

**Interconnector (UK) Limited**8<sup>th</sup> floor, 61 Aldwych

London WC2B 4AE

Direct Dial: + 44 (0)20 7092 6594

Switchboard: + 44 (0)20 7092 6500

Central Fax: + 44 (0)20 7092 6501

Email: [consultation@interconnector.com](mailto:consultation@interconnector.com)Website: [www.interconnector.com](http://www.interconnector.com)

30 April 2013

Dear Stakeholder,

**Consultation on the implementation of Congestion Management Procedures**

Interconnector (UK) Limited<sup>1</sup> (IUK) is seeking your views on its proposals to implement the Congestion Management Procedures outlined in amended Annex I to Regulation (EC) No 715/2009<sup>2</sup>.

**Outline of this Consultation**

This Consultation is divided into 3 parts:-

- Part 1 sets out the background to, and a summary of, IUK's proposals
- Part 2 provides full details of IUK's proposals for implementation of the Congestion Management Procedures
- Part 3 sets out the consultation process, timeline and how to respond

There are also a number of Annexes to this Consultation:-

- Annex 1 contains the specific questions that IUK is seeking feedback on
- Annex 2 outlines how the price for over-subscription services will be calculated
- Annex 3 is the glossary of terms and abbreviations used in this Consultation

<sup>1</sup> Interconnector (UK) Limited is a joint venture company that was set up to construct and operate a strategic bi-directional gas pipeline and terminal facilities that link the UK and continental European energy markets. The IUK system is capable of transporting around 810 GWh/d from Zeebrugge in Belgium to Bacton in the UK and 630 GWh/d in the opposite direction.

<sup>2</sup> Amended guidelines for CMP in Annex I of Regulation (EC) No 715/2009 were published in the European Official Journal, on 24 August 2012, following approval by the European Parliament and Council: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:231:0016:0020:en:PDF>

## **PART 1: BACKGROUND TO, AND SUMMARY OF, IUK'S PROPOSALS**

### **Background**

In 2005 the European Commission launched a sector inquiry in response to concerns raised by market participants in the wholesale European energy markets. The final report, published in 2007, identified a number of shortcomings in the operation of the market. To address these concerns, and to improve the regulatory framework for a liberal wholesale energy market, the Third Energy Package (a package of legislative measures) was adopted in 2009. The Third Energy Package includes Regulation (EC) No 715/2009 which contains new Congestion Management Procedures that are to be implemented by Transmission System Operators. The measures proposed by Transmission System Operators to comply with the Congestion Management Procedures are to be approved by the relevant National Regulatory Authorities and implemented by 1 October 2013.

The Congestion Management Procedures aim to facilitate cross-border trade by preventing the hoarding of capacity. They require Transmission System Operators to optimise and maximise the use of their systems' capacity and outline measures to be implemented in the event of "contractual congestion". "Contractual congestion" is defined in Regulation (EC) No 715/2009 as "a situation where the level of firm demand exceeds the technical capacity of the transmission system".

IUK was established in 1994 to construct and operate a bi-directional gas interconnector pipeline between Bacton and Zeebrugge. The IUK system, which commenced operations in 1998, comprises:

- a compression/reception terminal at Bacton in the UK with connections to the National Grid Gas transmission system and SILK Pipeline;
- a compression/reception terminal at Zeebrugge in Belgium with a connection to the Fluxys transmission system; and
- a 235 kilometre pipeline between the two terminals.

IUK provides a strategic, physically bi-directional link between the UK and Continental European energy markets. All of IUK's capacity has been sold, following open seasons, until the end of September 2018. IUK's technical capacity has been designed to meet the level of demand indicated in the open seasons. IUK capacity has been actively traded since 1998 and currently 15 parties have access to capacity in the IUK system.

During the course of its operation, IUK has developed a number of mechanisms that make interruptible capacity available and enable parties who are not currently Shippers to access capacity in the IUK system via the secondary market<sup>3</sup>.

Ofgem and CREG (our relevant National Regulatory Authorities) have advised that they expect IUK, as the operator of an interconnector, to implement the Congestion Management Procedures and the proposals described in Part 2 of this Consultation are designed to achieve this.

