

Charging Methodology Statement

**Moyle Interconnector
Issue 2.0**

Effective from 29th August 2014

1 INTRODUCTION

1.1 Moyle Interconnector Limited ("MIL") is responsible for the transmission of electricity across the Moyle Interconnector ("Moyle"). The Interconnector connects the national electricity transmission systems of Northern Ireland and Great Britain. The Moyle Interconnector provides the opportunity to market participants to trade electricity between the Single Electricity Market (SEM) on the island of Ireland and British Electricity Trading and Transmission Arrangements (BETTA) market in Great Britain. MIL is a wholly owned subsidiary of Mutual Energy Ltd and holds a Licence to Participate in Transmission in Northern Ireland and an Interconnector Licence in Great Britain.

1.2 The Moyle link comprises of two AC to DC converter stations connected by two cables between Auchencrosh in Scotland and Ballycronan More in Northern Ireland some 63Km in length.

1.3 This document sets out the charging methodology which will be applied by MIL for the use of the Moyle Interconnector.

1.4 An electronic version of this document can be obtained by visiting the Mutual Energy website at: www.mutual-energy.com.

1.5 Further information on MIL's activities and the information contained within this document can be obtained by contacting us by telephone, email or in writing:

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INTERCONNECTOR CHARGING METHODOLOGY

2.1 MIL is establishing a Charging Methodology outlining the methodology for applying for, determining access to and charging for the reservation and use of capacity on Moyle. This charging methodology will be approved by the relevant Regulatory Authorities before it takes effect. Subsequent modifications to the charging methodology will be submitted to the relevant Regulatory Authorities if such modifications are deemed to better achieve the relevant charging methodology objectives.

MIL shall review its charging methodology at least once in each calendar year and, subject to its licences, make modifications to the Charging Methodology for the purpose of ensuring that it better achieves the relevant charging methodology objectives.

Objectives of the charging methodology

2.2 The objectives set out in Condition 10(4) of the Ofgem Electricity Interconnector Licence Standard Conditions, with which this methodology seeks to align, require that the Charges and their underlying methodology are:

- (a) Objective;
- (b) Transparent; and
- (c) Non-discriminatory

2.3 In addition to this set of relevant objectives MIL has its own objectives for the charging regime. These are that the use of interconnector charges should:

- (a) Be simple to understand and implement; and
- (b) Promote efficient use of the interconnector within the context of the differing market structures it connects.

2.4 Where modifications are proposed by MIL to this charging methodology these will be consulted upon with the industry. The relevant Regulatory Authorities may amend any proposed changes to the methodology before the changes would otherwise take effect.

2.5 MIL believes that the methodology it has prescribed for charges for using Moyle facilitates the relevant objectives described above.

Capacity Charges

2.6 The right to flow electricity in any particular direction will be offered on a non-discriminatory basis via an explicit auction mechanism on the AMP and implicitly in the SEM. The explicit auction rules are set out in the Moyle Interconnector Access Rules¹. The implicit auction arrangements are set out in the SEM Trading & Settlement Code.

2.7 Capacity rights will be offered in units or multiples of 1MW/period. The Moyle Interconnector Access Rules set out the basis on which capacity rights will be offered, allocated to and utilised by eligible Users.

2.8 The price that Users will pay in explicit auctions to MIL for each capacity right in a congested auction is the price bid in an auction for the last unit in descending order of price (Clearing (Marginal) Price) that was accepted by MIL (but subject to any curtailment in the event of unplanned outages). If the User does not exercise these capacity rights, they may subsequently be purchased by another (or the same) eligible User in accordance with the principles and criteria of Use it or sell it ("UIOSI") as described in the Moyle Interconnector Access Rules.

2.9 To determine whether congestion has occurred intraday, all in-merit bids will be summed and compared to the available interconnector capacity for the same trading period. In-merit bids for the GB to NI direction are bids with a price less than or equal to the Shadow Price in the applicable MSP software run in the relevant

¹ http://www.mutual-energy.com/The_Moyle_Interconnector/Access_Arrangements.php

trading period and In-merit bids for the NI to GB direction are bids with a price greater than or equal to the Shadow Price in the applicable MSP software run in the relevant trading period. The charge for congestion will be calculated based on a marginal pricing approach using a Factor of 50%², calculated as follows:

For Direction (GB to SEM), Price = (Ex Ante Shadow Price – Highest Accepted Bid) x Factor

For Direction (SEM to GB), Price = Max[0, (Lowest Accepted Bid – Ex Ante SMP) x Factor]

2.10 Charges in respect of superpositioned capacity will accrue to MIL.

Bid acceptance

2.11 MIL will accept bids in strict accordance with the criteria set out in the Moyle Interconnector Access Rules.

Capacity release

2.12 Moyle has a maximum capability at Auchencrosh as set out in the table below. MIL will make available capacity rights for any given day up to the maximum capability via auctions for that day taking into account Net Transfer Capacity³, planned outages and extended unplanned outages.

