

Eni Global Energy Markets SpA: a response to the Interconnector Limited (INT) and Fluxys Belgium Consultation on the proposed integration of the BeLux Market Area and Interconnector..

Thank you for the opportunity to comment on the points raised in this consultation.

While we envisage that some of the proposed changes will bring some relief for extremely complex capacity marketing, nomination and balancing rules, we are deeply concerned about the proposed treatment of existing INT and Fluxys contracts in the Merged BeLux Market Area and Interconnector.

All INT and Fluxys shippers have a common expectation that the proposed changes will be an improvement to their current contractual arrangements and that the new model will provide them with fair treatment while at the same time ensuring a level playing field among all shippers. Because of the turbulent market conditions over the past several months, significant quantities of INT and Fluxys long-term capacity has been sold to support gas flows in both IP flow directions (in both INT and Fluxys gas networks). Those existing contracts will play an important role in providing security of supply in Europe and the UK over the coming months and possibly years when the level of geopolitical and economic uncertainty is expected to remain high. Therefore, the expectations of existing capacity holders are very important. Shippers who purchase capacity before the Merged BeLux Market Area and Interconnector is implemented expect that INT and Fluxys will respect and safeguard their existing contractual rights. We would like to ask Fluxys and INT to review their proposals in respect of how a commodity charge for existing contract will be treated under the Merged Market Area. We urge Fluxys and INT to take mitigating steps to prevent any damage to existing capacity that was purchased on a legitimate basis, so the new regulatory arrangements do not undermine the sanctity of existing contracts. It is very important that existing shippers are not exposed to unacceptable levels of regulatory risk because this could undermine any future long-term capacity bookings and ultimately would have adverse effects to security of supply.

Specifically, we would like to ask Fluxys and INT to refine and improve the following proposals:

The treatment of INT commodity charge in the proposed new model:

1. **It has been proposed that a commodity charge for existing INT contracts should no longer be invoiced in Pounds Sterling but in Euros. This is a negative change** because a common practice is that INT shippers prudently hedged their exposure to INT commodity charges in Pounds Sterling at the point when existing contracts were agreed based on the legitimate rules endorsed by NRAs. Changing the payment currency retrospectively will expose existing shippers to unexpected additional costs as well as exposing them to unpredictable and unnecessary regulatory risks. The right solution for INT is to provide for all existing contracts that are concluded up to the point when a new regime is implemented to pay a commodity charge in Pounds Sterling.
2. **A commodity charge for “new” INT contracts to be invoiced in Euros.** We would like to highlight that this is also a negative change for new contracts because, due to different levels of liquidity, it is much easier to hedge contracts in Pounds Sterling. We would like to invite INT and Fluxys to reconsider their proposal in this respect.
3. **Fluxys OCUC or Wheeling services between Bacton IP and other points in Fluxys Belgium System.** While we welcome a proposal for OCUC/Wheeling shippers to be allocated a separate shipper code for INT nominations at Bacton IP, we would like to ask Fluxys and INT to provide a solution for this service for companies that manage their shipper codes through different entities:
 - one entity acts as an Interconnector Ltd shipper; and
 - another one acts as a Fluxys shipper.

To facilitate a seamless transition from the current contractual arrangements to the proposed ones, it is required to enable each INT shipper to appoint its permanent balancing as well as OCUC/Wheeling services party in the Fluxys system. This would facilitate the continuation of the current Fluxys and Interconnector Ltd service provision to such companies once a Combined Market Area is implemented. Therefore, we kindly ask Fluxys and Interconnector Ltd to take this need into consideration when drafting the wording for proposed changes to the existing agreements ahead of the merger implementation.