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<sup>3</sup> For further information on the ways in which an interested party can access capacity from existing Shippers see our website [www.interconnector.com](http://www.interconnector.com)

A summary of the mechanisms contained within the Congestion Management Procedures is set out below:

*i) Oversubscription (OS) and Buy-back (BB)*

An oversubscription mechanism makes more capacity available (on a firm basis) than is technically available in the system.

A buy-back mechanism enables a Transmission System Operator to buy back capacity if aggregate nominations exceed the physical capability of the system.

*ii) Firm day-ahead Use It Or Lose It (UIOLI)*

Firm day-ahead UIOLI may be required to be implemented from July 2016.

*iii) Surrender of contracted capacity*

Transmission System Operators should accept the surrender of capacity by Network Users except where the capacity product is a day, or shorter. The Network User will retain the contractual rights and obligations until the capacity is reallocated by the Transmission System Operator.

*iv) Long Term Use It Or Lose It (LT UIOLI)*

Transmission System Operators may remove systematically underutilised capacity where the Network User had not sold or offered the capacity to the market under reasonable conditions and other Network Users have requested Firm Capacity.

## **Summary of IUK's Proposals**

In order to implement the three mechanisms in the Congestion Management Procedures which require implementation by 1 October 2013, IUK proposes that:

- Parties who do not currently have Interconnector capacity will be able to contract directly with IUK to access capacity. This will be in addition to and separate from the existing secondary market mechanisms which allow new parties to acquire capacity from existing Shippers.
- IUK will sell additional Firm Capacity - OS Capacity - on a day-ahead basis. Offer and allocation of the OS Capacity will be by auction with a reserve price of 0.4 p/kWh/h/day (equivalent to 0.5 p/therm) for Entry Capacity and a reserve price of 0.4 p/kWh/h/day for Exit Capacity. This means that the total reserve price for OS Capacity which a Shipper will pay to transport gas through the Interconnector system from Bacton to Zeebrugge is 0.8 p/kWh/h/day (equivalent to 1 p/therm) and from Zeebrugge to Bacton is also 0.8 p/kWh/h/day.
- If nominations exceed the physical capability of the system, IUK will initiate a buy-back mechanism under which Shippers may offer to sell capacity back to IUK in a pay-as-bid auction.
- Separately, Shippers will be able to surrender capacity to IUK, which IUK will then seek to auction with an appropriate reserve price.

- IUK will review Shippers' long term capacity utilisation, if other Shippers are unable to obtain capacity after taking reasonable steps to secure it. This review will be used to determine if systematically underutilised capacity exists which could be removed from a Shipper and made available to other Shippers.
- IUK will enhance transparency through the publication of data relating to the proposed Congestion Management Procedures.

## **PART 2: IUK'S PROPOSALS FOR THE IMPLEMENTATION OF THE CONGESTION MANAGEMENT PROCEDURES**

### **Introduction**

It is important to note that the Interconnector is a physical bi-directional pipeline that provides flexibility to wholesale markets. Its customers are not end consumers. IUK does not have a predictable base load flow, which makes the estimation of capacity utilisation in the pipeline extremely difficult, except on a within-day and day-ahead basis. In addition, as the system is used as a flexibility tool, flows can vary considerably within-day. This highly responsive service is unique and much valued by Shippers. In formulating its proposal for implementing Congestion Management Procedures IUK has therefore sought to develop pragmatic solutions which do not degrade existing flexibility, whilst ensuring that a genuinely firm OS Capacity product can be offered without creating a disproportionate risk of having to buy back capacity.

There are a number of parties whose approval is required before we are able to implement the Congestion Management Procedures proposed: namely Ofgem, CREG, and, as the proposals require an amendment to the IUK Standard Transportation Agreements (STAs), all IUK Shippers.

### **Specific Proposals**

IUK's proposals are outlined below.