Direction	Month	Capacity	Capacity limit set by:
West to East	May - August	287 MW	NG/ GB System
	September - April	295 MW	SONI/ NI System
East to West	April - October	410 MW	SONI/ NI System
	November - March	450 MW	NG/ GB System

2.13 Capacity rights unsold in longer term auctions may cascade into auctions closer to the day to which the capacity right applies.

2.14 In situations where MIL has sold more capacity rights than it can deliver, due to a Net Transfer Capacity reduction, a process will be applied to ensure that the exercisable capacity rights are no greater than the capability of MOYLE. This process, known as "Curtailement", is set out in the Moyle Interconnector Access Rules. Users will be credited only for purchased capacity that MIL is not able to deliver. For capacity acquired in the intraday timeframe, the User will not be charged for the curtailed Units and no credit will be due.

² The 50% factor ensures that the charge for capacity is a proportion of, and less than, the infra-marginal rent earned by the trader.

³ Net Transfer Capacity as defined by ENTSOe:

https://www.entsoe.eu/fileadmin/user_upload/library/ntc/entsoe_transferCapacityDefinitions.pdf

https://www.entsoe.eu/fileadmin/user_upload/edi/library/ecan-v5r0/ecan-guide-v5r0.pdf

3 CHARGING METHODOLOGY

Introduction

3.1 This publication sets out the Charging Framework that will apply from the date the methodology is approved by the Regulatory Authorities.

3.2 Details of the third party access regime applicable to Moyle are published on the Mutual Energy website.

Eligibility to use the Interconnector

3.3 Customers wishing to become a Moyle user can apply via a non-discriminatory eligibility process. The eligibility requirements are set out in Rule B2 of the Moyle Interconnector Access Rules and require parties to be signatories to the Moyle Interconnector Access Rules via a Moyle User Agreement and signatories to the relevant market codes in operation at either end of the interconnector. These codes include the Balancing & Settlement Code and Connection & Use of System Code in BETTA and the Trading & Settlement code in SEM.

3.4 It is the responsibility of Moyle users to comply with these codes. MIL understands that the payment of charges associated with the Balancing & Settlement Code, the Trading and Settlement Code and the Connection & Use of System Code are levied by Elexon, SEMO and National Grid Electricity Transmission respectively. Further detail of the charges can be found in the respective codes.

Moyle Access Rules

3.5 The Moyle Interconnector Access Rules set out the conditions of access for use of the Moyle Interconnector this includes the process by which access rights (capacity) can be secured.

3.6 MIL has an obligation to ensure that the Moyle Interconnector Access Rules fulfil the requirements of this Charging Methodology statement. To the extent that changes in the Moyle Interconnector Access Rules result in a requirement to modify this Charging Methodology Statement then this shall be carried out in line with Condition 10(11) of Ofgem's Electricity Interconnector Licence Standard Conditions.

Units

3.7 Access (capacity) charges are expressed in £/MW/hour to two decimal places.

Invoicing

3.8 MIL produces and issues invoices that are derived from the use of Moyle charges levied in accordance with the Moyle Interconnector Access Rules and this statement. Payment for capacity will be in pounds sterling only.

Interconnector access rights

3.9 Users of Moyle can acquire interconnector capacity in accordance with the Moyle Interconnector Access Rules. These capacity holdings may be used by the User in the SEM market to obtain an energy transfer allocation on Moyle subject to the SEM market rules.

3.10 All access rights relate to a particular period and to each hour within that period.

3.11 Advance purchase of capacity is available in a series of explicit capacity product auctions on a unidirectional basis ranging from annual products to daily products, plus intraday implicit auctions.

Secondary trading

3.12 A User that holds firm capacity may relinquish this capacity for use by other eligible Users. There are two mechanisms to achieve this. The first is characterised as reassignment and the second is achieved via a title transfer as part of its resale.

3.13 Reassignment involves the bilateral transfer of capacity to another eligible User where the original User retains the obligation to pay MIL for that capacity.

3.14 A title transfer can be realised through the resale of capacity (via the auction process) to another eligible User in accordance with the principles and criteria of resale as described in the Moyle Interconnector Access Rules.

3.15 MIL facilitates a complimentary resale service through the use of the AMP.

Use it or sell it ("UIOSI")

3.16 The Moyle Interconnector Access Rules contain automated UIOSI provisions, in accordance with which any portion of long-term capacity (hourly resolution) that is not nominated for use in SEM is deducted from the User's entitlement and made available to the daily auction process, with the proceeds (if any) being returned to the original User (UIOSI).

3.17 Any capacity which is not used at the first SEM gate closure is made available to the Intraday auction process. UIOSI will apply in the intraday timeframe in accordance with the Moyle Interconnector Access Rules.

Access (Capacity) charges

3.18 The charge payable to MIL will be a unit price of capacity multiplied by the number of units of capacity.

4 CAPACITY TO BE OFFERED

4.1 The capacity offered will be 100% of Moyle capability taking into account Net Transfer Capacity, planned outages and unplanned outages. Details of planned outages are published and can be found on the Mutual Energy website. In the event of an NTC reduction, curtailment will be applied where necessary, in accordance with the Moyle Interconnector Access Rules.

4.2 A timetable for auctions other than daily will also be published on the Mutual Energy website.