

MOYLE INTERCONNECTOR plc

NORTHERN IRELAND ELECTRICITY plc

Moyle Interconnector Import Capacity, Moyle Interconnector Export Capacity and N-S Interconnector Export Capacity

1 April 2003 – 31 March 2006

INVITATION TO BID

1. Introduction

- 1.1 Moyle Interconnector plc ("Moyle") and Northern Ireland Electricity plc ("NIE"), through the agency of the Transmission System Operator in Northern Ireland i.e. SONI Limited ("SONI"), and with the agreement of the Director General of Electricity Supply for Northern Ireland ("The Director"), are, respectively, releasing Moyle Interconnector import capacity, Moyle Interconnector export capacity and North-South Interconnector export capacity for auction to permit trading between IPPs and Suppliers in Great Britain, Northern Ireland and the Republic of Ireland.
- 1.2 This document details the arrangements for interested parties to participate in the auctions for capacity rights in respect of periods which will commence at 06:00 hours on 1 April 2003. The rights will be for one year, or alternatively two and three years for Moyle import capacity only.
- 1.3 By participating in this Interconnector Capacity Auction process, the bidders will be deemed to have agreed to accept the terms of this Invitation to Bid.
- 1.4 While this Invitation to Bid has been prepared with due care, Moyle, NIE and SONI do not make any representation, warranty or undertaking, express or implied, in or in relation to these Interconnector Capacity Auctions and no responsibility or liability is or will be accepted by Moyle, NIE or SONI as to, or in relation to, the accuracy or completeness of this Invitation to Bid, any suggestion made by any of them or any other written or oral information made available to any interested party or its advisers and any such responsibility or liability is hereby expressly disclaimed. Nothing in this paragraph 1.4 will restrict any rights of any person with respect to any fraud on the part of any other person.
- 1.5 One of the aims in undertaking these Interconnector Capacity Auctions is to give potential Capacity Holders an opportunity to supply Customers in Northern Ireland, Great Britain and the Republic of Ireland. No representation is made as to the willingness of Customers

in these areas to enter into contracts and bidders must make their own enquiries and take their own advice about the market for generation and supply in each of the interconnected jurisdictions referred to in this clause.

- 1.6 These Interconnector Capacity Auctions are being conducted by SONI who will decide, on behalf of Moyle and NIE, respectively, which of the bids for Moyle Interconnector Capacity and North-South Interconnector Capacity will be accepted and will require the bidder to enter into the relevant Interconnector Capacity Agreement, and any other agreements which may become necessary to facilitate interconnector trading, as determined by SONI, and approved by the Director. Bidders should note that the contractual arrangements for Moyle will be different to those in place heretofore, in that capacity holders will be required to sign new agreements with Moyle, rather than NIE, for use of the Moyle Interconnector. Bidders should also note that the Moyle agreement provides that capacity holders who do not have an Approved Credit Rating must provide the security cover specified in Clause 5 of the Moyle Interconnector Capacity Agreement. Bidders should also be aware that, if they are entering into an agreement for North/South interconnector capacity, they will be required to have an Approved Credit Rating or provide the security cover specified in Clause 5 of the North/South Interconnector Capacity Agreement.
- 1.7 Neither the receipt of this Invitation to Bid by any person nor any information contained in it or supplied with it or subsequently communicated to any person constitutes, or is to be taken as constituting, the giving of investment advice by Moyle, NIE or SONI to any person.
- 1.8 Certain legislative, regulatory and other arrangements may need to be implemented before these Interconnector Capacity Auctions can be completed. SONI reserves the right not to proceed with the Interconnector Capacity Auctions or any part of them or any similar auction and may terminate this Interconnector Capacity Auction process at any time.
- 1.9 This Invitation to Bid is governed by the laws of Northern Ireland to the exclusion of any other national law and the Northern Ireland Courts shall have sole jurisdiction in relation to any disputes in relation thereto unless the parties agree otherwise.

2. Bids for Capacity

- 2.1 Bids will be made by completing the forms in the attached Appendix 1. Bids must be returned to SONI by 09:00 hours on 11 December 2002 for the first iteration by 09:00 hours on 16 December 2002 for the second iteration and, assuming a third iteration is necessary, by 09:00 hours on 19 December 2002.

