



**Response to
Consultation on Interconnector Operator Licence
(CER/09/178a)**

25 November 2009



Airtricity welcomes the publication of the Commission’s consultation on Interconnector Operator Licence. Achieving substantial levels of interconnection to other electricity systems does not only conform with stated EU energy policy, it is the technically and economically rationale choice to make if the small island system in Ireland is to obtain the full benefits of increasing generation from indigenous renewable energy resources, particularly wind. The Commission’s proposal to create and issue Interconnector Operator Licences lends to the advancement of that objective.

Airtricity submits the following comments in response to the consultation. The comments are in two parts: Part 1 describes a number of suggested additions to the provisions of the licence, while Part 2 identifies inaccuracies and obscure interpretations observed during analysis of the draft licence.

Part 1

The two following comments relate to Condition 15 – Capacity Utilisation.

Capacity Allocation:

2a. The Licensee shall ensure that the allocation of capacity includes a category which aligns with the minimum time period for executing trades within at least one of the interconnected systems. Allocation of capacity within such a category shall allow sufficient time prior to the time limit for submitting trading bids.

Given the primary (and obvious) role of interconnectors to facilitate exchange of electricity between interconnected systems, to ensure efficient utilisation it is crucial that the capacity allocation mechanism aligns with the granularity of the given trading horizons in at least one of the interconnected systems. (Practically that of the system with the lowest granularity of trading horizons, as that establishes the efficiency threshold for trades).

To illustrate, an interconnector linking SEM (a day-ahead market) and BETTA (an hour-ahead market) would attain greater efficiency by aligning its capacity allocation mechanism with SEM, offering at least some capacity rights on day-ahead basis. Such an alignment would provide for closer market coupling and create opportunities for more efficient trades. For the avoidance of doubt this category of capacity allocation would not exclude other categories including but not limited to weekly, monthly, annually and multi-annually.

Given the possibility of changes to market structures (for example, SEM could move to a multi-hour, intra-day market – say a granularity of blocks of four hours), the

preference would be for a provision that provides for capacity allocation on associated market basis, i.e. that referenced the subsisting trading arrangements in the interconnected markets as against a prescriptive provision, i.e. specifying a time horizon such as on a day-ahead basis. That would build in flexibility into the provision in the event that the interconnected markets are modified.

Rationale

Such a provision (or similar) would lead to more efficient use of interconnectors. Airtricity views this provision as necessary in light of Article 15(3) of Regulation (EC) No 714/2009¹ which states in part that:

Transmission system operators shall publish estimates of available transfer capacity for each day, indicating any available transfer capacity already reserved. Those publications shall be made at specified intervals before the day of transport...

The only value, we would argue, in the publication of such information is to make market participants aware of available transfer capacities and enable them to respond to any trading opportunities that they may identify.

In addition it is in line with the spirit of Article 36(f) of Directive 2009/72/EC² which outlines the objectives of regulatory authorities. Thus achieving regulatory authorities' objectives includes:

ensuring that system operators and system users are granted appropriate incentives, in both the short and the long term, to increase efficiencies in system performance and foster market integration.

Open/Rolling Subscription Periods:

As a corollary to the provision above Airtricity would also recommend making provision for capacity allocation mechanisms that employ open/rolling subscription periods, with options for subsequent pro-rata allocations between successful capacity holders or re-running of auctions using lower reserve prices, where capacity offered in the initial primary market run is not completely taken up. As active users of electricity interconnectors, our experience indicates that such a feature allows for better coordination between decisions to obtain transfer capacity rights and procuring electricity to transfer. Again this leads to more efficient use of interconnectors.

¹ REGULATION (EC) No 714/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003

² DIRECTIVE 2009/72/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC

Part 2

Condition No.	Clause / Paragraph No.	Comment	Reason / Rationale
15	9	“contractual congestion”: the phrase “technical capacity of the Licensee’s” appears to be duplicated.	The meaning of the term is unclear given the apparent duplication.
15	9	“firm capacity”: there may be some confusion with the definition as a “ portion of technical capacity”, given that in the preceding definition of “contractual congestion” firm capacity “equals or exceeds the technical capacity”. Perhaps the confusion lies with the definition of “contractual congestion”.	There may be a need to apply available capacity to the definition of “contractual congestion”. For the avoidance of doubt it may be helpful to define, or make references to definitions elsewhere of, the following terms: “capacity allocation”; “capacity holder”; “users”; “congestion”; “congestion management”; “available capacity”; “technical capacity”; “maximum capacity”.
18	17	Reference to Condition 1617 is incorrect.	There is no Condition 1617.
19	1	The usage of lower case ‘c’ in “conditions” in referring to Licence Conditions 17 and 18 does not accord the connotation of reference to specific licence conditions, neither does it align with other uses of the term elsewhere in the document. (For example see 18(17)). In general there seems to be a mix of upper and lower case ‘c’ in the term “conditions” throughout the document. For example compare the usage in 3(4), 4(1), 18(12), 18(13), 19(1), 19(2), etc.	Inconsistency in the use of upper and lower cases for the term “conditions” may create confusion as to the meaning implied. (Applies also the singular form “condition”).

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