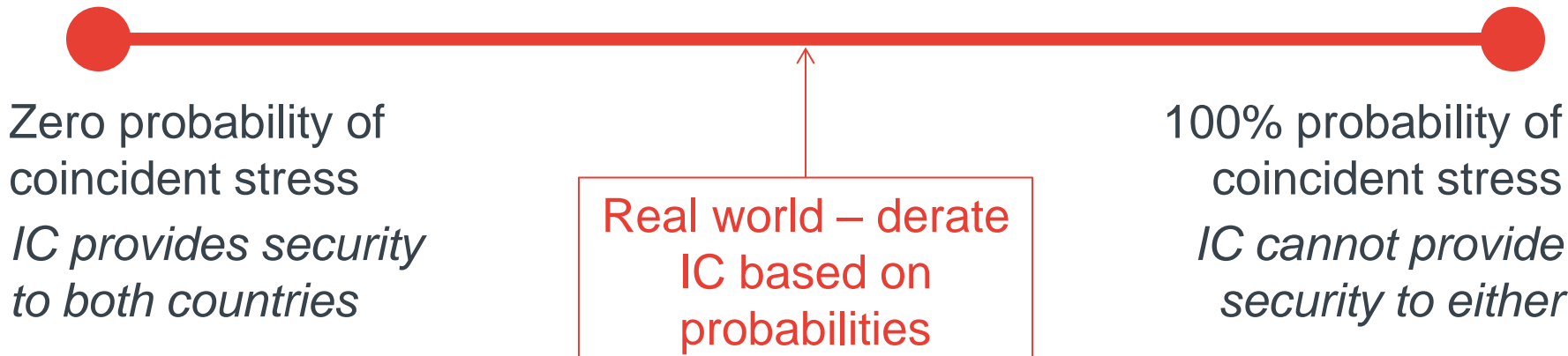


1. Interconnector reliability should be considered probabilistically

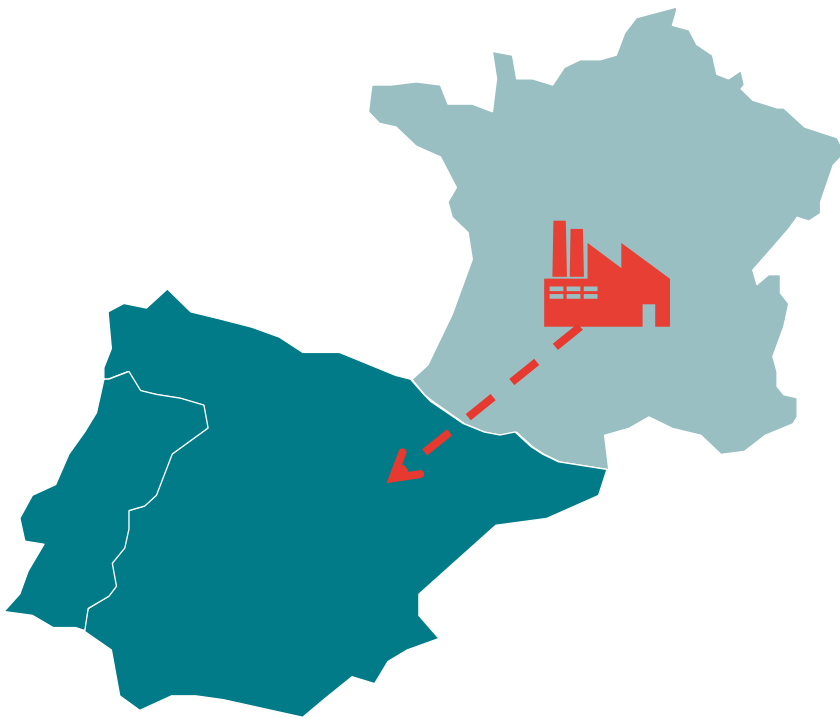


Zero probability of coincident stress
IC provides security to both countries

Real world – derate
IC based on
probabilities

100% probability of coincident stress
IC cannot provide security to either

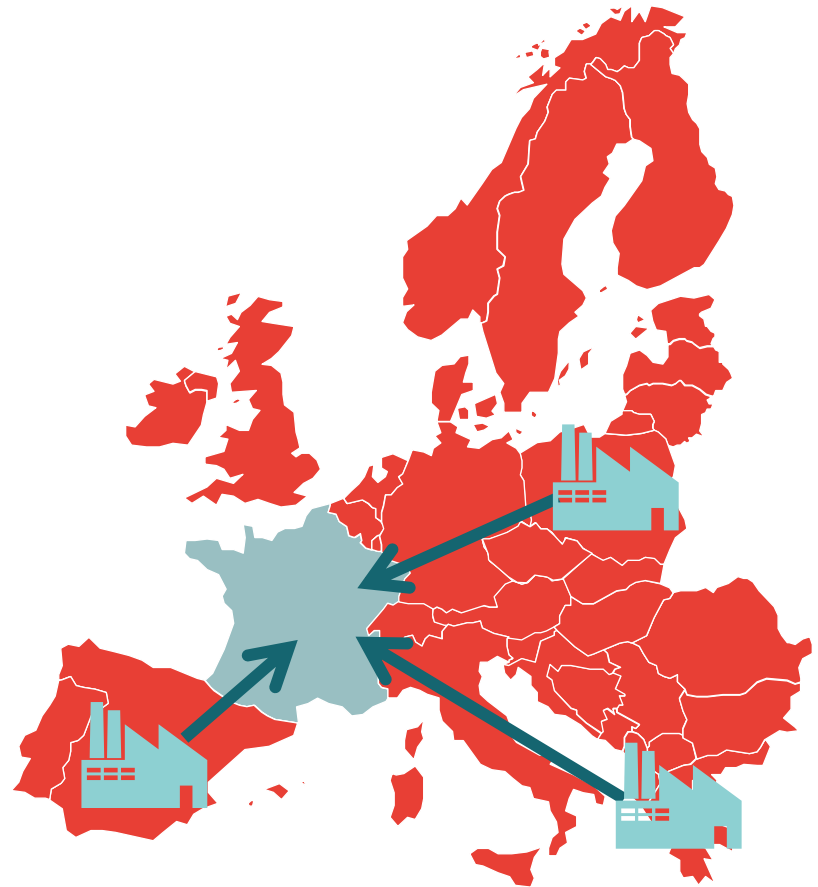
2. X-border capacity can be valuable to more than one system



