



An Coimisiún
um Rialáil Fónas
**Commission for
Regulation of Utilities**

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Commission for Regulation of Utilities

INFORMATION PAPER ON PROPOSED MODIFICATIONS TO THE ELECTRICITY INTERCONNECTOR OPERATOR LICENCE

Consultation Paper

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Executive Summary

The Integrated Single Electricity Market (I-SEM) is due to go-live on 23 May 2018 and aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade through day-ahead and intra-day market coupling. The I-SEM project spans the wholesale electricity market in Ireland and Northern Ireland. The Commission for Regulation of Utilities (CRU) in Ireland and the Utility Regulator (UR) in Northern Ireland, also referred to as the Regulatory Authorities (RAs), have been working alongside EirGrid Plc and SONI Ltd to develop the I-SEM, under the governance of the SEM Committee (SEMC).

In order to give effect to the new wholesale market arrangements, as contained in decisions of the SEM Committee, a number of modifications are necessary to the Electricity Interconnector Operator Licence (the Interconnector Licence), as well as Generation and Supply Licences, Market Operator (MO) Licence, Transmission System Operator (TSO) Licence, in Ireland and Northern Ireland. Such modifications consist of changes to existing licence conditions as well as the introduction of new licence conditions.

This paper details proposed modifications to the Interconnector Licence, granted to EirGrid Interconnector Designated Activity Company (EIDAC) pursuant to Section 14(1) (i) of the Electricity regulation Act, 1999 (the Act).

A similar process for licence modifications is being conducted by the UR in Northern Ireland in respect of the Moyle Interconnector Licence. Modification to other licence categories, such as MO and TSO Licences, Generation and Supply Licences, have been dealt with in other I-SEM and CRU papers¹.

¹ Information related to modifications to EirGrid MO and TSO Licences, Generation and Supply Licences and the new wholesale arrangements in the Single Electricity Market may be found at www.cru.ie and www.semcommittee.com

A summary of the types of proposed licence modifications is presented below:

- Modifications to reflect the change in the name of the licence holders
- Modifications to amend previous oversights (such as missing definitions for terms used in the licence)
- New (and modified) definitions required for I-SEM (such as ancillary services, CACM Regulation, Financial Transmission Rights, etc.)
- Align specific licence requirements with new EU regulations and ISEM arrangements (i.e. requirements related to capacity utilisation requirements, dispute resolution, provision of information to various categories of users)
- Changes to licence conditions relating to EIDAC's revenue streams to reflect new sources of potential income and ensure that these are captured within the scope of the relevant licence conditions;
- Amendments to the prohibited activities licence condition to provide a mechanism for EIDAC to obtain written consent from the CRU for certain trading activity;
- An obligation on the licensee to sign up to and comply with the Capacity Market Code insofar as applicable to it
- Amendments to the dispute resolution process to reflect the fact that disputes will be subject to the provisions of the Harmonised Allocation Rules
- New paragraphs have been introduced in some licence conditions to provide for the CRU to determine the date and, if required, the transitional arrangements, for the amendments of those conditions to come into effect

A summary of the proposed modifications to the EIDAC Interconnector Licence is presented below. Further details regarding the nature of and reasons for each modification are outlined in Section 4.

PROPOSED MODIFICATIONS TO THE INTERCONNECTOR LICENCE

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Part I Terms of the Licence (Name of the licence holder)	The proposed modification is to reflect the change in name of the licence holder, from 'Eirgrid Interconnector Limited' to 'Eirgrid Interconnector Designated Activity Company'.	According to the Companies Act 2014 all existing private companies limited by shares had the options of converting to one of the new company types: LTD or a designated activity company (DAC), during a transition period which ended in November 2016. The licence holder opted to convert to a DAC and its name therefore changed to EIDAC. This proposed change is required to reflect that change.
Section A, Condition 1 Interpretation and Construction	The Interconnector Licence presently envisages EIDAC being required to facilitate the provision of Ancillary Services if requested by the TSO in accordance with the Grid Code. The scope of the substantive obligation is, in effect, defined by the definition of "Ancillary Services". It is proposed to expand the definition of "Ancillary Services" to include other services as directed by the Commission from time to time.	The Grid Code sets out minimum requirements in terms of the ancillary services that the Interconnector is or will be required to provide. However, the Grid Code does not cover off all services that the Interconnector may provide, such as services in respect of the DS3 programme. Therefore, the Commission considers that it is no longer appropriate to limit the definition to only the services mandated by the Grid Code.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term CACM Regulation.	Proposed modifications to other licence conditions refer to the term CACM Regulation, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Capacity Market Code.	Proposed modifications to other licence conditions refer to the term Capacity Market Code, therefore a definition is required.

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Companies Act.	The term Companies Act appears in the current version of the Interconnector Licence but is not defined anywhere in the licence. The proposed modification intends to rectify this oversight and ensure certainty as to how these provisions should be interpreted.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Electricity Market Regulation.	Proposed modifications to other licence conditions refer to the term Electricity Market Regulation, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term FCA Regulation.	Proposed modifications to other licence conditions refer to the term FCA Regulation, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	It is proposed to introduce a definition for Financial Transmission Rights, as the proposed modification to Condition 15 (Capacity Utilisation) contains reference to this term.	<p>Proposed modifications to other licence conditions refer to the term Financial Transmission Rights, therefore a definition is required.</p> <p>This is because under the new I-SEM arrangements, no longer will the licensee offer interconnector users physical capacity but will instead move to arrangements whereby Financial Transmission Rights are offered.</p>
Section A, Condition 1 Interpretation and Construction	It is proposed to introduce a definition for Harmonised Allocation Rules.	<p>Proposed modifications to other licence conditions refer to the term Harmonised Allocation Rules, therefore a definition is required.</p> <p>This is because at I-SEM Go Live, a new dispute resolution process contained within the Harmonised Allocation Rules will come into force.</p>

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Interconnector Revenue.	Proposed modifications to other licence conditions refer to the term Interconnector Revenue, therefore a definition is required. Under I-SEM arrangements, the licensee's revenue streams will change to incorporate new sources (in particular, from Financial Transmission Rights, participation in the Capacity Market and from Ancillary Services). It is proposed, therefore, to introduce a definition for Interconnector Revenues which appropriately covers EIDAC's various revenue streams in the I-SEM.
Section A, Condition 1 Interpretation and Construction	Amend the definition of "Licensee".	As outlined in further detail above, the proposed modification reflects the change in the licensee's name.
Section A, Condition 1 Interpretation and Construction	Delete the definition of Market Operator Licence.	The term Market Operator Licence is not used anywhere in the Licence; therefore, a definition is not required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Network Codes.	Proposed modifications to other licence conditions refer to the term Network Codes, therefore a definition is required. This is so EIDAC's obligations under the Interconnector Licence adequately refer to the wider sources of its legal obligations under the Electricity Market Regulation and its subsidiary network codes and guidelines.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Nominated Electricity Market Operator. As the EU framework envisages NEMOs who are designated in one Member State having the ability to 'passport' their	Proposed modifications to other licence conditions refer to the term Nominated Electricity Market Operator, therefore a definition is required.

