

April 25th, 2008

Our Ref: L/MIC08/01

Mr. Paddy Larkin,
Moyle Interconnector Limited,
First Floor
The Arena Building
85 Ormeau Road
Belfast BT7 1SH

Re: Moyle Interconnector Trading from 1st October 2008 – A Consultation Paper

Dear Paddy,

Bord Gáis Energy Supply (BGES) welcomes the opportunity to provide comments on the above titled consultation paper published by Moyle Interconnector Limited (MIL) on April 16th 2008. The following are our points in relation to same:

1. BGES supports the alignment of the Moyle Interconnector year to that of the SEM tariff year. The details around the proposed solution, allowing bidders to elect to bid for 11 or 12 month capacity are a little unclear. We are assuming that the total allowed capacity is not to be divided into specific quantities available for each option.
2. We consider the proposed auction timeframes, as outlined in section 5 of the consultation paper, to be appropriate.
3. We understand that MIL intends to set a reserve price of £2,078/MW/month or lower. However the consultation paper refers to the possibility of quoting a reserve price for a particular product/auction in different units. It would be useful to have some more detail on this proposal prior to the auctions to allow for participant feedback in relation to same. Participants should also be given reasonable notice of revisions to products or reserved prices and we suggest a period of 4 weeks prior to each auction in relation to same.
4. We understand from the consultation paper that MIC do not anticipate having weekly, daily or intraday auctions due to the required finance requirements for the introduction of systems and the possible inefficiency of same due to the a preference to work towards more a more enduring systems solution. However, the current arrangements in place for monthly auctions appear to work relatively well from an administration point of view; providing a good level of service in terms of product availability and flexibility. We are unclear as to why a move to

a simple basis for weekly auctions would necessitate a computerised auction system.

While there is no requirement to set out weekly capacity products at the outset; an auction could be held each week for capacity which is unsold, if any. This would at least in some way satisfy the EU drive for more flexible arrangements, without necessarily adding large costs.

5. The current market rules only allow SONI to make use of unused capacity after gate closure. However this does not mean that this rule cannot or should not be changed. The EU is in favour of promoting more flexible arrangements for inter-European trading of electricity and this in itself may oblige the Modifications Committee to consider changes to the current rules.

The consultation paper states that unused capacity is currently used for system operator bi-lateral trades and mutual reserve support. How this is used however is not transparent to participants and until such time as there is a system in place demonstrating the benefits of such use, it is difficult to support a proposal of 'Use it or lose it'. As a market participant we have no issue with maximising the benefits that an Interconnector can provide the market in terms of efficiency gains – as per earlier where we would support a manual system of weekly auctions to provide extra capacity to the market. The issue is with the fact that SONI is the only party that can use the Interconnector following Gate Closure. It effectively provides free capacity to a party which can have a consequential impact on the trading parties of the Trading & Settlement Code. The Interconnector could be used in such a way so that Moyle Capacity holders are provided the opportunity to provide the power. This is more transparent and would also provide efficiency as capacity holders can access a range of power providers for supply.

The above is a summary of our thoughts in relation to the consultation paper. Please give me a call if you have any queries with the above or would like to discuss any additional points further.

Kind Regards

Tanya Gill
Commercial Regulation Manager
Bord Gáis Energy Supply

{By email}