- 2.2 Secondary trading in acquired rights is permitted in accordance with the provisions of the Interim Settlement Arrangements and clause 2.4 of the Moyle Interconnector Capacity Agreement or Clause 5 of the North/South Interconnector Capacity Agreement.

3. Timetable

- 3.1 Bidders who are successful in acquiring capacity rights under the auction will be notified by SONI by 17:00 hours on 11 December 2002 for the first iteration, by 17.00 hours on 16 December 2002 for the second iteration and, assuming a third iteration is necessary, by 17.00 hours on 19 December 2002.
- 3.2 The Director has indicated that he may set a limit on the number of capacity units which may be allocated to any one bidder and its related entities.
- 3.3 SONI reserves the right to refuse bids which do not comply with the terms of the Invitation to Bid.

4. Payment for Capacity

- 4.1 Bids received by SONI are binding and, if accepted, represent an obligation to pay for the acquired capacity under this auction.
- 4.2 Successful bidders will pay the bid price as marked on the bid forms submitted against each capacity block. Bid prices are exclusive of VAT.

5. Traders

- 5.1 Allocation of capacity under these arrangements does not give any Applicant the right to submit a Nomination to SONI under the Interim Settlement Code. An Applicant only has that right if it is a party to an Interim Settlement Agreement with NIE, which is an agreement in the form of the pro forma Interim Settlement Agreement established under NIE's transmission licence granted under the Electricity (Northern Ireland) Order 1992.
- 5.2 An Applicant also only has the right to submit nominations under the Interim Settlement Code if it has an Approved Credit Rating or has provided the security cover in accordance with Clause 5 of the Moyle Interconnector Capacity Agreement or Clause 5 of the North/South Interconnector Capacity Agreement.
- 5.3 An Applicant who does not hold a licence granted under the Order (a "Trader") which would include a Supplier with a licence in the RoI but not Northern Ireland, but who wishes to use Interconnector Capacity to export from Northern Ireland itself may apply to NIE to enter into an

Interim Settlement Agreement under which it agrees to comply with the Interim Settlement Arrangements.

5.4 Any Applicant (in particular, a person acting as a Trader) who:

- (a) does not have an Interim Settlement Agreement with NIE and therefore has no right to submit nominations under the Interim Settlement Code; or
- (b) has capacity allocated to it that it does not wish to use,

may assign that capacity to any person who is a party to an Interim Settlement Agreement with NIE ("Assignee"). To assign the capacity, the Applicant and the Assignee must sign and submit the form in Appendix 1 of the Moyle Interconnector Capacity Agreement or the equivalent form in respect of the North-South Interconnector Capacity Agreement to SONI by 09.00 hrs on Day – 3 (three days before dispatch). Only the Assignee may submit nominations in respect of that capacity. The Applicant remains liable to pay the capacity charge.

6. Submission and Evaluation of Bids

- 6.1 Bidders must register their intention to bid with SONI by 5.00 p.m. on Monday 9 December 2002. Bidders should register by sending a letter, facsimile or E-mail in the form of the attached Bidder Registration Letter to Robin McCormick, at the address, fax number or e-mail address set out in 6.2. Only bidders who have registered by that date will be eligible to participate in any of the first, second or third iterations. A bidder who wishes to withdraw from the auction process may do so by notifying SONI in writing, although it may not do so after it has submitted a bid.
- 6.2 Bidders must satisfy themselves that they have the complete Invitation to Bid and any other information relevant to their participation in this auction. Bidders may ask SONI for clarification of the Invitation to Bid or additional information. Where additional information or clarification is given, it may also be disclosed to all other bidders. Enquiries in relation to this Invitation to Bid should be made electronically or in writing to Robin McCormick at:

Castlereagh House Control Centre
12 Manse Road
BELFAST
BT6 9RT

Tel. 028 9079 4336
Fax 028 9070 7560
E-Mail: robin.mccormick@soni.ltd.uk

- 6.3 Bid Forms must be delivered by courier, registered post or by hand to SONI at:

Castlereagh House Control Centre
12 Manse Road
Belfast
BT6 9RT.