Condition	Nature of proposed modification	Reason(s) for proposed modifications
	<p>service offering into another Member State, this definition should be sufficiently wide to cover both any NEMO designated as such by the RAs in Ireland and Northern Ireland as well as any ‘passporting’ NEMO (which have been designated in other Member States).</p>	
<p>Section A, Condition 1 Interpretation and Construction</p>	<p>Amend the definition of SEM Trading and Settlement Code so that it refers to the specific section of the Act under which the Act is made.</p>	<p>The proposed modification updates the reference to the relevant section in the Act as this is more accurate than the current drafting.</p> <p>The SEM Trading and Settlement Code is defined in the Interconnector Licence by reference to the section of the Act under which it is developed. Presently, the definition refers to s9 of the Act, whereas the SEM Trading and Settlement Code is developed pursuant to s9BA (1) of the Act.</p>
<p>Section A, Condition 6 Compliance with Codes</p>	<p>Introduce a new requirement requiring the licence holder to be party to and comply with the Capacity Market Code, insofar as applicable to it. It is also proposed to add the Capacity Market Code as one of the Codes that the licence holder is required to report to the Commission in terms of compliance.</p>	<p>Under the new I-SEM arrangements, the Interconnector will be eligible to participate in the Capacity Market. As such, it will be expected to accede to and comply with the Capacity Market Code (insofar as applicable to it). As such, this condition needs to be updated.</p>
<p>Section A, Condition 9 Provision of Information to the Transmission System Operator, Distribution System Operator, or Market Operator</p>	<p>The proposed modifications extend the categories of entities to whom the Interconnector is obligated to furnish information, by including NEMOs and any transmission system operators licensed in the EU. It is also proposed to increase</p>	<p>The proposed modifications permit the Licensee to provide information regarding the operation, capacity and constraints of the Interconnector to any person designated to perform the activities of a NEMO and TSOs licensed in the EU.</p>

Condition	Nature of proposed modification	Reason(s) for proposed modifications
	the granularity of the information furnished by the Licensee to include information concerning capacity and constraints of the Licensee's Interconnector.	
Section A, Condition 10 Scheduling and Dispatch and Interconnector Transfers	Amend the condition, including its title, to refer to 'scheduling and dispatch' rather than 'central dispatch'. A further modification is proposed to paragraph 1 to obligate the Licensee to have appropriate arrangements in place to ensure that all interconnector transfers for scheduling and dispatch are submitted in accordance with the SEM Trading and Settlement Code.	The proposed modification to paragraph 1 reflects the I-SEM related changes in processes related to interconnector transfers. The proposed changes in the terminology used in this condition aim to achieve closer alignment with the revised trading arrangements in the I-SEM and consistency with the Grid Code.
Section A, Condition 11 Ancillary Services	This condition presently requires the Licensee to facilitate the provision of Ancillary Services when requested by the TSO and in accordance with the provisions of the Grid Code. The proposed modification enables the Commission to direct the Licensee to facilitate the provision of ancillary services above the minimum requirements set out in the Grid Code.	The Grid Code sets out minimum requirements in terms of the ancillary services that the Interconnector is required to provide. However, it does not cover off all services that the Interconnector provides or will provide, such as services provided in respect of DS3. Therefore, it is no longer appropriate to limit the definition to only those services mandated in the Grid Code. The proposed modification seeks to provide an enhanced level of flexibility to enable the Commission to direct EIDAC to provide services over and above those set out in the Grid Code as it considers necessary.
Section A, Condition 15 Capacity Utilisation	Amend condition so that the Licensee's obligation to make available the maximum capacity of the interconnector in compliance	Amend condition to reflect the Licensee's obligations to auction Financial Transmission Rights on its interconnector, under revised trading

Condition	Nature of proposed modification	Reason(s) for proposed modifications
	<p>with safety standards is stipulated as being “as set out in any of the Network Codes and the Electricity Market Regulation”.</p> <p>Further amendment to obligate the Licensee to make available arrangements for the auctioning of Financial Transmission Rights, as required under legislation.</p>	<p>arrangements in the ISEM.</p>
<p>Section A, Condition 16 Dispute Resolution</p>	<p>This modification gives precedence to the dispute resolution process contained within the Harmonised Allocation Rules (HAR) over the existing dispute provisions in circumstances where the HAR provisions are engaged. This reflects the new arrangements from I-SEM Go Live.</p>	<p>At I-SEM Go Live, a new dispute resolution process contained within the HAR will come into force. As such, it is proposed that this Condition be modified to make the existing dispute resolution process subject to the new HAR provisions for those disputes which fall within the scope of the HAR.</p>
<p>Section A, Condition 17 Prohibited Activities</p>	<p>Modify condition to allow the Licensee to engage in the listed prohibited activities only in specific circumstances provided for in an explicit written consent granted by the Commission.</p>	<p>This mechanism is considered necessary under the revised trading arrangements in I-SEM where it may be reasonable to allow the Licensee to engage in a prohibited activity, for example where a physical trip of the Interconnector left the Licensee with an imbalance position in the I-SEM Balancing Market. In any request for permission to engage in a prohibited activity the Licensee shall clearly outline the rationale behind the request, and in any written consent the Commission shall clearly define the acceptable circumstances under which the Licensee may engage in such prohibited activity.</p>

Condition	Nature of proposed modification	Reason(s) for proposed modifications
<p>Section A, Condition 18</p> <p>Restriction on Use of Certain Information</p>	<p>It is proposed to amend paragraph 1 and 4(b) (i) to include updated and accurate references to the sources of the obligations placed on the Licensee in respect of restrictions on use of information. It is proposed to update paragraph 4(c) to refer to the Capacity Market Code in the list of arrangements under which the Licensee may be expressly permitted or required to disclose that information.</p>	<p>The proposed modifications reflect the range of sources for the obligations placed on the Licensee in respect of use of certain information.</p>
<p>Section B, Condition 19</p> <p>Use of Revenues</p>	<p>It is proposed to amend paragraphs 1 and 2 to refer to the new defined term of “Interconnector Revenues”, so as to capture sources of revenue other than those already set out in the condition.</p> <p>A further amendment to paragraph 2 creates the potential for Interconnector Revenues to be used for such purposes as may be directed by the Commission from time to time, as well as for the two existing acceptable purposes already stated in the condition which are to be retained.</p>	<p>Under the I-SEM arrangements, the Licensee’s revenue streams will change to incorporate new sources. These are to be incorporated into the regulatory regime for the use of revenues created by this condition via the use of the new defined term “Interconnector Revenues”. The proposed modification allows the Commission to allow such revenue to be used for such other purposes as it may be direct from time to time; this is to ensure that, going forward, in light of these new streams of revenue that adequate flexibility is built into the regulatory regime for the use of revenues.</p>
<p>Section B, Condition 20, Access to the Licensee’s Interconnector</p>	<p>It is proposed to modify paragraph 1 of this condition to oblige the Licensee to make the capacity of the interconnector available in accordance with arrangements made under CACM, the FCA regulations and their subsidiary methodologies (as well as in</p>	<p>The applicable rules for allocation of capacity after the I-SEM go-live date are set out in CACM and FCA Regulation (and their subsidiary methodologies); it is therefore appropriate to reference these in Condition 20(1) and (2) of the licence.</p>

Condition	Nature of proposed modification	Reason(s) for proposed modifications
	compliance with s34 of the Act).	
Section B, Condition 21 Application of Licence Condition 19	Condition 21 has been modified to reflect modifications to conditions 19 and 20. In addition, paragraph 2 has been amended to clarify the legislation referred to therein.	The proposed modifications to conditions 19 and 20 require amendments to condition 21. The proposed modifications reflect these modifications.
Schedule 2 Right of the Commission to Revoke this Licence	Schedule 2 has been modified to reflect the new section numbers in the Companies Act 2014.	The Companies Act 1963 has now been replaced by the Companies Act 2014 which requires these modification to be made.

