

nationalgrid

35 Homer Road
Solihull
B91 3QJ
UK

19th October 2015

Mr James Curtin
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Mr Joe Craig
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Dear Mr. Curtin & Mr. Craig,

National Grid Interconnectors Limited response to I-SEM Financial Transmission Rights consultation paper

National Grid Interconnectors Limited (NGIC) welcomes the opportunity to respond to the above consultation. NGIC is a part owner and operator of the Interconnexion France-Angleterre (IFA) link between Great Britain and France.

The attached annex includes NGIC's position on each of the five questions included in the consultation.

We will be happy to discuss our views contained within this letter should that be helpful. For further details, please contact myself (Richard.Sidley@nationalgrid.com) and we look forward to the consultation outcomes.

Yours sincerely,



Richard Sidley
IC Commercial Optimisation Manager
National Grid Interconnectors Limited

Annex

1. WHICH OFFERS THE GREATER BENEFIT TO THE I-SEM/GB MARKET: FTR OPTIONS OR OBLIGATIONS?

Of the two FTR products, FTR Options are a closer alternative to the currently in place PTRs. NGIC therefore, considers that in the short to medium term FTR Options would better facilitate the current market mechanisms and be a simpler initial move away from PTR's. FTR Obligations present a potential longer term solution and benefits would be better realised if delivered on a collaborative regional basis.

NGIC considers that in theory FTR Obligations could provide a more purer form of hedge, however it would likely be of most benefit if it is available across multiple and contiguous borders. The full potential benefits of FTR obligations would be worthy of further investigation, with potential advantages most likely to be realised under a coordinated approach between neighbouring TSOs on a regional basis.

2. WHAT ARRANGEMENTS WOULD BE PREFERRED: ONE FTR BETWEEN THE I-SEM AND GB OR ONE FTR PER INTERCONNECTOR?

Due to the discounting effects of the operational aspects of losses and curtailment (referred in Point 3 below), NGIC considers that FTRs per Interconnector would be more appropriate than FTRs market-to-market.

3. SHOULD ANY OF THE FOLLOWING BE DISCOUNTED FROM THE FTR PRODUCT PAYOUTS? (I/C LOSSES, RAMPING CONSTRAINTS, CURTAILMENT RISKS).

NGIC believes the effects of interconnector losses should be discounted from FTR payouts, which are inherent to HVDC operation. Where losses are a fixed percentage, then the effect is known and certain, and can be reflected commercially in market participants' FTR bidding strategies.

Curtailment effects should also be discounted from payouts, particularly if the HVDC Interconnector operator is a non-energy participant in the market and thereby not in a position to mitigate the effects.

Ramping constraints are less necessary to discount from payouts, being a constraint imposed not by the Interconnector operator but by the transmission network operator.

- 4. WHAT ARE THE IMPORTANT ISSUES TO BE CONSIDERED IN DECISING ON THE DEVELOPMENT OF AN AUCTION PLATFORM?**
- 5. WHAT IS THE PREFERRED APPROACH IN RELATION TO THE ESTABLISHMENT OF THE I-SEM FTR AUCTIONING PLATFORM?**

NGIC considers the following to be the most important issues in the development up of an auction platform:

- a) Clear and appropriate governance of ownership, project development and operation of the platform.
- b) Functionalities appropriate for all TSO and interconnector technologies and compliant with applicable Codes and Allocation Rules.
- c) Technical interfaces as necessary into Interconnector and national market IT systems.
- d) Accuracy and reliability of operation.
- e) Value for money.

NGIC is actively involved with other FUIN TSOs to consider the local platform options alongside JAO, given the uncertainty of the ability of the JAO to provide all functionalities and interfaces necessary for HVDC Interconnectors to GB and I-SEM.

NGIC is also mindful that the establishment of a single european allocation platform will be a significant undertaking involving many stakeholders, for which the governance will be important element. It is interesting to note that, whilst there is a requirement in CACM for market operators (NEMOs) to be designated by Regulators, there appears to be no such regulatory oversight for the operator of the single allocation platform. With this in mind, there will need to be a rigorous TSO process to ensure an efficiently procured, developed and operated system.