- 6.4 Late Bid Forms will be rejected and returned to the bidder unopened.
- 6.5 An original and a copy of the Bid Form must be submitted in a sealed envelope marked "Private & Confidential. To be opened by addressee only. For the attention of Robin McCormick Bid by [Name of bidder] in relation to the Interconnector Capacity Auctions closing 09:00 hours, 11 December 2002, 09:00 hours, 16 December 2002 and 09:00 hours 19 December where appropriate." The envelope must state a return address.
- 6.6 Bids will be opened by SONI in the presence of the Director General of Electricity Supply for Northern Ireland or his nominee.
- 6.7 Bids will be evaluated according to the following evaluation criteria:
- (a) Price bid; and
 - (b) Validity of bid (this criterion will include: whether the bid has been received in time, is correctly executed, and has been submitted together with required information, whether there is any evidence of collusion on the part of the bidder; whether the bid is within any maximum limit of the available capacity which may or may not be set by the Director and is unqualified and unconditional; and whether the bid price exceeds the reserve price).
- 6.8 A pro rata allocation methodology will be used to allocate units of capacity where bid prices are the same and there are not enough units available to accept all the bids at that price. The pro rata allocation will be calculated on the basis of the total number of bids at the relevant price. If pro rata allocation is required, bids will be accepted on this basis to the extent this results in whole units being allocated (and the maximum number of bids, if any, not being exceeded for any one bidder) and the balance will be allocated at the discretion of SONI and Ofreg.
- 6.9 Any allocation of units made in accordance with the procedure described in paragraph 6.8 will be binding on all affected bidders and any bidder whose bid is accepted under such procedure for a number of units less than the number of Units bid for, must enter into an Interconnector Capacity Agreement in accordance with the following provisions of this Invitation to Bid in respect of the number of units in respect of which the bid has been accepted.

7. Acceptance, rejection and conclusion of Agreement

- 7.1 SONI will accept the bids by writing “accepted” next to the bid on the Bid Form or reject the bid by writing “rejected” next to the bid on the Bid Form. The acceptance of a bid will constitute a binding agreement between Moyle or NIE, as the case may be, and the bidder to enter into the relevant Interconnector Capacity Agreement for a unit of capacity at the bid price.
- 7.2 SONI will notify bidders of the outcome of their bids and will complete Schedule 2 of the relevant Interconnector Capacity Agreements to include the particulars of the accepted bids. SONI will arrange for the execution of two originals of the appropriate Capacity Agreement by Moyle or NIE, as the case may be, and will forward these to each successful bidder who will execute both and return one executed original Interconnector Capacity Agreement to Robin McCormick at Castlereagh House Control Centre, 12 Manse Road, Belfast BT9 6RT.
- 7.3 SONI, with the agreement of Ofreg, reserves the right to publish the outcome of the Interconnector Capacity Auction at a later date including the name of successful bidders and the number of units allocated to them.

8. General

- 8.1 Successful bidders will be required to sign the relevant Interconnector Capacity Agreement and any other agreements which may become necessary to facilitate interconnector trading, as determined by SONI, and approved by the Director.
- 8.2 SONI may at any time by notice to all Participants (as defined in the Interim Settlement Code) and any Trader then known to it amend or terminate the arrangements described in paragraph 8.1 with effect from the end of the Trading Day commencing on the day two days after the notice to terminate is given.
- 8.3 NIE’s “Conditions Applicable to Electricity Agreements entered into with Northern Ireland Electricity plc” as amended from time to time apply to the agreements to be entered into by NIE in accordance with the arrangements described in this document. In submitting an application to SONI as agent for NIE, the Applicant is entering into an agreement on those Conditions and on the terms set out in this document. That agreement will be treated as the Use of Interconnector Agreement required by paragraph 9.1.2 of the Interim Settlement Code.
- 8.4 SONI may reject any application made under these arrangements if at the time of the application the Applicant is in default in making any payment due to Moyle or NIE as the case may be in relation to its use of any Interconnector.

