

Interconnector (UK) Limited



**Charging Statement
related to the
IUK Access Agreement
and
IUK Access Code
Issue 12**

Applicable from 01 October 2018

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1. Introduction

This statement sets out the charges that Interconnector (UK) Limited (“IUK”) will apply from the publication date for transportation services provided under an IUK Access Agreement (the “IAA”) and the IUK Access Code (“IAC”). The statement will be revised and reissued when appropriate. These charges are consistent with the principles outlined in IUK’s Charging Methodology.

Entry and Exit Capacity is made available for sale by means of auctions on the PRISMA platform in accordance with Commission Regulation (EU) 2017/459 (“CAM Code”). In addition, capacity may be made available via an Implicit Allocation Mechanism using an Implicit Allocation Partner according to the rules set out in Annex B-3 of the IAC.

For capacity offered for use from 1 October 2018 onwards the factors determining the prices are:

- Competitive forces and the prices of competing and complementary services;
- Operating costs for operating and maintaining the company and its assets;
- Capital expenditures required to maintain the service;
- Projected customer demand for IUK capacity and the forecast volume of both long term and short term sales under a range of market scenarios; and
- A risk premium applied to the yearly standard capacity product reflecting the benefits of certainty regarding the level of the price. The level of the premium has been set to zero.

IUK’s reserve prices for allocation through an auction or prices for allocation through implicit allocation are fixed at the time of allocation. For products to be used in a future year, this fixed price will be subject to annual indexation¹. Any auction premium will be used by IUK to contribute to maintaining and operating the pipeline.

IUK offers capacity in kWh/h and all capacity related charges are calculated as $p/(kWh/h)/h$. For capacity products offered on PRISMA, the runtime price is calculated using the number of hours in the relevant runtime. Capacity offered via an Implicit Allocation Mechanism (“IAM”) will be in $p/(kWh/h)/h$. Capacity charges will be calculated using the relevant $p/(kWh/h)/h$ and the hours in the billing period. Invoiced amounts will be either in Pounds sterling to the nearest penny or Euros to the nearest euro cent.

Further information on the charges that apply for transportation services under an IAA is set out in Section F of the IAC and IUK’s Charging Methodology. The definitions of terms used in this document can be found in the IAA.

Information about IUK and copies of the IAA, IAC and IUK’s Charging Methodology can be found on the IUK website at www.interconnector.com.

¹ See IAC Section F paragraph 5.3. Indexation is based on RPI - “CHAW” Index numbers of consumer prices – “RPI All Items”.

2. Reserve Prices for Capacity offered for use during the Gas Year 2018-19 and future Gas Years

2.1 Standard Firm Capacity Products offered via PRISMA

2.1.1 Annual Firm Capacity offered in July 2018

The prices that applied are as follows:

	2018-19	2019-20 to 2022-23	2023-24 to 2032-33
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.018767	0.017061	0.015355
Zeebrugge Exit	0.018767	0.017061	0.015355
Zeebrugge Entry	0.018767	0.017061	0.015355
Bacton Exit	0.018767	0.017061	0.015355

These prices are subject to indexation in accordance with Section F paragraph 5.3 of the IUK Access Code. See Appendix 1 for an example of how indexation is applied.

2.1.2 Quarterly Firm Capacity

The prices to apply are as follows:

	Jan 19 - Mar 19 Q1 2019	Apr 19 – Jun 19 Q2 2019	Jul 19 – Sep 19 Q3 2019
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.018767	0.025591	0.025591
Zeebrugge Exit	0.018767	0.025591	0.025591
Zeebrugge Entry	0.025591	0.018767	0.018767
Bacton Exit	0.025591	0.018767	0.018767

The large price step in an auction is set at 5% of the applicable IUK reserve price published on the PRISMA platform.

2.1.3 Monthly Firm Capacity

The prices to apply are as follows:

	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.034121	0.018767	0.018767	0.018767	0.018767	0.034121
Zeebrugge Exit	0.034121	0.018767	0.018767	0.018767	0.018767	0.034121
Zeebrugge Entry	0.034121	0.034121	0.042652	0.051182	0.051182	0.034121
Bacton Exit	0.034121	0.034121	0.042652	0.051182	0.051182	0.034121

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.034121	0.034121	0.034121	0.034121	0.034121	0.034121
Zeebrugge Exit	0.034121	0.034121	0.034121	0.034121	0.034121	0.034121
Zeebrugge Entry	0.034121	0.018767	0.018767	0.018767	0.018767	0.018767
Bacton Exit	0.034121	0.018767	0.018767	0.018767	0.018767	0.018767

IUK will notify any changes to the monthly firm capacity prices at least two weeks in advance of the relevant monthly auction.

2.1.4 Daily Firm Capacity

The prices to apply are as follows:

	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.068243	0.037534	0.037534	0.037534	0.037534	0.068243
Zeebrugge Exit	0.068243	0.037534	0.037534	0.037534	0.037534	0.068243
Zeebrugge Entry	0.068243	0.068243	0.093834	0.093834	0.093834	0.068243
Bacton Exit	0.068243	0.068243	0.093834	0.093834	0.093834	0.068243

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.068243	0.068243	0.068243	0.068243	0.068243	0.068243
Zeebrugge Exit	0.068243	0.068243	0.068243	0.068243	0.068243	0.068243
Zeebrugge Entry	0.068243	0.037534	0.037534	0.037534	0.037534	0.037534
Bacton Exit	0.068243	0.037534	0.037534	0.037534	0.037534	0.037534

IUK will notify any changes to the daily firm capacity prices at least six hours in advance of the relevant daily auction.

