MOYLE INTERCONNECTOR INTRA-DAY TRADING OPTIONS PROPOSALS - 21 May 2010

Simple

1. At D-1 10:00 gate closure allow I/C bids from everyone (i.e. I/C capacity holders and non capacity holders) in both directions for any amount of capacity
2. Rank all interconnector bids in two groups explicit capacity holders first then non capacity holders
3. Schedule explicit capacity holders first and then non capacity holders based on the capacity remaining/ released for superposition
4. Non capacity holders scheduled will pay a fraction of the difference between their accepted bid and SMP to the interconnector owner.
   (A similar mechanism for accepted export flows will need to be considered)
5. Bidders indicate on bid form if their bid may be used for the constrained schedule
6. Run bids through the constrained schedule in same way as 3 &4 above (note a scheduled quantity can't be reduced – a trade must be done in the opposite direction to effect this result) This constrained run would need to be as close as possible to unconstrained run.
7. Most competitive bids offered for the constrained schedule, subject to the I/C capacity, would receive capacity payments to incentivise (again need to consider exports)
8. I/C owner receives a fraction of the benefit from the System Operator based on the constraint costs with/without any accepted I/C bids.

Intermediate

1. As per 1-8 in simple solution
2. Allow further I/C bids (perhaps generators also) from everyone in both directions for last 12 hours of day
3. Rerun constrained schedule at 1800 on D-1 or 10:00 on Day D for last 12 hours of day (remember already accepted trades can only be changed by accepting a trade in the opposite direction.)
4. Superimposed accepted trades in the constrained schedule would share capacity payments (i.e. imports get half, exports pay half)
5. Best prices offered but not taken for last 12 hours would receive capacity payments

Whizz bang

1. As per 1-8 in simple solution
2. Unused and superimposed I/C capacity is explicitly auctioned for last 12 hours of the day. Previously unsold capacity would be allocated first and revenue would go to I/C owner. Previously sold capacity would be cleared next and previous capacity holders whose capacity is resold would receive sales price up to the level of their previous purchase price.
3. Further gate closure (1800 d-1 or 1000 day D) and market run as per simple solution run for last 12 hours of day – all bids in from gens and I/C users - SMP recalculated for last 12 hours. Could run this for last 16, 12 and 8 hours of the day if preferable.
4. Cardinal rule is that an accepted I/C trade cannot be changed - only a reverse trade accepted

SUMMARY OF OPTIONS

Timing and number of Gate Closures:

Only 1 gate closure is required under simple option.

1 gate closure for setting SMP under the intermediate option is required but there is an additional gate closure only for bids going into the constrained schedule.

At least 2 gate closures under whizz bang option depending on how day was to be split.

Both simple and intermediate proposals have UIOLI with reallocated capacity affecting SMP and both additionally make use of I/C bids in the constrained schedule - providing that the constrained schedule is run close to the time the unconstrained schedule is run then it should be feasible for I/C users to hold their bids.

Whether MIUNs from the first Ex Ante run should be protected:

MIUNs once scheduled would always be protected under all options – accepted trades could only be reversed by accepting a trade in the opposite direction

Preference for UIOLI or UIOSI and auctioning options:

Propose to use UIOLI in simple and intermediate proposals and UIOSI in the whizz bang proposal – capacity holders who are not scheduled would receive the compensation for any resold capacity but previously unsold capacity would be cleared first.

Whether all Generator Units should be able to re-bid in successive Ex Ante runs, or only Interconnector Units:

Simple option would not require re-bidding from Generator Units. Both other options could/would include re-bidding by all parties. Generators may not wish to re-bid under the intermediate option as only the constrained schedule would be affected and so generators should be neutral to any changes.