- 8.5 SONI, with the agreement of the Director, reserves the right to amend the Invitation to Bid by notice to bidders given not less than 2 Business Days before close of bids and to cancel the Invitation to Bid at any time.
- 8.6 The Interim Settlement Agreement and the Interim Settlement Code are subject to approval by the Director and the terms of the documents may change after bids have been accepted and before they are approved. Bidders will be sent copies of any changes. After any Interim Settlement Agreement is executed, changes to those documents will be made in accordance with NIE's licence and the terms of the Interim Settlement Agreement.
- 8.7 There must be no collusion by any bidder with any other bidder. Evidence of collusive behaviour will result in disqualification of bids.
- 8.8 SONI reserves the right to conduct another auction of capacity units unsold in these Interconnector Capacity Auctions and may also conduct similar auctions of additional capacity in the future.
- 8.9 Bidders participate in the auction at their own cost. Moyle, NIE and SONI are not liable for any cost or expense incurred by or on behalf of bidders in connection with these Interconnector Capacity Auctions including in the event of their cancellation.
- 8.10 Bidders should note that, while Moyle owns the Moyle Interconnector, it does not at present hold a licence under The Electricity (Northern Ireland) Order 1992 ("the "1992 Order"), as the activities which it conducts (comprising the ownership of the Moyle Interconnector, the operation of the Moyle Interconnector by SONI on its behalf and the entering into of use of interconnector agreements with third parties) do not constitute the transmission of electricity within the meaning of the 1992 Order and cannot therefore be licensed under the 1992 Order. It is anticipated that the Energy (Northern Ireland) Bill, when enacted early next year, will amend the 1992 Order and have the effect that interconnector activities will require a transmission licence. Moyle will therefore obtain a licence when these amendments come into effect.
- 8.11 Notwithstanding that Moyle is not licensed, it has agreed to deliver certain undertakings to Ofgem on a transitional basis. These undertakings state that Moyle will comply with requirements which in all material respects are the same as the corresponding requirements in relation to interconnectors to which NIE is subject under its transmission licence.
- 8.12 As a consequence of these undertakings, Moyle will have to conduct auctions and generally deal with third party users in accordance with requirements analogous to those in NIE's transmission licence.

8.13 Bidders can access a copy of the Moyle Undertaking on Ofreg's Website.

9. Interconnector Losses shall be as follows:

| | |
|-------------|---------------------------|
| Moyle | 2.26% in either direction |
| North-South | 2%. |

Bidders should note that the capacity values are now to be based on a location at Louth rather than the existing location at the Virtual Busbar. This is being introduced to simplify the development of the trading system used on the Moyle to cater for trading on the North-South Interconnector.

10. Scottish Power ("SP") Transmission Use of System Charges Applicable to Interconnector Capacity Holders.

Capacity Holders acquire no rights to the SP Transmission System by acquisition of Capacity on the Moyle Interconnector. It is expected that Capacity Holders will be required to contract directly with SP for use of that system. Alternatively, if Moyle or NIE is levied by SP for certain elements of the SP TUoS charge, bidders agree to pay Moyle the pro rata amount of this charge, as per their capacity obtained at auction. Bidders should make themselves aware of Scottish Power charging structures which apply from April 2003.

11. Bidders should bear in mind that an allocation of 50 MW in winter and 30 MW in summer under a three year product was made in last year's auction (i.e. 2002/03). The relevant capacity agreements have another two years to run.

Schedule

This schedule is the Annexure to the Bid Form of the Capacity Holder as signed by SONI.

To SONI
12 Manse Road
Castlereagh
Belfast
BT6 9RT.

Fax: 028 9070 7560

E-Mail: robin.mccormick@soni.ltd.uk

From **Date**

Address

.....

Fax:

E-mail:

I hereby submit the following bids for capacity rights on the Moyle and N/S Interconnectors for the period stated, as set out in the attached bid forms, which will apply from 06.00 hrs on 1 April 2003.

I understand that capacity allocated to me will be charged at the bid price and that this application, if successful, represents an obligation to pay for allocated capacity at the bid price whether or not that capacity is used.

