

Draft IWEA response to the ENTSO-E Harmonised Allocation Rules for long-term Transmission Rights

17 February 2017

IWEA welcomes the opportunity to respond to the ENTSO-E consultation on Harmonised Allocation Rules for Long Term Transmission Rights. In particular our comments relate to Annex 7 to the Harmonised Allocation Rules for Forward Capacity Allocation Regional which is the specific annex for the borders Great Britain-Ireland and Great Britain-Northern Ireland (SEM-GB).

Article 2 Paragraph 6

The intent of Article 48(1) in the HAR is to set out how the transmission right pay-out is valued. That Article specifically states that the valuation is the same in the event of fall-back as it is for normal operations.

IWEA understands that the approach to use the spread from the first intraday auction and the fall-back arrangements for the DAM is in line with the fall back procedures published for the Ireland UK region by ENTSOE in late 2016. We believe that there was not sufficient engagement with market participants in SEM in relation to these proposals.

The I-SEM Power Exchange has recently published proposals for Intraday Auctions which will provide participants with simple products only (no complex offers and no blocks). Given the increased importance of the Intra-day auctions if they are being used for Fall-Back, it is likely that further complexity in products and provision for block orders at least, will be required.

It is essential that there is proper coordination between the HAR and the I-SEM market arrangements and that the issues particular to the SEM-GB borders are properly addressed before this Annex is finalised.

Article 2 Paragraph 8

IWEA does not believe that the insertion in Paragraph 8 is required which refers to Operational Security Limits. We believe that the issue of curtailing in the event of interconnector capacity being less than allocated financial rights is adequately provided for in article 57(6) of the main body of HAR. Ideally the reference would therefore be deleted as it causes ambiguity. Alternatively, at the very most the Annex should only state that Financial Transmission Rights on the SEM-GB border can be curtailed where available capacity is less than allocated rights. It is our view that this would keep the current concept without the need to refer to the Operational Security Limits term, which is defined elsewhere. Further discussion with affected stakeholders on this issue is requested before its finalisation.

Article 2 Paragraph 9

It seems that this paragraph duplicates Article 59 (3) of the HAR and is not required in this Annex.

Article 2 Paragraph 10

Paragraph 10 of the SEM GB Annex appears to reduce the firmness on the Moyle and EWIC interconnectors below what has agreed in the Forward Capacity Allocation (FCA) Guideline and the HAR.

In the SEM GB Annex 2 (10) a further cap is being applied to the monthly cap which states that compensation for any period is capped at the 95th percentile value of spreads for the previous 12 months. This significantly dilutes the firmness provisions for the Moyle and East West interconnectors. This is not in line with the FCA Guideline and undermines the value of FTRs as a hedging instrument in a market that already recognises the persistence of limited forwards market liquidity. This article 2(10) should therefore be deleted.