Annex 7 to the harmonised Allocation Rules for Forward Capacity Allocation

Regional specific annex for the borders Great Britain-Ireland and Great Britain-Northern Ireland (SEM-GB)

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Article 1

Subject-matter and scope

1. In accordance with Article 4 of the Allocation Rules regional specificities may be introduced for one or more Bidding Zone borders. The rules described in this border specific annex apply to the SEM-GB Border[1].

2. This annex shall be effective from the date of entry into force of the Allocation Rules subject to approval from the relevant National Regulatory Authorities. This annex shall be reviewed annually by the TSOs and the National Regulatory Authorities may also request a review. In the event that this annex requires amendment, Article 68 of the Allocation Rules shall apply.

3. The terms used in this annex shall have the same meanings as set out in the Allocation Rules to which this annex is attached unless otherwise specified.

[1] SEM is the single electricity market in Northern Ireland and Ireland. SEM-GB, as used in this annex, refers to both the Northern Ireland to Great Britain interconnector (the "Moyle Interconnector") and the Ireland to Great Britain interconnector (the "East West Interconnector").

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Article 2

SEM – GB border specific rules

1. The Allocation Rules for Forward Capacity Allocation shall apply to the allocation of Long Term Transmission Rights on the SEM – GB bidding zone border with a Product Period beginning on or after the go-live date of the Integrated Single Electricity Market (I-SEM)[2] on the island of Ireland subject to the rules in this annex.

2. The form of Long Term Transmission Rights to be issued under the Allocation Rules on the SEM – GB bidding zone border will be Financial Transmission Right Options ("FTRs").

3. The expected go-live date of the I-SEM is 23rd May 2018. In the event that the actual I-SEM go-live date and introduction of day ahead market coupling is later than this, Long Term Transmission Rights issued under the Allocation Rules for the period before the actual I-SEM go-live date will be curtailed and holders will be entitled to reimbursement in line with Article 60 of the Allocation Rules.

4. The East West Interconnector Access Rules[3] (as amended from time to time) shall govern access arrangements for long-term, daily and intra-day allocations on the East West Interconnector until the I-SEM go-live date, except for Long Term Transmission Rights which are allocated in accordance with Article 2(1) of this annex.

5. The Moyle Interconnector Access Rules[4] (as amended from time to time) shall govern access arrangements for long-term, daily and intra-day allocations on the Moyle Interconnector until the I-SEM go-live date, except for Long Term Transmission Rights which are allocated in accordance with Article 2(1) of this annex.

6. By way of clarification to Article 48 (1) of the Allocation Rules, in the event of Day Ahead Fallback[5] being enacted on the SEM-GB bidding zone border the first SEM-GB interim intraday auction will be the fallback allocation setting the 'price' (or Market Spread). This 'price' will be on a half-hourly basis and will be used to remunerate long term transmission rights holders on a pro-rata basis. If the first SEM-GB interim intraday auction does not occur in a Day Ahead Fallback scenario then no reference price is calculated.

7. By way of clarification to Articles 48(1) and 59(1) of the Allocation Rules, the 'price' (or Market Spread) for compensation or remuneration of FTRs will be adjusted to reflect losses of electricity during transmission across the relevant interconnector[6]. Market Spread will be

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[2] I-SEM is the name given to the project to redesign the electricity market of Ireland and Northern Ireland to implement the European Target Model in accordance with EU Directive 2009/72/EC, Regulation (EC) No 714/2009, Regulation (EC) No 713/2009 and Commission Regulation (EU) 2015/1222.

[3] East West Interconnector means the interconnector connecting Ireland at Woodland to Wales at Deeside. The East West Interconnector Access Rules are available at http://www.eirgridgroup.com/customer-and-industry/interconnection/key-information/

[4] Moyle Interconnector means the interconnector connecting Northern Ireland at Ballycronan More to Scotland at Auchencrosh. The Moyle Interconnector Access Rules are available at http://www.mutual-energy.com/electricity-business/moyle-interconnector/access-arrangements

[5] Day Ahead Fallback in accordance with article 44 of Regulation (EC) No 2015/1222.

[6] These are Allocation Constraints as considered by Article 35(4) of Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation.

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reduced by a loss factor and will only be positive where the Market Spread exceeds the cost of interconnector losses. The loss factors and associated payment formulae will be published on the Allocation Platform website.