Appendix 1

Bidding Rules

The Auctions of Capacity on the Moyle and North-South Interconnectors will take the following form. Bidders should note that a multi-stage auction process shall be employed. The available interconnector capacities will be divided over two separate auctions, to be held seven days apart. Any unsold capacity in the first auction will become available again under the same product in the second iteration. A third or residual auction may be held if the auction does not clear in round two. Any capacity left over from the second iteration will automatically become 1 year Moyle import to be auctioned in the third iteration. The auctions will allocate Moyle import to NI, North-South Export from NI, Moyle Export to Scotland, and Moyle import to NI of interruptible capacity, in Bid Form A for the first iteration, Bid Form B for the second iteration and, if necessary, Bid Form C for the third iteration.

Bidders will submit bids on the Moyle Interconnector for the uncommitted import capacity of 225 MW on the basis of the winter ATC of 400 MW (i.e. bids for 175 MW of capacity plus 50 MW of interruptible capacity).

Please refer to the Decision Paper published by the DGES (NI) in November 2002 for an explanation of the derivation of these types of product and a further explanation of the Moyle Import interruptible capacity in Appendix 2.

The types of available capacity for sale and their reserve prices are as follows:

| <u>Capacity Type</u> | <u>Reserve Price (£/MW/Month)</u> |
|---|--|
| (1) Three Year Moyle Import | £1,750/MW/Month |
| (2) Two Year Moyle Import | £1,750/MW/Month |
| (3) One Year Moyle Import | £1,750/MW/Month |
| (4) One Year Moyle Export | £1,750/MW/Month |
| (5) One Year North/South Export | £400/MW/Month |
| (6) One Year Interruptible Moyle Import | £1,650/MW/Month |

Capacity bids should be submitted on the bid forms marked "Bid Form A, " and "Bid Form B" and "Bid Form C" overleaf. Auction bids will be evaluated according to the following:

1. Moyle Import (1 year); Moyle Import (2 year); Moyle Import (3 year), North-South Export (1 year); Moyle Export (1 year) and Moyle Import interruptible (1 year)

Bids for these capacity types shall be submitted on Bid Forms A, B and C. Bidders may bid for any individual capacity type, or types of capacity, and may submit bids for the full amount of available capacity in that cohort. The Director reserves the right to limit the capacity allocation made to any parties and its related entities

Levels of available capacity

| Product (MWs) | First Iteration | Second Iteration | Third Iteration (residual) |
|-------------------------------------|------------------------|-------------------------|-----------------------------------|
| Three Year Moyle Import | 20 | 15 | N/a |
| Two Year Moyle Import | 20 | 15 | N/a |
| One Year Moyle Import | 55 | 50 | Remaining |
| One Year Moyle Export | 80 | N/a | N/a |
| One Year North/South Export | 150 | 150 | N/a |
| One Year Moyle Import Interruptible | 30 | 20 | Remaining |

Bid Ranking:

All bids whether for one year, two years or three years will be ranked in order of bid price. Any unsold capacity in the first iteration will become available again under the same product type in the second iteration. If there is any Moyle capacity left over after the second iteration it will all become 1 year Moyle import for the third iteration.

2. Moyle Export (1 year)

80 MW of Moyle Export Capacity is available. 1 year Moyle Export will be allocated by rank of bid price.

3. North/South Export

North/South Export capacity is available for one year and a total of 300MW will be auctioned in tranches of 150MW in both the first and second iteration only. Any North/South export unallocated capacity will become available for SONI to allocate over the auction period. The 300MW ATC will be the auction capacity but a reduced ATC will apply

for the period April – June inc, and the increase will be dependent on successful commissioning of infrastructure development on the RoI system. The reduced ATC values will be agreed by SONI and the TSO in RoI following system studies and will then be made available to capacity holders.

4. Two and Three Year Products

The two and three year Moyle import products will be indexed against RPI. Hence, in year two, a bidder will pay actual bid price for year one uplifted by RPI. This does not apply to existing three year capacity which was allocated in the 02/03 auction.

5. Interruptible

A 50 MW tranche of Moyle import interruptible capacity will be offered. Interruptible capacity is interruptible by SONI at any time for system reasons. There will be no compensation to interconnector users in the event of interruption and no indication of the probability of interruption can be given. SONI will keep interruption to the minimum necessary for system reasons. (see Appendix 2)

Any interruptible capacity not sold will be treated as short term capacity and SONI will consider offering this capacity (but only to one or more existing capacity holders) when appropriate on a D-2 basis. Capacity holders to whom short term capacity is sold must sign a document (in the form prescribed by SONI on behalf of Moyle) by which the capacity holder, among other things, undertakes to pay for the short term capacity and agrees that all the provisions of their existing Interconnector Capacity Agreement will apply to the short term capacity.