Pursuant to Section 20 of the Act, the CRU has now published a notice stating that it proposes to make a number of licence modifications to the Interconnector Licence required to facilitate the implementation of the I-SEM. The notice outlines the nature of and reasons for the proposed modifications and provides a period of not less than 28 days to allow for representations and objections to the CRU with respect to these proposed licence modifications. This information paper is published in order to provide background information and supporting rationale for the proposed licence modifications set out in the notices.

In reaching its decision, the CRU will consider all representations or objections received regarding the proposed licence modifications. Details of how to submit responses to the proposed modifications can be found in this paper and the notices published in accordance with the statutory licence modification process.

Public/ Customer Impact Statement

In order to give effect to the I-SEM, the CRU issues an Information Paper on proposed modifications to the Interconnector Licence, granted to Eirgrid Interconnector Designated Activity Company (EIDAC) pursuant to Section 14(1) (i) of the Act.

This document is most likely to be of interest to EIDAC, as well as other market participants.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
CRU	Commission for Regulation of Utilities
EIDAC	Eirgrid Interconnector Designated Activity Company
EWIC	East West interconnector
I-SEM	Integrated Single Electricity Market
MO	Market Operator
NEMO	Nominated Electricity Market Operator
RAs	Regulatory Authorities
SEM	Single Electricity Market
SEMC	Single Electricity Market Committee
TSO	Transmission System Operator
UR	Utility Regulator

1. Introduction

1.1 Background

The Integrated Single Electricity Market (I-SEM) is due to go-live on 23 May 2018 and aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade through day-ahead and intra-day market coupling. As noted above, the CRU in Ireland and the UR in Northern Ireland have been working alongside EirGrid Plc and SONI Ltd to develop the I-SEM, under the governance of the SEMC. The SEMC has published policy papers on key issues related to the implementation of I-SEM, including;

- I-SEM roles and responsibilities;
- Energy Trading Arrangements;
- Capacity Remuneration Mechanism;
- Market Power;
- Financial Transmission Rights;
- Modifications to the Market Operator and Transmission System Operator licences and Supply and Generation licences

SEMC papers relevant to these areas, together with other I-SEM related papers, can be found on the SEMC website <https://www.semcommittee.com/>. Information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie.

The implementation of the I-SEM is to be effected via proposed modifications to various licence categories (including the Interconnector Licence), new or amended market rules (including the Trading and Settlement Code, the NEMO Exchange Rules and the Capacity Market Code) and other means overseen by the RAs and reflected in new compliance requirements.

In order to implement the required licence modifications, a dedicated licensing team was established within the RAs in 2015. The licensing team commenced the licence modifications process in 2016 and, to date, licence modification process for TSO and MO

licences and Generation and Supply licences have been completed.² This paper details proposed modifications to the Interconnector Licence in Ireland. A similar licence modifications process in respect of the Moyle Interconnector Licence is being conducted by the UR in Northern Ireland.

1.2 Document structure

This Information Paper is structured as follows:

Section 1.3 outlines the process for licence modifications;

Section 1.4 provides information with regard to submission of representations and objections to the proposed modifications to the Interconnector Licence;

Section 1.5 lists out a number of documents relevant to the Interconnector Licence;

Section 2 represents an overview of recent developments in the ISEM;

Section 3 provides an overview of the proposed modifications to the Interconnector Licence;

Section 4 details the proposed modifications and reasons for each proposed modification; and

Section 5 sets out the next steps.

1.3 Process for licence modifications

The licence modification process being carried out in parallel in Ireland and Northern Ireland is subject to the respective statutory requirements in each jurisdiction. In Ireland, the legal basis for the proposed licence modifications is set out in Section 20 of the Act and in Northern Ireland is set out in Article 14 of the Northern Ireland Electricity Order 1992 (NI Order).

The respective statutory provisions determine the procedures that must be followed in relation to the proposed licence modifications in each jurisdiction, including the timeline within which representations or objections can be made.

Pursuant to Section 20 of the Act, the CRU is required to publish a notice stating that it proposes to make a number of licence modifications to the Interconnector Licence, together with the nature of and reasons for such modifications. The notice must provide for a period

² Please note, however, that a number of the modifications to the generator and supplier licences are presently under appeal.

of minimum 28 days for submission of objections or representations with respect to the proposed modifications. The CRU duly published a notice in the Irish Times and Belfast Gazette today, 15 December 2017.

As set out in the notice, representations or objections are due before close of business on 17 January 2018. For the avoidance of doubt in the event of conflict between the terms of this Information Paper and the terms of the notice, the latter will take precedence.

The statutory process underway in Ireland will run in parallel with the corresponding statutory process in Northern Ireland which is being led by the UR. While the licences in each jurisdiction are not drafted in the same terms, the effect of the proposed licence modifications in both jurisdictions is broadly the same. Pursuant to Section 20(9) of the Act, as the modifications relate to the Single Electricity Market, the CRU shall have due regard to the desirability of similar modifications (including similar modifications in Northern Ireland) having effect at the same time.

1.4 Submission of representations and objections to the proposed modifications to the Interconnector Licence

Any representations or objections regarding the published notice should be notified to the CRU in accordance with the notices as published in the Irish Times and Belfast Gazette. The notices published in the Irish Times and Belfast Gazette contain details on the nature of and the reasons for the proposed modifications to the Interconnector Licence.

As stated in Section 1.3, the permitted minimum timeframe for the submission of objections or representations with respect to the proposed modifications is minimum 28 days from the date of the publication of the statutory notices by the CRU in the Irish Times and Belfast Gazette. As set out in the notices, representations or objections are due by close of business on 17 January 2018.

The CRU has set up a mail box to receive all such representations or objections, as detailed here: isemlicences@cru.ie. Respondents can also send submissions by post to: The I-SEM Licensing Team, Commission for Regulation of Utilities, The Exchange, Belgard Square North, Tallaght, Dublin 24.

The CRU will give consideration to all representations or objections made during this period and will follow the statutory procedure prescribed in sections 19-22 of the Act as regards its subsequent decision making.

1.5 Related documents

- [Electricity Interconnector Operator Licence](#)
- [CRU approval of the East West Interconnector \(EWIC\) Access Rules and Charging Methodology Statement](#)
- Other relevant papers published by the SEM Committee and the RAs in respect of Interconnectors in Ireland and Northern Ireland can be found on www.semcommittee.com, www.cru.ie and www.uregni.gov.uk.

2. SUMMARY OF CURRENT DEVELOPMENTS IN THE SINGLE ELECTRICITY MARKET

The Single Electricity Market (SEM) for the Island of Ireland went live on 1 November 2007. It consists of a centralised and mandatory all-island wholesale pool market through which generators and suppliers from Ireland and Northern Ireland trade electricity.

The SEM is regulated jointly by the CRU in Ireland and the UR in Northern Ireland. The European Union (EU) is building an internal market for electricity and gas to help deliver energy supplies that are affordable, secure and sustainable. This is underpinned by the implementation of the EU Target Model arising from the EU's Third Energy Package. The Third Package of European energy reforms created a new legal framework to promote cross-border trade, in response to the European Commission's inquiry into competition in electricity and gas markets published in January 2007³. The inquiry found that there was insufficient integration between Member States' markets and highlighted a number of issues.

³ <http://ec.europa.eu/competition/sectors/energy/inquiry/index.html>

These included the fact that insufficient or unavailable cross-border transmission capacity and different market designs were hampering integration. In order to rectify this, a number of legally binding network codes and guidelines have been and are being established. These network codes and guidelines are designed to promote the creation of liquid markets, the efficient use of cross-border transmission capacity and the integration between Member States' gas and electricity markets.