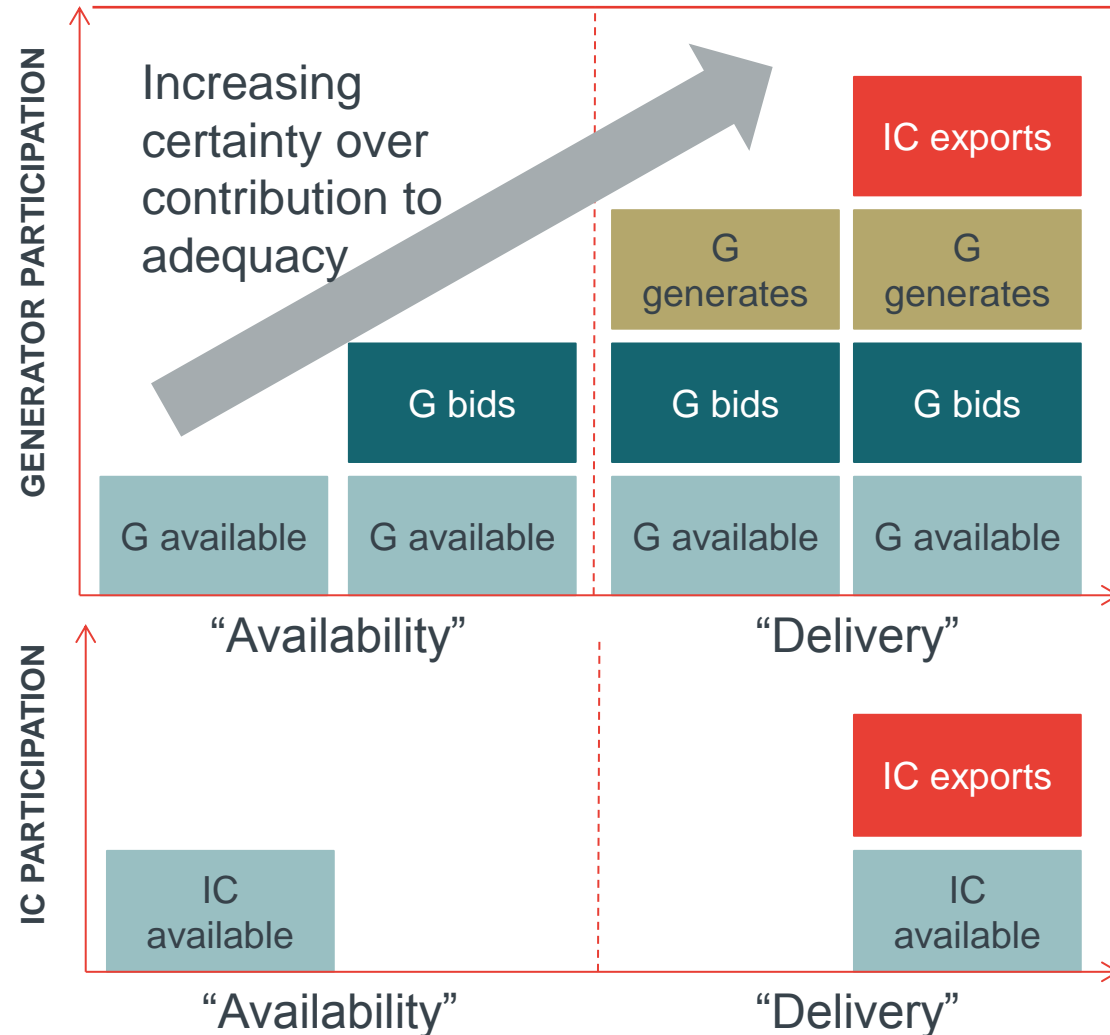
- Generator provides security in France
- Can help Spain & Portugal if low probability of coincident stress
- Same principle with other neighbours

3. Interconnector vs. generator participation is not about value, but may be about practicality

- Neighbouring generator simple
- Generator from other side of continent helps security, but how much...?
- Political difficulties



4. The nature of obligations on x-border capacity can be complex



- Need to define what is paid for – availability or delivery
- Availability is not enough for security
- But delivery implies interconnector must flow - no one party controls this
- Greater uncertainty while intraday markets not coupled & liquid

5. Co-ordination of markets would be ideal – but it is not obvious how to get there...

The ideal...

- Co-ordinated auction
- Demand curves & resources from various countries
- Simultaneous clearing
- Cheapest resources provide required capacity



Cheapest resources meet adequacy needs

Reality...

- National arrangements
- Mix of designs, obligations, timing
- No co-ordinated assessment of probability of coincident stress



Outcomes function of multiple (non-cost) factors