#### Access to IUK capacity

Parties without primary capacity in the IUK system are already able to access capacity via the secondary market. We propose to introduce a new service that allows new parties to become a Shipper and access OS Capacity by signing a contract directly with IUK. All Shippers will be able to access OS Capacity and any capacity made available through surrender of capacity from Shippers or, potentially, LT UIOLI mechanisms. A full description of this new service will be published on our website prior to its introduction. A registration fee of £10,000 will be applied to cover the legal, administrative and training costs and a monthly charge of £500 will be payable for on-going costs. A new Shipper will have to meet suitable credit requirements.

#### Oversubscription (OS)

OS Capacity, that is Firm Capacity in addition to the IUK system's technical capacity, will be offered to all Shippers on a day-ahead basis. As there is no certainty of flows before this point, IUK does not believe it is currently feasible to make OS Capacity available any earlier than day-ahead.

The amount of OS Capacity to be made available in each flow direction will be determined on a daily basis according to an assessment by IUK of the likely capacity that will not have been nominated (non-nominated capacity) and the additional physical capacity that can be considered to be reasonably available due to favourable operational factors, (such as system pressures in the Connected Transportation Systems). A booking for Entry Capacity at one end of the IUK system will need to have an equivalent booking for Exit Capacity at the other

end of the IUK system as nominations into and out of the IUK System that use OS Capacity must be the same on an hourly basis<sup>4</sup>.

OS Capacity will not be made available at the connection to the SILK Pipeline<sup>5</sup>. As a direct connection to an upstream installation this is not required under the Congestion Management Procedures.

A model using a statistical scenario and risk profile will be used to forecast the non-nominated capacity. Analysis of IUK flow data has demonstrated that it is difficult to outperform the naive "Last Observation Carried Forward" forecast method when predicting IUK flows. This method uses flow rates for today to forecast nominations for tomorrow. Statistical analysis of historical flows has been used to determine the probability of flowrates increasing from the current level to a rate where buy-back would be incurred and this will be used when determining the quantity of OS Capacity that can be made available for any day. In addition, OS Capacity in the contra-flow direction will be made available every day.

Based on this model, over the past 2 gas years (2010/11 and 2011/12), OS Capacity equivalent to at least 30 GWh/day would have been made available in the GB export / Belgian import direction on 576 days out of a total of 701 days, and in the Belgian export / GB import direction on 701 out of 701 days.

OS Capacity will be limited to 15% of the technical capacity to provide an appropriate balance between making a substantial volume of additional capacity available to the market, when circumstances allow, and avoiding exposing IUK to undue buy-back risk. Overall there would have been 493 days over the last two gas years<sup>6</sup> when OS Capacity equivalent to an additional 15% of technical capacity would have been made available in the prevailing flow direction.

Available OS Capacity will be published daily and allocated by an auction. All Shippers will be able to bid to purchase OS Capacity. Successful bids to purchase OS Capacity will be notified following closure of the auction.

The proposed daily timetable for making OS capacity available is as follows:

14:15 UKT/ 15:15 CET	IUK calculates the amount of OS Capacity to make available for tomorrow based on today's nominations at 14:00 UKT.
14:30 UKT/ 15:30 CET	IUK advertises the amount of OS Capacity and the reserve price on the IUK Bulletin Board. Shippers enter bids for OS Capacity.
16:00 UKT/ 17:00 CET	OS Capacity bid process closed. Notification of successful bids.
17:00 UKT/ 18:00 CET	OS Capacity for tomorrow transferred to the successful bidders.

<sup>4</sup> Implementation of future Network Codes may require this to be changed.

<sup>5</sup> The SILK Pipeline can deliver upstream gas directly to the IUK system.

<sup>6</sup> The gas year runs from 1 October to 30 September inclusive

IUK is considering whether the auction should be carried out on the Prisma platform or via IUK's Bulletin Board as a pay-as-bid auction, initially. IUK would welcome views on potential use of the Prisma platform in response to question 4 in Annex 1.

The reserve price for Entry and Exit OS Capacity will be set by IUK to ensure equitable and non-discriminatory treatment across all Shippers. Existing Shippers have underwritten the investment and operational costs of the Interconnector by committing to ship or pay payments, based on cost related tariffs, for the 20 year term of the STA. Without these long term commitments the infrastructure would not have been built. Shippers who purchase OS Capacity will be able to access Entry and Exit Capacity on an as required, day-ahead basis, without undertaking a long term commitment.

