

**Ireland-United Kingdom TSOs proposal for the regional design
of long-term transmission rights in accordance with
Commission Regulation (EU) 2016/1719 of establishing a
Guideline on Forward Capacity Allocation**

Explanatory Document

February 2017

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Executive Summary

The relevant TSOs of the Ireland-United Kingdom Capacity Calculation Region (“IU CCR”) will submit a proposal for the regional design of long-term transmission rights to be issued on bidding zone border between Great Britain and the Single Electricity Market in Ireland and Northern Ireland to the regulatory authorities of the IU CCR by 17th April 2017. A public consultation on the proposal will be completed in advance of this. The proposal is developed to fulfil the requirements outlined in Article 15 of the Regulation (EU) 2016/1719 on establishing a guideline on forward capacity allocation (the “FCA Regulation”).

This document has been prepared to support the public consultation on the proposal and will be updated based on the feedback received in that consultation.

Purpose of the document

This document is provided in tandem with the IU TSOs proposal for the regional design of long-term transmission rights in order to support the proposal and provide additional clarification on the approach taken by the TSOs of the IU CCR, where it is deemed more appropriate to include this clarification in an explanatory document than providing it in the proposal itself.

Assessment of options for the regional design of long-term transmission rights

a. Time schedule for implementation

This proposal is to be implemented as part of the I-SEM¹ arrangements in the Single Electricity Market (SEM) bidding zone and on the bidding zone border between Great Britain (GB) and SEM (SEM↔GB). The I-SEM arrangements cover all market timeframes and the expected go-live date of the I-SEM is 23rd May 2018. This proposal will apply for all long-term products with a delivery period after the I-SEM go-live date.

b. Type of long-term transmission rights

The type of product proposed is Financial Transmission Rights – Options (FTR Options). These products entitle the rights holder to remuneration when the day-ahead market price difference is positive in the direction of the long-term transmission rights.

The SEM Committee’s² I-SEM High Level Design (SEM-14-085³) decided that subject to agreement with neighbouring markets, Cross-Zonal trading will be supported only by Financial Transmission Rights (FTRs). The full implementation of the I-SEM High Level Design will have all physical allocations of energy

¹ 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 Regulations (EU) No. 2015/1222 and (EU) No. 2016/1719.

² The SEM Committee is the decision making authority for all Single Electricity Market (SEM) matters

³ SEM-14-085: <https://www.semcommittee.com/news-centre/i-sem-high-level-design-decision-published>

performed through market coupling arrangements in the day ahead and intraday timeframes. There are no physical energy products local to SEM to nominate against physical transmission rights on the SEM↔GB border and thus financial transmission rights are the appropriate product options.

This I-SEM High Level Design was developed further in the SEM Committee's Financial Transmission Rights paper (SEM-15-100⁴) which decided that FTR Options would be the product to be offered for I-SEM go-live.

c. Forward capacity allocation time frames

The following timeframes for allocation are proposed for the IU CCR:

Product	Time frame
Annual	12 months Calendar (Jan to Dec) SEM annual (Oct to Sep)
Seasonal	6 months Winter (Oct to Mar) Summer (Apr to Sep)
Quarterly	3 months (Jan-Mar) (Apr-Jun) (Jul-Sep) (Oct-Dec)
Monthly	1 month (Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec)

We have requested feedback on the demand for the products as part of the public consultation.

d. Form of product (base load, peak load, off-peak load)

The SEMC decision (SEM-15-100) stated the following: "The SEM Committee will not require the Interconnector Owners to offer time-of-day products although they may offer such products if they perceive a market requirement."

Only base products are offered on the SEM↔GB border at the moment. We have requested feedback on the demand for different forms of product as part of the public consultation.

⁴ SEM-15-100: https://www.semcommittee.com/sites/semcommittee.com/files/media-files/SEM-15-100%20FTRs%20Policy%20%20Decision_0.pdf

e. Bidding zone borders covered

This proposal applies to the IU CCR which only includes the SEM↔GB bidding zone border. This is made up of the Moyle (NI↔GB) and EastWest (IE↔GB) interconnectors. Separate products will be offered on each interconnector, implementing the direction on this in the SEM Committee's Financial Transmission Rights paper (SEM-15-100).

Conclusion

This proposal has been developed in line with the SEM Committee direction on products and is consistent with the other proposals and methodologies required under the FCA regulation. This proposal should be considered in conjunction with the Harmonised Allocation Rules developed pursuant to Article 51 of the FCA Regulation and the regional requirements of the Harmonised Allocation Rules pursuant to Articles 52 and 55 on which consultation is taking place from 16th January to 17th February 2017. All these proposals will be submitted to the relevant regulatory authorities by 17th April 2017.