

# **Interconnector (UK) Limited**



## **Summary of Stakeholder Responses to IUK's consultation on the IUK Access Terms**

**October 2019**

## Introduction

Between the 23<sup>rd</sup> May and 20<sup>th</sup> June 2019, Interconnector (UK) Limited (“**IUK**”) invited stakeholder views on its proposed changes to the IUK Access Terms and to the IUK Charging Methodology. This report focuses on the IUK Access Terms, a similar summary for the IUK Charging Methodology proposals is available on IUK’s website.<sup>1</sup>

The proposed amendments to IUK’s Access Terms were as follows:

- i. Implicit Allocation Mechanism
  - a. Period for Offering Capacity via Implicit Allocation
  - b. Inclusion of sell side commodity transactions
- ii. Introduction of a new Capacity Class – Conditional Firm (“**CF**”)
- iii. Transition of IUK’s Gas Management System

## Consultation Process

The market consultation was published on IUK’s website, supported by an announcement on the homepage, and via direct e-mailing to all registered market participants and associations. All interested parties were invited to respond to the proposed amendments between 23 May and 20 June 2019.

Following the market consultation, IUK reviewed the responses received and submitted its final proposals on all areas outlined to its National Regulatory Authorities, Ofgem and CREG, for approval in July 2019.

## Outcome of Consultation Process

IUK received formal responses from five stakeholders; Centrica, Engie, RWE, Shell and one confidential response, all of which were sent to Ofgem and CREG. IUK also received informal feedback from shippers during bilateral meetings and phone calls throughout the consultation process, as well as feedback from Gazprom Marketing & Trading Ltd (“**GMTL**”) after the window for submitting consultation responses was closed, which was included in the submission report.

This summary will look at the four non-confidential responses received.

### *Transition of IUK’s Gas Management System*

Three out of the four non-confidential responses provided comments on the GSmart transition, all of which were positive. One stakeholder (Engie) noted that they support the move as they are already familiar with GSmart and find it user friendly. Another (RWE) supported the use of PRISMA for secondary trading, which will be implemented along with the introduction of the GSmart.

IUK therefore proceeded with the wording as presented in the consultation. IUK will also implement several website improvements including the provision of more information regarding contracted and available capacity. This information will also be available to Shippers via the Electronic Data Platform (“**EDP**”) which forms part of the GSmart suite.

### *Introduction of a new Capacity Class – Conditional Firm*

Some stakeholders were supportive of IUK introducing a CF product, with one stakeholder (Engie) noting that the efforts to simplify the mechanism were appreciated and another recognising the need for such a product (Centrica). Two responses (RWE, Shell) suggested an ex-ante discount.

One response (RWE) did not support the introduction of CF products. The response suggested that by reducing the Firm capacity offering to 70%, the likelihood for selling out of this capacity and being

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<sup>1</sup> <https://www.interconnector.com/about-us/our-consultations/archived-consultations/>

eligible to sell longer term interruptible capacity products was greater. They also suggested the use of Buy-Back and Oversubscription as an alternative mechanism to offering a CF product.

IUK believes that offering CF is a much more transparent mechanism than Buy-Back as Shippers know in advance that this CF capacity will be impacted by a DR Event and that they will be reimbursed by IUK for the cost of the capacity if such an event occurs.

IUK submitted a slightly updated proposal to Ofgem and CREG which included the level of rebate that will apply to CF capacity if a DR event occurs. IUK has set this rebate at 100% for all registered CF capacity on a gas day where a DR Event occurs. IUK will publish upfront that a 100% rebate will be given against the CF Capacity Charge for the affected gas day, so that the Shipper understands the associated properties of the product before booking.

#### Implicit Allocation Mechanism

##### *Period for Offering Capacity via Implicit Allocation*

Three out of the four non-confidential responses were fully supportive of offering capacity further in advance than the current offering. One stakeholder (Shell) valued being able to secure capacity at an earlier date and another (Engie) was supportive of IUK presenting Shippers with more booking opportunities. One response (RWE) did not fully support the proposal to extend the offering as they believe IAM is a complementary mechanism to the PRISMA auctions.

GMTL welcome the amendments to IUK's Implicit Allocation Mechanism. On extending the product offering, they believe that more flexibility is beneficial, and that facilitating the ability to book longer term via Implicit Allocation is also a good initiative.

Following the largely supportive feedback on the proposal, IUK has proceeded with the wording as per the consultation.

##### *Inclusion of sell side commodity transactions*

There were no negative responses received on the proposal to allow Shippers to match a sale transaction of natural gas with an equivalent volume of IUK capacity via IAM. (RWE) mentioned how this proposal would help increase market efficiency and contribute to improving security of supply. GMTL commented that they are supportive of this proposal and that it is reflective of the changing market conditions, in particular the increase in the volumes of LNG being delivered into North West Europe.

Based on the positive feedback received, IUK proceeded with the wording as per the consultation.

#### **Conclusion**

IUK would like to thank stakeholders who responded to this consultation. IUK will inform the market with the outcome of the Regulatory decision process once complete.