Taking this into account, a reserve price of 0.4 p/kWh/h/day (equivalent to 0.5 p/therm) for Entry Capacity and 0.4 p/kWh/h/day for Exit Capacity (equivalent to a total reserve price of 0.8 p/kWh/h/day for both Entry and corresponding Exit Capacity) is proposed. This is representative of the cost paid overall per unit of existing capacity by Shippers. The price of OS Capacity will be increased in line with inflation on 1 October each year (refer to Annex 2 for more details). This represents a significant discount to long term capacity as the Entry and Exit OS Capacity is only booked and paid for on an as-required basis. IUK would welcome views on this proposed reserve price in response to question 3 in Annex 1.

The same reserve price has been proposed for Entry and Exit OS Capacity in both flow directions as it relates to the same service provision in each flow direction. It should not be assumed that this methodology will apply to any service offering that is made post-September 2018.

When OS Capacity is used, a contribution to fuel gas and/or electricity usage will be required. When gas is physically being entered into the system at Bacton, each Shipper is required to contribute a share of fuel gas used, principally by the gas turbines that power the compressors located at Bacton (typically 0.8% of the quantity of gas transported). When gas is physically being entered into the system at Zeebrugge, each Shipper is required to contribute to the cost of electricity used by the electric motors that power the compressors located at Zeebrugge (typically 0.2% of the quantity of gas transported). In addition, Shippers are required to provide their share of the small amount of fuel gas, typically around 0.06% of gas transported, consumed in the heaters as gas exits the IUK system.

Any OS Revenue over a gas year will be netted off against any buy-back costs in that year to calculate the annual net OS Revenue from oversubscription and buy-back. IUK proposes that 75% of the net OS Revenue accrues to Shippers and will be apportioned according to their flows during the gas year. The remaining 25% of the net OS Revenue will accrue to IUK, as an incentive to offer OS Capacity and minimise buy-back costs.

#### Buy-back (BB)

If aggregate nominations exceed, or are predicted to exceed, the physical capability of the IUK system, then a buy-back process will be initiated. IUK will determine the quantity of capacity to be bought back to reduce the aggregate nominations to be within the physical capability of the IUK system.

When there are very high flows through the IUK system, it is operating at or very close to its design limits. Consequently there is no further capacity that may be made available on a firm basis and limited, if any, capacity that may be made available on an interruptible basis without incurring undue safety and system integrity risks. There is no possibility to reconfigure the IUK system to mitigate the risk of buy-back.

If nominations for a day exceed, or are predicted to exceed physical capability, IUK will publish a notification on the Bulletin Board making Shippers aware that buy-back is required and providing details of the quantity and entry/exit direction of capacity sought. All Shippers will be invited to offer capacity which may be bought by IUK through a pay-as-bid auction. IUK will accept offers of capacity in order of price, starting with the lowest priced offer until the required buy-back volume is met. The process will be completed within 4 hours as shown below:

hh:mm	IUK publish on Bulletin Board that buy-back is required including quantity and entry/exit direction
hh:mm + up to 1hr	Shippers can enter an offer to sell Firm Capacity back to IUK at a price set by the Shipper
hh:mm + exactly 1hr	Buy-back capacity offer process closed IUK accepts the offers from the lowest priced offer until required buy-back volume met
hh:00 + 2:00	All successful capacity offers for buy-back accepted
hh:00 + 4:00	Capacity transferred

If insufficient capacity is offered to satisfy the buy-back requirement or the buy-back requirement occurs late in the day (after 10pm), Shippers will be notified and under-allocation may result. In addition, if IUK's cap on daily exposure to buy-back costs is reached (as explained in the next paragraph) then an under-allocation will result for the amount that cannot be bought back.