These EU legislative requirements take legal precedence over existing domestic legislation. Therefore, in order to ensure alignment with the EU Target Model, the SEMC is committed to implementing what has been commonly referred to as the Integrated Single Electricity Market or "I-SEM" on the island of Ireland. Implementing I-SEM requires the existing legal and regulatory framework and industry processes to be modified.

It is expected that the I-SEM will fully facilitate coupling with the electricity markets in the rest of the EU. The ISEM will update and, in some respects, replace the current SEM arrangements and will:

- introduce Day-Ahead and Intra-Day trading through designated Nominated Electricity Market Operators (NEMOs) in each jurisdiction;
- introduce a new Balancing Market through which the TSOs will accept offers and bids from participants and dispatch them away from their physical notifications in order to balance generation and demand on a minute by minute basis;
- introduce a new Capacity Remuneration Mechanism which will include the introduction of a new Capacity Market Code; and
- introduce the necessary changes to the Grid Codes and other impacted SEM regulatory arrangements.

On 17 September 2014, the SEMC published its decision on the High Level Design for the I-SEM (SEM-14-085a), which was driven by the EU Target Model. Since then, the I-SEM project has entered a 'design and implementation' phase. In order to ensure effective implementation, amendments to existing legislation, and modifications to licences, codes and possibly other rules are required in Ireland and Northern Ireland.

On 23 February 2016, the SEMC published an 'Information Note on the I-SEM Regulatory Framework' (SEM-16-007). The aim of that paper was to:

- provide clarity on the overarching regulatory framework, comprising legislation, licence changes and market rules which will implement the market design referred to as I-SEM;
- provide insight on the provisional timeline and proposed consultation process regarding licence changes and the introduction of revised (and new) market rules; and
- provide initial thinking on NEMO regulation and enforcement.

Further key current SEM arrangements / developments are provided for in the following documents: **We ask readers to note that the list is not exhaustive.**

- legislation (the Single Electricity Market Act 2007 in Ireland and the Single Electricity Market (Northern Ireland) Order 2007 in Northern Ireland);
- S.I. 117 / 2017 Electricity Regulation Act 1999 (Single Electricity Market) (No.2) Regulations 2017;
- licences for generators, suppliers, Transmission System Operators (TSOs), Distribution System Operators (DSOs), Market Operators (MOs) and Interconnectors in Ireland and Northern Ireland;
- a suite of arrangements (set out primarily in the SEM Trading and Settlement Code, Bidding Code of Practice, Grid Codes and Metering Codes, the Capacity Market Code); and
- decision papers published by the SEM Committee and the RAs, which can be found on www.semcommittee.com, www.cru.ie and www.uregni.gov.uk.

3. OVERVIEW OF PROPOSED LICENCE MODIFICATIONS

The RAs have collaboratively reviewed the detail of the Interconnector Licences in each jurisdiction in the context of implementation of the I-SEM and identified a number of modifications to licence conditions that are needed to facilitate the operation of the Interconnectors in the I-SEM. Our approach has been to focus predominantly on those modifications which are required to facilitate the implementation of I-SEM and EU legislative requirements. Other proposed modifications relate to the change in the name of the licence holder, rectification of previous drafting oversights, such as lack of definition for terms already used in the licence, and enhanced clarity of licence conditions.

In the interest of transparency and in line with best practice regulation, we consider it important to give EIDAC, the licence holder, appropriate notice of licence modifications which we intend to make and provide adequate opportunity for engagement on such proposals. As such, EIDAC have been provided with details on the proposed licence modifications, followed by engagement to explain the rationale for the proposed modifications and gain an understanding of EIDAC's perspective of the impact of the proposed changes.

The publication of the statutory notices presents a further opportunity not only for EIDAC but also for all other interested stakeholders to submit representations or objections on the proposed modifications. All representations and objections received in respect of the notice will be considered before we reach our decision on each of the proposed modifications.

A summary of the types of proposed licence modifications is presented below:

- Modifications to reflect the change in the name of the licence holders
- Modifications to amend previous oversights (such as missing definitions for terms used in the licence)
- New (and modified) definitions required for I-SEM (such as ancillary services, CACM Regulation, Financial Transmission Rights, etc.)
- Align specific licence requirements with new EU regulations and ISEM arrangements (i.e. requirements related to capacity utilisation requirements, dispute resolution, provision of information to various categories of users)

- Changes to licence conditions relating to EIDAC’s revenue streams to reflect new sources of potential income and ensure that these are captured within the scope of the relevant licence conditions;
- Amendments to the prohibited activities licence condition to provide a mechanism for EIDAC to obtain written consent from the CRU for certain trading activity;
- An obligation on the licensee to sign up to and comply with the Capacity Market Code insofar as applicable to it
- Amendment to the dispute resolution process to reflect the fact that disputes will be subject to the provisions of the Harmonised Allocation Rules
- New paragraphs have been introduced in some licence conditions to provide for the CRU to determine the date and, if required, the transitional arrangements, for the amendments of those conditions to come into effect

A summary of the proposed modifications to EIDAC’s Interconnector Licence, together with the nature of and reasons for same, are contained in the table below. The proposed modifications and supporting rationale for same are described in the next section. A track-changed version of EIDAC’s Interconnector Licence outlining proposed modifications is published alongside this paper. UR has published similar documents in relation to the Moyle Interconnector Licence.

Table 1.0. Proposed modifications in respect of the Interconnector Licence

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Part I Terms of the Licence (Name of the licence holder)	The proposed modification is to reflect the change in name of the licence holder, from ‘Eirgrid Interconnector Limited’ to ‘Eirgrid Interconnector Designated Activity Company’.	According to the Companies Act 2014 all existing private companies limited by shares had the options of converting to one of the new company types: LTD or a designated activity company (DAC), during a transition period which ended in November 2016. The licence holder opted to convert to a DAC and its name therefore changed to EIDAC. This proposed change is required to reflect that change.

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Section A, Condition 1 Interpretation and Construction	The Interconnector Licence presently envisages EIDAC being required to facilitate the provision of Ancillary Services if requested by the TSO in accordance with the Grid Code. The scope of the substantive obligation is, in effect, defined by the definition of “Ancillary Services”. It is proposed to expand the definition of “Ancillary Services” to include other services as directed by the Commission from time to time.	The Grid Code sets out minimum requirements in terms of the ancillary services that the Interconnector is or will be required to provide. However, the Grid Code does not cover off all services that the Interconnector may provide, such as services in respect of the DS3 programme. Therefore, the Commission considers that it is no longer appropriate to limit the definition to only the services mandated by the Grid Code.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term CACM Regulation.	Proposed modifications to other licence conditions refer to the term CACM Regulation, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Capacity Market Code.	Proposed modifications to other licence conditions refer to the term Capacity Market Code, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Companies Act.	The term Companies Act appears in the current version of the Interconnector Licence but is not defined anywhere in the licence. The proposed modification intends to rectify this oversight and ensure certainty as to how these provisions should be interpreted.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Electricity Market Regulation.	Proposed modifications to other licence conditions refer to the term Electricity Market Regulation, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term FCA Regulation.	Proposed modifications to other licence conditions refer to the term FCA Regulation, therefore a definition is required.

