

EDF and EDF Trading welcome the opportunity to comment on IUK's process for the sale of post-2018 Interconnector capacity. Please find our comments below.

Allocation process and reserve price calculation

Our overall view is that the allocation method and the general principle of offering price incentives for long term commitments are sensible and appropriate.

We would welcome additional detail on reserve price calculation. The factors used to determine reserve prices (operating costs, capital expenditures for maintaining the service, demand and competition) strike us as reasonable. It is not, however, clear what weight these factors, particularly operating costs and capital expenditures for maintaining the service, bear in determining reserve prices. A real or theoretical example of reserve price calculation would provide this clarity.

Fuel charges

We would suggest that IUK groups fuel gas, shrinkage and electricity costs together into a single fee charged on a "fuel in cash" basis. That is, IUK would forecast variable charges and apply these to shippers' allocations based on a predetermined factor. IUK would then carry out an ex-post adjustment, for the difference between actual variable costs against forecasted. This would facilitate forecasting for shippers.

Alignment of services with neighbouring TSOs

We are happy to see that IUK and Fluxys are offering an aligned sales process. We would encourage further alignment also with National Grid.

Please do not hesitate to contact us, should you wish to discuss any of our comments further.

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