Given that buy-back is likely to be required at times of system stress in GB and/or Belgium, there is a risk that very significant buy-back costs could be incurred. Both National Regulatory Authorities have recognised this risk and support a solution which is market-based but limits the risk to IUK so as not to discourage IUK from making Entry and Exit OS Capacity available. This can be achieved by putting a limit on the exposure to IUK. It is proposed to use aggregate OS Revenues over a defined duration (on a rolling basis) as the cap on daily exposure to buy-back. This means that the buy-back limit on any specific day will depend on the amount and price of OS sold over the previous period (the length of which is not yet defined). The minimum buy-back limit for any specific day will be the revenue from OS Capacity sold for that particular day (either if no other OS Capacity had been sold over the period or if buy-back occurs on 2 consecutive days). IUK would welcome views on this proposal in response to questions 5 and 6 in Annex 1.

#### Firm Day-Ahead UIOLI

This element of the Congestion Management Procedures may need to be applied from July 2016 and is not considered further in this document.



### Surrender of Capacity

IUK proposes that a Shipper will be able to surrender capacity (with a duration of longer than a day) to IUK, who will then seek to sell it on their behalf. Once notified in writing by the Shipper as to the capacity they are seeking to surrender, IUK will offer and allocate the capacity via auction. All Shippers will be able to bid to purchase surrendered capacity. The reserve price will be set using the same methodology described above for OS Capacity. All contractual rights and obligations remain with the surrendering Shipper until the capacity is resold, at which point the capacity will pass to the purchaser but the surrendering Shipper shall retain their payment obligations to IUK. The revenues received by IUK from resold surrendered capacity will be used to offset the disposing Shipper's payment obligations to IUK.

Surrendered capacity will be sold on a time-stamped basis, so that capacity surrendered first will be sold first.

### Long term Use It or Lose It (LT UIOLI)

IUK proposes to adopt the following LT UIOLI rules:

- A LT UIOLI process will be triggered if one or more Shippers request Firm Capacity but have been unable to acquire it under reasonable conditions.
- IUK will consider the process to be triggered if one or more Shippers have offered to purchase Firm Capacity (for a duration greater than 6 months) on the IUK Bulletin Board and not been able, over a 3 month period, to acquire the capacity sought. This criteria has been set to determine that there is demand for a long term product and that all reasonable options for meeting this demand have been exhausted. The relevant party will be required to write to IUK and demonstrate that this is the case.
- If the process is triggered, IUK will review Shippers' utilisation<sup>7</sup> over the most recent 12 month period (either the 12 months from October to September or from April to March) to determine if any Shipper<sup>8</sup> has utilised less than, on average, 80% of their contracted capacity for both of the 6 month periods, April to September and October to March, as specified in Congestion Management Procedures.
- In assessing utilisation, IUK will look at a Shipper's net nominations plus the capacity, if any, made available for sale on the secondary market. This will be for each day in the 6 month period in the same direction as the unfulfilled demand for capacity. This will be compared to the Shipper's capacity holding.
- If any Shipper is considered to be under-utilising their capacity according to the methodology described above, IUK will then determine if the under-utilisation was justified. If the price spread between the GB and Belgium markets does not exceed the marginal cost for flowing gas by at least a small amount (deemed to be 0.2p/therm - providing an incentive to trade), it is justifiable that a Shipper would not be utilising their capacity. IUK will therefore exclude from its assessment any days where the price spread does not exceed the marginal cost by this amount. The price spread will be taken to be the difference between the NBP Day-Ahead Price

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<sup>7</sup> For those Shippers with a capacity contract greater than one year.

<sup>8</sup> When applying LT UIOLI, Shipper includes Sub-Let Shippers.

and the Zeebrugge Day-Ahead Price as quoted in a reputable industry publication. The marginal cost is the estimated fuel cost for the day in the Interconnector plus the relevant transportation charges of National Grid Gas and Fluxys.

- Where Shippers have potentially under-utilised their capacity, IUK will ask the Shipper to provide further justification.
- If a Shipper is unable to provide sufficient justification then IUK will forward the information to CREG and Ofgem for a determination of whether the underutilisation is justified or not.
- If CREG and Ofgem inform IUK that the underutilisation is not justified and direct IUK to do so, IUK will offer the applicable capacity for resale under the same process as surrendered capacity.