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Section A, Condition 1 Interpretation and Construction	It is proposed to introduce a definition for Financial Transmission Rights, as the proposed modification to Condition 15 (Capacity Utilisation) contains reference to this term.	<p>Proposed modifications to other licence conditions refer to the term Financial Transmission Rights, therefore a definition is required.</p> <p>This is because under the new I-SEM arrangements, no longer will the licensee offer interconnector users physical capacity but will instead move to arrangements whereby Financial Transmission Rights are offered.</p>
Section A, Condition 1 Interpretation and Construction	It is proposed to introduce a definition for Harmonised Allocation Rules.	<p>Proposed modifications to other licence conditions refer to the term Harmonised Allocation Rules, therefore a definition is required.</p> <p>This is because at I-SEM Go Live, a new dispute resolution process contained within the Harmonised Allocation Rules will come into force.</p>
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Interconnector Revenue.	<p>Proposed modifications to other licence conditions refer to the term Interconnector Revenue, therefore a definition is required. Under I-SEM arrangements, the licensee's revenue streams will change to incorporate new sources (in particular, from Financial Transmission Rights, participation in the Capacity Market and from Ancillary Services). It is proposed, therefore, to introduce a definition for Interconnector Revenues which appropriately covers EIDAC's various revenue streams in</p>

Condition	Nature of proposed modification	Reason(s) for proposed modifications
		the I-SEM.
Section A, Condition 1 Interpretation and Construction	Amend the definition of "Licensee".	As outlined in further detail above, the proposed modification reflects the change in the licensee's name.
Section A, Condition 1 Interpretation and Construction	Delete the definition of Market Operator Licence.	The term Market Operator Licence is not used anywhere in the Licence; therefore, a definition is not required.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Network Codes.	Proposed modifications to other licence conditions refer to the term Network Codes, therefore a definition is required. This is so EIDAC's obligations under the Interconnector Licence adequately refer to the wider sources of its legal obligations under the Electricity Market Regulation and its subsidiary network codes and guidelines.
Section A, Condition 1 Interpretation and Construction	Introduce definition for the term Nominated Electricity Market Operator. As the EU framework envisages NEMOs who are designated in one Member State having the ability to 'passport' their service offering into another Member State, this definition should be sufficiently wide to cover both any NEMO designated as such by the RAs in Ireland and Northern Ireland as well as any 'passporting' NEMO (which have been designated in other Member States).	Proposed modifications to other licence conditions refer to the term Nominated Electricity Market Operator, therefore a definition is required.
Section A, Condition 1 Interpretation and Construction	Amend the definition of SEM Trading and Settlement Code so that it refers to the specific section of the Act under which the Act is made.	The proposed modification updates the reference to the relevant section in the Act as this is more accurate than the current drafting. The SEM Trading and Settlement

Condition	Nature of proposed modification	Reason(s) for proposed modifications
		Code is defined in the Interconnector Licence by reference to the section of the Act under which it is developed. Presently, the definition refers to s9 of the Act, whereas the SEM Trading and Settlement Code is developed pursuant to s9BA (1) of the Act.
Section A, Condition 6 Compliance with Codes	Introduce a new requirement requiring the licence holder to be party to and comply with the Capacity Market Code, insofar as applicable to it. It is also proposed to add the Capacity Market Code as one of the Codes that the licence holder is required to report to the Commission in terms of compliance.	Under the new I-SEM arrangements, the Interconnector will be eligible to participate in the Capacity Market. As such, it will be expected to accede to and comply with the Capacity Market Code (insofar as applicable to it). As such, this condition needs to be updated.
Section A, Condition 9 Provision of Information to the Transmission System Operator, Distribution System Operator, or Market Operator	The proposed modifications extend the categories of entities to whom the Interconnector is obligated to furnish information, by including NEMOs and any transmission system operators licensed in the EU. It is also proposed to increase the granularity of the information furnished by the Licensee to include information concerning capacity and constraints of the Licensee's Interconnector.	The proposed modifications permit the Licensee to provide information regarding the operation, capacity and constraints of the Interconnector to any person designated to perform the activities of a NEMO and TSOs licensed in the EU.
Section A, Condition 10 Scheduling and Dispatch and Interconnector Transfers	Amend the condition, including its title, to refer to 'scheduling and dispatch' rather than 'central dispatch'. A further modification is proposed to paragraph 1 to obligate the Licensee to have appropriate arrangements in place to ensure that all interconnector transfers for scheduling and dispatch are	The proposed modification to paragraph 1 reflects the I-SEM related changes in processes related to interconnector transfers. The proposed changes in the terminology used in this condition aim to achieve closer alignment with the revised trading arrangements in the I-SEM and consistency with the Grid Code.

Condition	Nature of proposed modification	Reason(s) for proposed modifications
	submitted in accordance with the SEM Trading and Settlement Code.	
Section A, Condition 11 Ancillary Services	This condition presently requires the Licensee to facilitate the provision of Ancillary Services when requested by the TSO and in accordance with the provisions of the Grid Code. The proposed modification enables the Commission to direct the Licensee to facilitate the provision of ancillary services above the minimum requirements set out in the Grid Code.	The Grid Code sets out minimum requirements in terms of the ancillary services that the Interconnector is required to provide. However, it does not cover off all services that the Interconnector provides or will provide, such as services provided in respect of DS3. Therefore, it is no longer appropriate to limit the definition to only those services mandated in the Grid Code. The proposed modification seeks to provide an enhanced level of flexibility to enable the Commission to direct EIDAC to provide services over and above those set out in the Grid Code as it considers necessary.
Section A, Condition 15 Capacity Utilisation	Amend condition so that the Licensee's obligation to make available the maximum capacity of the interconnector in compliance with safety standards is stipulated as being "as set out in any of the Network Codes and the Electricity Market Regulation". Further amendment to obligate the Licensee to make available arrangements for the auctioning of Financial Transmission Rights, as required under legislation.	Amend condition to reflect the Licensee's obligations to auction Financial Transmission Rights on its interconnector, under revised trading arrangements in the ISEM.
Section A, Condition 16 Dispute Resolution	This modification gives precedence to the dispute resolution process contained within the Harmonised Allocation Rules (HAR) over the	At I-SEM Go Live, a new dispute resolution process contained within the HAR will come into force. As such, it is proposed that this

Condition	Nature of proposed modification	Reason(s) for proposed modifications
	existing dispute provisions in circumstances where the HAR provisions are engaged. This reflects the new arrangements from I-SEM Go Live.	Condition be modified to make the existing dispute resolution process subject to the new HAR provisions for those disputes which fall within the scope of the HAR.
Section A, Condition 17 Prohibited Activities	Modify condition to allow the Licensee to engage in the listed prohibited activities only in specific circumstances provided for in an explicit written consent granted by the Commission.	This mechanism is considered necessary under the revised trading arrangements in I-SEM where it may be reasonable to allow the Licensee to engage in a prohibited activity, for example where a physical trip of the Interconnector left the Licensee with an imbalance position in the I-SEM Balancing Market. In any request for permission to engage in a prohibited activity the Licensee shall clearly outline the rationale behind the request, and in any written consent the Commission shall clearly define the acceptable circumstances under which the Licensee may engage in such prohibited activity.
Section A, Condition 18 Restriction on Use of Certain Information	It is proposed to amend paragraph 1 and 4(b) (i) to include updated and accurate references to the sources of the obligations placed on the Licensee in respect of restrictions on use of information. It is proposed to update paragraph 4(c) to refer to the Capacity Market Code in the list of arrangements under which the Licensee may be expressly permitted or required to disclose that information.	The proposed modifications reflect the range of sources for the obligations placed on the Licensee in respect of use of certain information.
Section B, Condition 19	It is proposed to amend paragraphs 1 and 2 to refer to the new defined	Under the I-SEM arrangements, the Licensee's revenue streams will