Each Interconnector Capacity Agreement in which rights to interruptible capacity are granted will contain an Appendix detailing the terms on which such rights are granted, including the terms that:

- (a) neither Moyle nor SONI will have any liability or responsibility to the capacity holder in respect of any interruption of the capacity; and
- (b) the capacity holder will have no entitlement to a rebate of, or reduction in, any of the capacity charges payable for the interruptible capacity.

Bid Form A – First Iteration (11 December 2002)

| Capacity Block | 3 Year Moyle Import (20MW) | 2 Year Moyle Import (20MW) | 1 Year Moyle Import (55MW) | 1 Year Moyle Export (80MW) | 1 Year North/South (150MW) | 1 Year Moyle Import Interrupt (30MW) |
|----------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------------|
| Block (5 MWs) | Price | Price | Price | Price | Price | Price |
| 1. | | | | | | |
| 2. | | | | | | |
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| 30. | | | | | | |

Bid Form B – Second Iteration (16 December 2002)

| Capacity Block | 3 Year Moyle Import (15 MW) | 2 Year Moyle Import (15MW) | 1 Year Moyle Import (50MW) | 1 Year Moyle Export (0MW) | 1 Year North/South Export (150MW) | 1 Year Moyle Import Interrupt (20MW) |
|----------------|-----------------------------|----------------------------|----------------------------|---------------------------|-----------------------------------|--------------------------------------|
| Block (5 MWs) | Price | Price | Price | Price | Price | Price |
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
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| 30. | | | | | | |

Bid Form C – Third Iteration (19 December 2002)

| Capacity Block | 1 Year Moyle Import |
|-----------------------|----------------------------|
| Block (5 MWs) | Price |
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. | |
| 8. | |
| 9. | |
| 10. | |
| 11. | |

* available capacity blocks to be confirmed after second iteration.

Appendix 2

Moyle Interruptible Product

50MW of 1 Year Moyle Import interruptible capacity is to be made available throughout the year and SONI will endeavour to maximise the utilisation of the interconnector.

A Moyle Interconnector Capacity Holder (MICH) of the 1 year Moyle Import interruptible capacity is able to nominate against the available interruptible capacity. A MICH facilitates a bilateral trade between Moyle Interconnector Users (MIUs).

SONI define the ATC on Moyle and then post the capacity value on the Moyle Interconnector Trading System (MITS). This is to be done by 10.30 hrs on D-2.

If the ATC is changed between 10.30 hrs on D-2 and 09.00 hrs on D-1 the MICH/MIU can nominate against the available interruptible capacity.

Any reduction to the available interruptible capacity will result in a pro-rata reduction of capacity available to individual Capacity Holders of interruptible capacity.

The facility to email MICHs when there is a change to ATC is to be introduced and this will notify the MICHs when a change is made to the ATC posted on MITS.

If the ATC is reduced after 09.00 hrs on D-1 or if there is a change to ATC within Day then Energy Allocations will be reduced in accordance with real time scaling rules i.e. the interruptible capacity is reduced first followed by a pro rata reduction on both the priority and normal contracts.

Nominations by MICHs at 11.00 hrs gate closure on D-1 reflect the ATC (MW) and therefore the capacity available for;

- i) priority capacity
- ii) normal capacity
- iii) interruptible capacity

| <u>Example</u> Winter Day MW | Normal ATC = 400MW | Reduced ATC = 360MW | Reduced ATC = 340MW |
|---|-------------------------------------|--------------------------------------|--------------------------------------|
| Priority | 125 | 125 | 125 |
| Normal | 225 | 225 | 215 |
| Interruptible | 50 | 10 | 0 |

On the basis of the nominations received at gate closure the appropriate energy allocations are calculated and posted on MITS.

The energy allocation reflects the physical limitation imposed on energy transfer by the need to ramp the Moyle Interconnector from one capacity level to another.

SONI can reduce the ATC for planned outages, unplanned outages and system reasons.