All contractual rights and obligations will remain with the original Shipper until the reselling process is completed. The original Shipper remains liable for the full tariff to IUK at all times. The revenues received from LT UIOLI capacity which is resold will be used to offset the original Shipper's payment obligation.

#### Transparency

IUK proposes that it will publish:

- Available OS, surrendered capacity and BB notifications on a daily basis.
- The number and volume of unsuccessful, valid requests for Firm Capacity with a duration of one month or longer on a bi-annual basis.
- The total capacity made available through each of the Congestion Management Procedures mechanisms, on a rolling monthly basis.

These will be published on IUK's website and, where appropriate, the European Transparency platform.

IUK will provide National Regulatory Authorities with:

- At the end of every gas year, the capacity utilisation data over the previous 12 months for those Shippers who have IUK capacity rights for more than one year.

### **PART 3: INDICATIVE TIMELINE, PROCESS AND HOW TO RESPOND**

Outlined below is the indicative timetable that we propose to follow when implementing the Congestion Management Procedures:

<b>Date</b>	<b>Action</b>
<b>30 April 2013</b>	IUK begins Congestion Management Procedures Consultation
<b>28 May 2013</b>	Consultation closes
<b>4 June 2013</b>	IUK publishes non-confidential responses
<b>By end June 2013</b>	IUK will submit final proposals to CREG and Ofgem for approval following consideration of stakeholder feedback
<b>1 October 2013</b>	Implementation (subject to the required agreements and approvals; and process and system changes)

IUK is interested in receiving any feedback on the proposals outlined in this letter. We have also asked a number of specific questions, in Annex 1 to this letter, the answers to which will help us refine our proposals.

Please send your response to [consultation@interconnector.com](mailto:consultation@interconnector.com) by 28 May 2013. Any responses not marked confidential will be published on IUK's website.

If you wish to clarify anything outlined in this letter or have any questions on the proposals please do not hesitate to contact Lucy Manning on +44 (0)20 7092 6594.

We look forward to hearing from you.

Yours faithfully

Darren Reeve  
**Commercial Director**

## **ANNEX 1: CONSULTATION QUESTIONS**

- 1) Do you support IUK's oversubscription proposal?
- 2) The Congestion Management Procedures state that in determining the additional capacity, the Transmission System Operator shall take into account statistical scenarios for the likely amount of physically unused capacity at any given time at interconnection points and also take into account a risk profile for offering additional capacity which does not lead to excessive buy-back obligation. Please provide your view on IUK's intention to limit the amount of OS Capacity that can be made available on any day to 15% of technical capacity taking into account statistical analysis of historical flows to predict the risk of buy-back.
- 3) Do you agree with the pricing proposal whereby Shippers acquiring OS capacity pay a broadly equivalent tariff to existing Shippers to avoid cross-subsidy?
- 4) Do you think IUK should auction OS Capacity via the Prisma platform, and if so from when?
- 5) Do you support IUK's buy-back proposal?
- 6) IUK propose a limitation on exposure to buy-back costs on any specific day equal to the aggregate OS revenue over the previous period. What do think would be a suitable period: 1 month, 3 months or longer?
- 7) Do you support IUK's surrender of capacity proposal?
- 8) Do you support IUK's long term use it or lose it proposal?
- 9) Do you support IUK's proposal to further enhance transparency?
- 10) Do you have any other comments on the proposals?
- 11) If you are not an existing IUK Shipper, do you intend to sign up with IUK and become a Shipper to be eligible to book OS Capacity?