Condition	Nature of proposed modification	Reason(s) for proposed modifications
Use of Revenues	<p>term of “Interconnector Revenues”, so as to capture sources of revenue other than those already set out in the condition.</p> <p>A further amendment to paragraph 2 creates the potential for Interconnector Revenues to be used for such purposes as may be directed by the Commission from time to time, as well as for the two existing acceptable purposes already stated in the condition which are to be retained.</p>	<p>change to incorporate new sources. These are to be incorporated into the regulatory regime for the use of revenues created by this condition via the use of the new defined term “Interconnector Revenues”. The proposed modification allows the Commission to allow such revenue to be used for such other purposes as it may be direct from time to time; this is to ensure that, going forward, in light of these new streams of revenue that adequate flexibility is built into the regulatory regime for the use of revenues.</p>
Section B, Condition 20, Access to the Licensee’s Interconnector	<p>It is proposed to modify paragraph 1 of this condition to oblige the Licensee to make the capacity of the interconnector available in accordance with arrangements made under CACM, the FCA regulations and their subsidiary methodologies (as well as in compliance with s34 of the Act).</p>	<p>The applicable rules for allocation of capacity after the I-SEM go-live date are set out in CACM and FCA Regulation (and their subsidiary methodologies); it is therefore appropriate to reference these in Condition 20(1) and (2) of the licence.</p>
Section B, Condition 21 Application of Licence Condition 19	<p>Condition 21 has been modified to reflect modifications to conditions 19 and 20. In addition, paragraph 2 has been amended to clarify the legislation referred to therein.</p>	<p>The proposed modifications to conditions 19 and 20 require amendments to condition 21. The proposed modifications reflect these modifications.</p>
Schedule 2 Right of the Commission to Revoke this Licence	<p>Schedule 2 has been modified to reflect the new section numbers in the Companies Act 2014.</p>	<p>The Companies Act 1963 has now been replaced by the Companies Act 2014 which requires these modification to be made.</p>

4. PROPOSED MODIFICATIONS TO THE INTERCONNECTOR LICENCE

4.1 Legislation

Section 14(1) (i) of the Act provides the legal basis for the CRU to license transport of electricity and maintain an Interconnector in Ireland. Pursuant to this section, the CRU may grant, or refuse to grant, an Interconnector Licence. EIDAC has been granted an Interconnector Licence.

4.2 Proposed modifications

In order to facilitate the implementation of the I-SEM, rectify previous drafting oversights (such as lack of definitions for existing terms) and provide further clarity to requirements in specific licence conditions, the CRU is of the view that modifications are required to existing conditions in the Interconnector Licence. These are outlined in the next paragraphs, together with the supporting reasoning.

4.2.1 Name of Licence Holder

Nature of proposed modification

The proposed modification is to reflect the change in name of the licence holder, from 'Eirgrid Interconnector Limited' to 'Eirgrid Interconnector Designated Activity Company'. The conversion to EIDAC took place in August 2016, pursuant to the Companies Act 2014.

Reasons

According to the Companies Act 2014 all existing private companies limited by shares had the option of converting to one of the new company types: LTD or a designated activity company (DAC), during a transition period which ended in November 2016. The licence holder opted to convert to a DAC.

4.2.2 Part II, Section A, Condition 1 – definition of Ancillary Services

Nature of proposed modification

The Interconnector Licence presently envisages EIDAC being required to facilitate the provision of Ancillary Services if requested by the TSO in accordance with the Grid Code. As noted below this substantive obligation is to be expanded in one of the proposed modifications (Condition 11).

The scope of the substantive obligation is, in effect, defined by the definition of “*Ancillary Services*”, which is presently limited to the definition provided by the Grid Code. It is proposed to expand the definition of “*Ancillary Services*” to include other services as directed by the CRU from time to time.

Reasons

The Grid Code sets out minimum requirements in terms of the ancillary services that the Interconnector is or will be required to provide. However, the Grid Code does not cover off all services that the Interconnector may provide, such as services in respect of the DS3 programme. Therefore, the CRU considers that it is no longer appropriate to limit the definition to only the services mandated by the Grid Code. The proposed modification seeks to provide an enhanced level of flexibility to enable the CRU to direct EIDAC to provide services over and above those set out in the Grid Code as it considers necessary. Such enhanced system services are described in detail in [SEM Decision SEM-13-098](#) and include response services and ramping services. The actual provision of such services will be subject to policy decisions which will be consulted on in due course.

4.2.3 Part II, Section A, Condition 1 – definition of CACM Regulation

Nature of modification

It is proposed to introduce a definition for the term CACM Regulation, as proposed modifications to some licence conditions contain reference to the term (e.g. Condition 9 Provision of Information).

Reasons

Some of the other proposed modifications to the Interconnector Licence refer to the term CACM Regulation (e.g. Condition 9 Provision of Information). Therefore, a definition for the term is required. Further detail as to the need to use this term is provided in relevant sections below.

4.2.4 Part II, Section A, Condition 1 – definition of Capacity Market Code

Nature of proposed modification

It is proposed to introduce a definition for Capacity Market Code, as proposed modifications to some licence conditions contain reference to the term (e.g. Condition 6 Compliance with Codes).

Reasons

In I-SEM, the Licensee will be required to be party to and comply with the Capacity Market Code (insofar as applicable to it). Some proposed modifications reflect this new requirement. Therefore, a definition for the Capacity Market Code is required.

4.2.5 Part II, Section A, Condition 1 – definition of Companies Act

Nature of proposed modification

It is proposed to introduce a definition for the Companies Acts, as a number of Conditions refer to this term but it is currently not defined in the Interconnector Licence.

Reasons

The term Companies Act appears in the current version of the Interconnector Licence (i.e. in the definitions of Holding Company and Subsidiary, as well as in Conditions 2(1) and 2(3)(c)) but is not defined anywhere in the licence. The proposed modification intends to rectify this oversight and ensure certainty as to how these provisions should be interpreted.

4.2.6 Part II, Section A, Condition 1 – definition of Electricity Market Regulation

Nature of proposed modification

It is proposed to introduce a definition for Electricity Market Regulation, as proposed modifications to some licence conditions contain reference to this term (e.g. Condition 15 Capacity Utilisation). Further detail as to the need to use this term is provided in relevant sections below.

Reasons

Proposed modifications to some licence conditions (e.g. Condition 15 Capacity Utilisation) include reference to the term Electricity Market Regulation, therefore a definition for the term is required.

4.2.7 Part II, Section A, Condition 1 – definition of FCA Regulation

Nature of proposed modification

It is proposed to introduce a definition for FCA Regulation, as proposed modifications to some licence conditions contain reference to this term (e.g. Condition 16 Dispute Resolution).

Reasons

Proposed modifications to some licence conditions (e.g. Condition 16 Dispute Resolution) include reference to the term FCA Regulation, therefore a definition for the term is required.

4.2.8 Part II, Section A, Condition 1 – definition of Financial Transmission Rights

Nature of proposed modification

It is proposed to introduce a definition for Financial Transmission Rights, as the proposed modification to Condition 15 (Capacity Utilisation) contains reference to this term, to ensure that these new arrangements can be appropriately described and scoped in the Interconnector Licence. Further detail as to the need to use this term is provided in relevant sections below.

Reasons

With a key objective of the new I-SEM arrangements being the optimisation of cross-border assets, new and additional provisions will be required for interconnectors to fulfil this objective. No longer will the licensee offer interconnector users physical capacity but will instead move to arrangements whereby Financial Transmission Rights (FTRs) are offered. This will be consistent with the requirements of the Forwards Capacity Allocation Regulation.