With the receiving side as the reference point for long term transmission rights volume, the following payment formulae apply:

Loss-adjusted market spread for GB→IE and GB→NI

$$ {}^{GB\rightarrow NI}_{GB\rightarrow IE}LAMS = MAX\left[\left(SEM_p - \frac{GB_p}{\{1 - ICLF\}}\right), 0\right] $$

Loss-adjusted market spread for IE→GB and NI→GB

$$ {}^{NI\rightarrow GB}_{IE\rightarrow GB}LAMS = MAX\left[\left(GB_p - \frac{SEM_p}{\{1 - ICLF\}}\right), 0\right] $$

where:

a. $LAMS$ is the loss-adjusted market spread (in €/MWh);
b. GB_p is the day-ahead market coupling price (in €/MWh) in the GB bidding zone for such contract day and specific hour;
c. SEM_p is the day-ahead market coupling price (in €/MWh) in the SEM bidding zone for such contract day and specific hour; and
d. $ICLF$ is the Interconnector Loss Factor for that interconnector that was applied as an allocation constraint in the day-ahead market coupling.

8. By way of clarification to Article 56 of the Allocation Rules, in the case of direct current interconnectors on the SEM-GB border, curtailment to 'ensure operation remains within Operational Security Limits' shall include cases where:

$$ IC_{dir} < \sum Capa_{dir} $$

where:

a. IC_{dir} is the value of the interconnector capability[7] in MW at that time in that direction; and
b. $\sum Capa_{dir}$ is the MW sum of the allocated Long Term Transmission Rights across all Registered Participants at that time in that direction under the Allocation Rules.

9. Pursuant to Article 59 of the Allocation Rules, a cap will be applied to the compensations calculated according to paragraph 1 of Article 59.

The total monthly amount of compensation payable under Article 59(1) shall not exceed the aggregate of:

(a) the revenues generated by the monthly Auction for that particular month;

[7] The capability of the DC interconnector is one of the inputs to the capacity calculation which determines the available cross-zonal capacity in MWs. This is to clarify that it is also considered as an operational security limit in the implementation of Article 56 of the Allocation Rules.

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(b) the revenues generated by Auctions of duration shorter than a month which occurred during this month on the concerned Bidding Zone border; and

(c) the revenue raised in relation to that Month from Auctions with a Product Period longer than a month, which shall be calculated as an equal proportion of the total revenue raised for this timeframe (i.e. for yearly auctions, the revenue considered shall be a twelfth of the total income generated at yearly auctions) for the concerned Bidding Zone Border,

less all sums paid by way of compensation under Article 40 of the Allocation Rules (*Remuneration of Long Term Transmission Right holders*), Article 48 of the Allocation Rules (*Remuneration of Long Term Transmission Rights holders for non-nominated Physical Transmission Rights and Financial Transmission Rights Options*), Article 60 of the Allocation Rules (*Reimbursement for curtailments due to Force Majeure before the Day Ahead Firmness Deadline*) and Article 61 of the Allocation Rules (*Reimbursement or compensation for curtailments due to Force Majeure or emergency situation after the Day Ahead Firmness Deadline*).

10. For the purposes of Article 59(1)(a) of the Allocation Rules the Market Spread shall not exceed the Market Spread Cap calculated as follows[8]:

    a. Every month M the Market Spread Cap is calculated to apply in respect of each direction and each hour during that month M by reference to the period (the "Reference Period") of twelve (12) consecutive months ending on the last day of the month prior to month M.

    b. In relation to the direction SEM to Great Britain, the Market Spread Cap shall be an amount (expressed in €/MWh) equal to the ninety-fifth (95th) percentile value of the positive day-ahead market spread hourly values in the direction SEM to Great Britain for the Reference Period ranked in order from lowest to highest value. The positive day-ahead market spread hourly values mean the values equal or higher than 0€/MWh.

    c. In relation to the direction Great Britain to SEM, the Market Spread Cap shall be an amount (expressed in €/MWh) equal to the ninety-fifth (95th) percentile value of the positive day-ahead market spread hourly values in the direction Great Britain to SEM for the Reference Period ranked in order from lowest to highest value. The positive day-ahead market spread hourly values mean the values equal or higher than 0€/MWh.

    d. For the purposes of paragraphs 10(b) and 10(c), when the ninety-fifth (95th) percentile has no corresponding value, then the value corresponding to the closest higher percentile for which there is a corresponding value will be used.

    e. The Market Spread Cap for a specific direction is a single value for all the hours for the month M.

[8] For illustration, the SEM→GB market spread cap for December of year x would be calculated by ranking the positive market spread values in the SEM to GB direction from 1st December of year x-1 through to 30th November of year x and determining the value for the 95th percentile or the next highest value.

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