## ANNEX 2: OS RESERVE PRICE CALCULATION

The average cost of capacity can be derived from IUK's Financial Statement for year ending 30<sup>th</sup> September 2012:

- Tariff based on construction costs= £136,740,000
- Tariff to recover operating costs = £34,044,000
- Total Capacity (bcm/y)= 45.5
- Total Capacity (kWh/h) = 59,731,735
- Total Capacity (therm/y) = 17,854,035,370

AVERAGE COST OF CAPACITY FOR GAS YEAR 2011/2012 (p/kWh/h/day) =

$$(\text{£}136,740,000 + \text{£}34,044,000)/365 * 100/59,731,735 = 0.78 \text{ p/kWh/h/day}$$

AVERAGE COST OF CAPACITY FOR GAS YEAR 2011/2012 (p/therm) =

$$(\text{£}136,740,000 + \text{£}34,044,000) * 100/17,854,035,370 = 0.96 \text{ p/therm}$$

An escalation factor can be used to calculate the suggested total reserve price for OS Capacity for future years:

- ESCALATION = ratio based upon the Producer Price Index (PPI) = PPI<sub>r</sub>/PPI<sub>o</sub>
- PPI<sub>r</sub> = the average value of the PPI for the twelve month period ending on 30 June immediately prior to the commencement of the Gas Year which ends on 30 September in year r in respect of which the price is calculated
- PPI<sub>o</sub> = PPI<sub>r</sub> for 2011/2012 = 126.55
- PPI<sub>r</sub> for 2012/13 is assumed using the average of the last 12 months to Feb 2013 = 128.43
- Escalation to 2012/13 = 128.43/126.55 = 1.015
- Same escalation factor is assumed for 2013/14

**SUGGESTED TOTAL RESERVE PRICE FOR OS CAPACITY FOR GAS YEAR 2013/2014 (p/kWh/h/day) = 0.78 \* 1.015 \* 1.015 = 0.81 p/kWh/h/day**

(Equivalent in p/therm = 0.96 \* 1.015 \* 1.015 = 0.99 p/therm)

**This is split 50:50 into Entry Capacity reserve price and Exit Capacity reserve price.**

### ANNEX 3: GLOSSARY OF TERMS

<b>Term or Abbreviation</b>	<b>Description</b>
Bulletin Board	Electronic notice board on which Capacity and Inventory can be advertised for sale or purchase.
Congestion Management Procedures	A set of legal procedures developed with the objective to outline principles that may lead to an increase in the availability of unused capacity to transmission systems across Europe.
Connected Transportation System	An entry-exit transportation system that is connected to the Interconnector.
CREG	La Commission de Régulation de l'Electricité et du Gaz - the National Regulatory Authority for Belgium.
Entry Capacity	Capacity from a Connected Transportation System to the Interconnector.
Exit Capacity	Capacity from the Interconnector to a Connected Transportation System.
Firm Capacity	Capacity that is stipulated to be contractually guaranteed as uninterruptible by the Transmission System Operator.
IUK	Interconnector (UK) Limited
IUK Shipper	An organisation that is party to a Standard Transportation Agreement with IUK.
LT UIOLI	Long Term Use It Or Lose It.
Network Codes	A set of rules and procedures developed to ensure implementation of particular elements of the Third Energy Package by transmission systems across Europe.
Network User	A customer or potential customer of IUK.
Ofgem	Office of Gas and Electricity Markets – the National Regulatory Authority for Great Britain
OS Capacity	Oversubscription Capacity
OS Revenue	Revenue received from the sale of OS Capacity
Oversubscription Capacity	Firm capacity that is made available by IUK in addition to the technical capacity.
Regulation (EC) No 715/2009	Regulation of the European Parliament on conditions for access to natural gas transmission networks.
Shipper	An organisation that is party to a contract with IUK that provides a right (or a potential right) to deliver and redeliver gas to/from the Interconnector.
SILK Pipeline	Pipeline at Bacton that can deliver upstream gas directly to

	the IUK system.
Standard Transportation Agreement (STA)	The contractual agreement (abbreviated to "STA") between each IUK Shipper and IUK, as amended from time to time, and which sets out the rights and obligations of the parties in respect of the provision of transportation services.
Sub-Lessee or Sub-Let Shipper	An organisation with rights to transport gas purchased from a Shipper(s) on the secondary market
Transmission System Operator	A party that operates a pipeline network for the transportation of natural gas.
UIOLI	Use it or Lose it. Process by which underutilised capacity may be withdrawn from Network Users and made available on the secondary market.