A number of the proposed modifications (e.g. Condition 15 Capacity Utilisation), therefore, include reference to the term Financial Transmission Rights. The definition of Financial Transmission Rights is being scoped to cover both Financial Transmission Right Options and Financial Transmission Right Obligations as, in its decision paper on Financial Transmission Rights (SEM-15-100), the SEMC decided that Interconnector owners such as EIDAC will initially offer Financial Transmission Right Options at I-SEM go-live and also stated that this did not preclude a move to offering Financial Transmission Right Obligations at a later stage should there be market requirements for such products on the GB-SEM

border or should there be moves in Europe towards such products. Clearly, some further consequential regulatory changes may be required at a later stage if such a change in approach was decided upon.

4.2.9 Part II, Section A, Condition 1 – definition of Harmonised Allocation Rules

Nature of proposed modification

At I-SEM Go Live, a new dispute resolution process contained within the Harmonised Allocation Rules (HARs) will come into force. It is proposed to introduce a definition for Harmonised Allocation Rules, as the proposed modifications to Condition 16 (Dispute Resolution) contains reference to this term, to ensure that these new arrangements can be appropriately described and scoped in the Interconnector Licence. Further detail as to the need to use this term is provided in relevant sections below.

Reasons

Proposed modifications to one licence condition (i.e. Condition 16 Dispute Resolution) include reference to the term Harmonised Allocation Rules, therefore a definition for the term is required.

4.2.10 Part II, Section A, Condition 1 – definition of Interconnector Revenue

Nature of proposed modification

The proposed modification will incorporate a new definition for the term Interconnector Revenue as this term will be referred to in other licence conditions e.g. Condition 19 Use of Revenues.

Reasons

Under I-SEM arrangements, the licensee's revenue streams will change to incorporate new sources (in particular, from FTRs, participation in the Capacity Market and from Ancillary Services). It is proposed, therefore, to introduce a definition for Interconnector Revenues which appropriately covers EIDAC's various revenue streams in the I-SEM.

The proposed definition takes a comprehensive approach to possible sources of revenues for the Interconnector, covering all revenue which EIDAC may accrue in respect of carrying on the interconnector business. This definition, in particular, is noted to included (but not be

restricted to) all income which the Licensee receives (a) from the allocation of Interconnector capacity (including congestion income as defined in CACM Regulation), (b) from the proceeds of the sale of Financial Transmission Rights by the Licensee less the net remuneration paid by the Licensee to holders of Financial Transmission Rights, (c) the provision of Ancillary Services, and (d) under the terms of the Capacity Market Code. The CRU considers that this approach is necessary to ensure a sufficiently robust regulatory framework in relation to the collection and use of interconnector revenues in the I-SEM.

4.2.11 Part II, Section A, Condition 1 – definition of Licensee

Nature of proposed modification

See our discussion at 4.2.1 above. It is proposed to amend the definition of Licensee to reflect the change in the name of the licence holder.

Reasons

The supporting reasoning for this change is set out in section 4.2.1 above.

4.2.12 Part II, Section A, Condition 1 – definition of Market Operator Licences

Nature of proposed modification

It is proposed to delete this definition from the Licence.

Reasons

The term Market Operator Licences is not used anywhere in the Licence; therefore, a definition is not required. When a defined term is included in a licence but not used, this creates uncertainty and may lead to confusion in the interpretation of the Interconnector Licence.

4.2.13 Part II, Section A, Condition 1 – definition of Network Codes

Nature of proposed modification

It is proposed to introduce a definition for the term Network Codes as proposed modifications to some conditions in the Interconnector Licence contain reference to this term (e.g. Condition 15 Capacity Utilisation). Further detail as to the need to use this term is provided in relevant sections below.

Reasons

Proposed modifications to some conditions in the Interconnector Licence contain reference to the term Network Codes, therefore a definition is required in the licence. As noted above, this is so EIDAC's obligations under the Interconnector Licence adequately refer to the wider sources of its legal obligations under the Electricity Market Regulation and its subsidiary network codes and guidelines.

The Electricity Market Regulation creates an overarching framework for the regulation of cross-border electricity transmission networks in the EU, including the creation of interconnection capacity. The Electricity Market Regulation envisages more detailed regulatory arrangements being laid out in network codes and guidelines. A number of provisions in such network codes and guidelines created under the Electricity Market Regulation are relevant to interconnector owners such as EIDAC and should be referenced in their regulatory obligations (e.g. in the Interconnector Licence).

4.2.14 Part II, Section A, Condition 1 – definition of Nominated Electricity Market Operator

Nature of proposed modification

It is proposed to introduce a definition for the term Nominated Electricity Market Operator (NEMO) as proposed modifications to some conditions in the Interconnector Licence contain reference to this term (e.g. Condition 9 Provision of Information).

As the EU framework envisages NEMOs who are designated in one Member State having the ability to 'passport' their service offering into another Member State, this definition should be sufficiently wide to cover both any NEMO designated as such by the RAs in Ireland and Northern Ireland as well as any 'passporting' NEMO (which have been designated in other Member States). Further detail as to the need to use this term is provided in relevant sections below.

Reasons

Proposed modifications to some conditions in the Interconnector Licence contain reference to the term NEMO, therefore a definition is required in the licence (i.e. Condition 9 Provision of Information).

4.2.15 Part II, Section A, Condition 1 – definition of SEM Trading and Settlement Code

Nature of proposed modification

It is proposed to amend the definition of SEM Trading and Settlement Code to refer to the specific relevant section in the Act. Presently, the definition refers to s9 of the Act, whereas the SEM Trading and Settlement Code is developed pursuant to s 9BA (1) of the Act.

Reasons

The SEM Trading and Settlement Code is defined in the Interconnector Licence by reference to the section of the Act under which it is developed Section 9BA (1) in the Act permits the establishment of the Trading and Settlement Code so the definition of the SEM Trading and Settlement Code should be updated to refer to this specific section as this is more accurate than the current drafting.

4.2.16 Part II, Section A, Condition 6 – Compliance with Codes

Nature of proposed modification

It is proposed to add a new requirement requiring the Licensee to be party to and comply with the Capacity Market Code, insofar as applicable to it. It is also proposed to add the Capacity Market Code as one of the Codes that the licence holder is required to report to the CRU in terms of compliance.

Reasons

Under the new I-SEM arrangements, the Interconnector will be eligible to participate in the Capacity Market. As such, it will be expected to accede to and comply with the Capacity Market Code (insofar as applicable to it). As such, this condition needs to be updated.

4.2.17 Part II, Section A, Condition 9 – Provision of Information to the Transmission System Operator, Distribution System Operator, or Market Operator

Nature of proposed modification

The proposed modifications in paragraph 1 are aimed at extending the categories of entities to whom the Interconnector is obligated to furnish information, by including NEMOs and any transmission system operators licensed in the EU. It is also proposed to increase the granularity of the information furnished by the Licensee to include information concerning capacity and constraints of the Licensee's Interconnector.

Reasons

The CACM and FCA regulations impose multiple requirements on Interconnector owners for collectively working with other TSOs and NEMOs to establish required methodologies and to operate the markets. The proposed modifications permit the Licensee to provide information regarding the operation, capacity and constraints of the Interconnector to any person designated to perform the activities of a NEMO and TSOs licensed in the EU.

