year 2020/2021, the UR gives the direction at Appendix 1 to this letter.

Should you have any further queries regarding the information contained within this letter, please contact JeanPierre.Miura@uregni.gov.uk.

Yours sincerely



Jenny Pyper

Chief Executive Officer

Cc Colin Broomfield

Appendix One

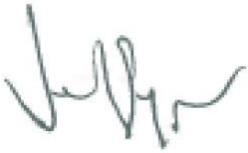
Direction issued under paragraph 4 of the 'Moyle Direction'

Whereas –

- (A) On 1 October 2018, the Northern Ireland Authority for Utility Regulation (the **Authority**) issued a direction pursuant to paragraph 2 of Condition 13 of the licence to participate in the transmission of electricity held by Moyle Interconnector Limited (**Moyle**) under Article 10(1)(b) of the Electricity (Northern Ireland) Order 1992 (the **Moyle Direction**).
- (B) Paragraph 4 of the Moyle Direction provides that if there is a credit balance on the Distributions Account (as defined in the Moyle Direction) at any time, Moyle –
 - a. shall apply the amount in such manner as the Authority specifies in a written direction; and
 - b. shall not transfer any amount out of the Distributions Account other than in accordance with such a direction.
- (C) There is a credit balance of £3.8 million on the Distributions Account – which amount is a surplus to the maximum amount that Moyle is entitled to recover under the Moyle Direction.
- (D) On 1st July 2020, Moyle requested to apply the amount of the credit balance (the surplus amount) by way of making a payment of the said amount to SONI Limited (**SONI**) (acting in its capacity as transmission system operator under and in accordance with the electricity transmission licence held by SONI) in line with and following the arrangements set out in the Collection Agency Agreement entered into between Moyle and SONI.
- (E) SONI has provided written acknowledgment to the Authority that the payment it receives from Moyle will be applied to effect a reduction in its SSS/TUoS tariffs for tariff year 2020/2021.
- (F) Any payment made by Moyle to SONI will be taken into account by the Authority when approving SONI's SSS/TUoS tariffs for the tariff year 2020/2021.

The Authority now gives the following direction –

1. The credit balance on the Distributions Account as at the date of this direction shall be applied by Moyle by way of making a payment to SONI in line with and following the arrangements set out in –
 - a. Moyle's letter to the Authority of 1st July 2020; and
 - b. The Collection Agency Agreement.



Signed:

Name: Jenny Pyper, CEO

Date: 10 July 2020

Authorised by and on behalf of the Northern Ireland Authority for Utility Regulation