4.2.18 Part II, Section A, Condition 10 – Central Dispatch and Interconnector Transfers

Nature of proposed modification

It is proposed to amend the condition, including its title, to refer to ‘scheduling and dispatch’ rather than ‘central dispatch’. A further modification is proposed to paragraph 1 to obligate the Licensee to have appropriate arrangements in place to ensure that all interconnector transfers for scheduling and dispatch are submitted in accordance with the SEM Trading and Settlement Code, as this will be its role in the I-SEM.

Reasons

Under the revised trading arrangements in the I-SEM the processes around interconnector transfers are changing and the substantive change to paragraph 1 of this condition is being modified to reflect this. The proposed changes in the terminology used in this condition aim to achieve closer alignment with the revised trading arrangements in the I-SEM and consistency with the Grid Code.

4.2.19 Part II, Section A, Condition 11 – Ancillary Services

Nature of proposed modification

This condition presently requires the Licensee to facilitate the provision of Ancillary Services when requested by the TSO and in accordance with the provisions of the Grid Code. It is proposed to modify paragraph 1 to enable the CRU to direct the Licensee to facilitate the provision of ancillary services above the minimum requirements set out in the Grid Code.

Reasons

As explained at 4.2.2 above, the Grid Code sets out minimum requirements in terms of the ancillary services that the Interconnector is required to provide. However, it does not cover off all services that the Interconnector provides or will provide, such as services provided in respect of DS3. Therefore, it is no longer appropriate to limit the definition to only those

services mandated in the Grid Code. The proposed modification seeks to provide an enhanced level of flexibility to enable the CRU to direct EIDAC to provide services over and above those set out in the Grid Code as it considers necessary.

4.2.20 Part II, Section A, Condition 15 – Capacity Utilisation

Nature of proposed modification

The proposed modifications in paragraph 1 amend the condition so that the Licensee's obligation to make available the maximum capacity of the interconnector in compliance with safety standards is stipulated as being "as set out in any of the Network Codes and the Electricity Market Regulation".

Paragraph 2 has been amended to obligate the Licensee to make available arrangements for the auctioning of Financial Transmission Rights, as required under legislation.

Reasons

Under the revised trading arrangements in the ISEM the Licensee is required to auction Financial Transmission Rights on its Interconnector and this condition is being modified to reflect this.

4.2.21 Part II, Section A, Condition 16 – Dispute Resolution

Nature of proposed modification

This modification gives precedence to the dispute resolution process contained within the Harmonised Allocation Rules (HAR) over the existing dispute provisions in circumstances where the HAR provisions are engaged. This reflects the new arrangements from I-SEM Go Live.

Reasons

At I-SEM Go Live, a new dispute resolution process contained within the HAR will come into force. As such, it is proposed that this Condition be modified to make the existing dispute resolution process subject to the new HAR provisions for those disputes which fall within the scope of the HAR.

4.2.22 Part II, Section A, Condition 17 – Prohibited Activities

Nature of proposed modification

It is proposed to modify paragraph 1 to allow the Licensee to engage in the listed prohibited activities only in specific circumstances provided for in an explicit written consent granted by the CRU.

Reasons

The proposed modification would provide a mechanism for the Licensee to obtain written consent from the CRU to purchase / sell electricity (which would otherwise be a prohibited activity under the licence condition).

This mechanism is considered necessary under the revised trading arrangements in I-SEM where it may be reasonable to allow the Licensee to engage in such a prohibited activity, for example where a physical trip of the Interconnector left the Licensee with an imbalance position in the I-SEM Balancing Market.

In any request for permission to engage in a prohibited activity the Licensee shall clearly outline the rationale behind the request, and in any written consent the CRU shall clearly define the acceptable circumstances under which the Licensee may engage in such prohibited activity.

4.2.23 Part II, Section A, Condition 18 – Restriction on Use of Certain Information

Nature of proposed modification

This condition restricts the Licensee's use of commercially sensitive information which it holds pursuant to its function as a licensed interconnector owner. It is proposed to amend paragraph 1 and 4(b) (i) to include updated and accurate references to the sources of the obligations placed on the Licensee in respect of restrictions on use of information. It is proposed to update paragraph 4(c) to refer to the Capacity Market Code in the list of arrangements under which the Licensee may be expressly permitted or required to disclose that information.

Reasons

The proposed modifications in paragraphs 1, 4(b) (i) and 4(c) reflect the updated range of sources for the obligations placed on the Licensee in respect of use of certain information, in

particular to include Electricity Market Regulation, Network Codes and Capacity Market Code (in addition to the sources already specified).

4.2.24 Part II, Section B, Revenue and Third Party Access, Condition 19 – Use of Revenues

Nature of proposed modification

This condition regulates how EIDAC can use its Interconnector Revenues (see 4.2.10 above for discussion of the proposed modification to the definition of this term). It is proposed to amend paragraphs 1 and 2 to refer to the new defined term of “Interconnector Revenues”, so as to capture sources of revenue other than those already set out in the condition. A further amendment to paragraph 2 creates the potential for Interconnector Revenues to be used for such purposes as may be directed by the CRU from time to time, as well as for the two existing acceptable purposes already stated in the condition which are to be retained.

It is further proposed to extend the timelines for the submission of the revenues statement from the 1st of July to the 14th of July each year, in order to enable the licence holder to provide more accurate information in respect of the use of revenues.

Reasons

As noted above (at 4.2.10), under the I-SEM arrangements, the Licensee’s revenue streams will change to incorporate new sources. These are to be incorporated into the regulatory regime for the use of revenues created by this condition via the use of the new defined term “Interconnector Revenues”.

The proposed modification allows the CRU to allow such revenue to be used for such other purposes as it may direct from time to time; this is to ensure that, going forward, in light of these new streams of revenue that adequate flexibility is built into the regulatory regime for the use of revenues. In any such direction, the CRU shall clearly define the purposes for which Interconnector Revenues can be used.

4.2.25 Part II, Section B, Revenue and Third Party Access, Condition 20 – Access to the Licensee’s Interconnector

Nature of proposed modification

It is proposed to modify paragraph 1 of this condition to oblige the Licensee to make the capacity of the interconnector available in accordance with arrangements made under

CACM, the FCA regulations and their subsidiary methodologies (as well as in compliance with s34 of the Act).

Reasons

The applicable rules for allocation of capacity after the I-SEM go-live date are set out in CACM and FCA Regulation (and their subsidiary methodologies); it is therefore appropriate to reference these in Condition 20(1) and (2) of the licence. More widely, please note that the terms of the access arrangements that will apply from I-SEM Go Live have been revised in accordance with the procedures set out in the licence condition. The UR approved the terms of the revised access rules on [20 November 2017](#). The access rules and charging methodology statement for the East West Interconnector were approved by the CRU on [16 November 2017](#).

4.2.26 Part II, Section B, Revenue and Third Party Access, Condition 21 – Application of Licence Condition 19 and 20

Nature of proposed modification

Condition 21 (and the title) has been modified to reflect modifications to conditions 19 and 20.

Reasons

The proposed modifications to conditions 19 and 20 require amendments to condition 21. The proposed modifications reflect these modifications.

4.2.27 Schedule 2 - Right of the Commission to Revoke this Licence

Nature of proposed modification

Schedule 2 has been modified to reflect the new section numbers in the Companies Act 2014.

Reasons

The Companies Act 1963 has now been replaced by the Companies Act 2014. These modifications are required in order to refer to the correct section numbers in the Companies Act 2014.

5. NEXT STEPS

Representations and objections to the proposed modifications are due by close of business on 17 January 2018. The CRU will publish a decision on the licence modifications once all responses have been reviewed. The licence modifications published in the CRU's decision paper will take effect no less than 28 days afterwards.