2.1.5 Within Day Firm Capacity

The prices to apply are as follows:

	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.068243	0.037534	0.037534	0.037534	0.037534	0.068243
Zeebrugge Exit	0.068243	0.037534	0.037534	0.037534	0.037534	0.068243
Zeebrugge Entry	0.068243	0.068243	0.093834	0.093834	0.093834	0.068243
Bacton Exit	0.068243	0.068243	0.093834	0.093834	0.093834	0.068243

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.068243	0.068243	0.068243	0.068243	0.068243	0.068243
Zeebrugge Exit	0.068243	0.068243	0.068243	0.068243	0.068243	0.068243
Zeebrugge Entry	0.068243	0.037534	0.037534	0.037534	0.037534	0.037534
Bacton Exit	0.068243	0.037534	0.037534	0.037534	0.037534	0.037534

IUK will notify any changes to the within day firm capacity prices at least one hour in advance of the relevant within-day auction.

2.1.6 Price Multiplier Caps

The absolute level of the price multipliers caps relative to the prices for firm Annual Capacity are:

Monthly	3
Daily	6
Within Day	6

2.2 Standard Interruptible Capacity Products

IUK will offer daily interruptible capacity if the corresponding daily standard firm capacity product was sold at an auction premium, was sold out, or was not offered. The daily interruptible capacity reserve prices will be at a 10% discount to the prevailing daily standard firm product reserve prices.

IUK may offer annual, quarterly, monthly and within day interruptible capacity if the corresponding standard firm capacity product was sold at an auction premium, was sold out, or was not offered. If offered, the interruptible capacity reserve prices will be at a 10% discount to the corresponding standard firm product of the same period.

The interruptible capacity discount has been set to 10% to the corresponding standard firm capacity product to signal that this capacity may be interrupted².

2.3 Capacity Products offered via Implicit Allocation

2.3.1 Annual Firm Capacity

Annual Firm Capacity may be offered for any of the following five Gas Years. The fixed prices to apply are as follows:

	2019-20 to 2023-24
	p/(kWh/h)/h
Bacton Entry	0.017061
Zeebrugge Exit	0.017061
Zeebrugge Entry	0.017061
Bacton Exit	0.017061

These prices are subject to indexation in accordance with Section F paragraph 5.3 of the IUK Access Code. See Appendix 1 for an example of how indexation is applied.

2.3.2 Seasonal Firm Capacity

Capacity may be offered for any two consecutive Quarters in the next three years. The fixed prices to apply are as follows:

	Oct 18 - Mar 19 Winter	Jan 19 - June 19 H1 2019	Apr 19 – Sep 19 Summer	Jul 19 – Dec 19 H2 2019
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.018767	0.021326	0.023885	0.021326
Zeebrugge Exit	0.018767	0.021326	0.023885	0.021326
Zeebrugge Entry	0.023885	0.021326	0.018767	0.021326
Bacton Exit	0.023885	0.021326	0.018767	0.021326

² In last 10 years there have been very few interruptions to firm capacity rights. Whilst this suggests a very low discount relative to standard firm products, in a situation when the corresponding standard firm capacity has all been sold out, given UK is a single asset without access to a wider system, IUK's capacity is limited by its interconnection point technical capacity. There will therefore be a higher risk of interruption than suggested by looking at just historical hours lost. IUK has hence rounded the discount to 10%.

	Oct 19 - Mar 20 Winter	Jan 20 - June 20 H1 2020	Apr 20 – Sep 20 Summer	Jul 20– Dec 20 H2 2020
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.018767	0.021326	0.023885	0.021326
Zeebrugge Exit	0.018767	0.021326	0.023885	0.021326
Zeebrugge Entry	0.023885	0.021326	0.018767	0.021326
Bacton Exit	0.023885	0.021326	0.018767	0.021326

	Oct 20 - Mar 21 Winter	Jan 21 - June 21 H1 2021	Apr 21 – Sep 21 Summer	Jul 21 – Dec 21 H2 2021
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.018767	0.021326	0.023885	0.021326
Zeebrugge Exit	0.018767	0.021326	0.023885	0.021326
Zeebrugge Entry	0.023885	0.021326	0.018767	0.021326
Bacton Exit	0.023885	0.021326	0.018767	0.021326

These prices are subject to indexation in accordance with Section F paragraph 5.3 of the IUK Access Code. See Appendix 1 for an example of how indexation is applied.

2.3.3 Quarterly Firm Capacity

Capacity may be offered for any of the following four Quarters. The prices to apply are as follows:

	Jan 19 - Mar 19 Q1 2019	Apr 19 – Jun 19 Q2 2019	Jul 19 – Sep 19 Q3 2019	Oct 19 – Dec 19 Q4 2019
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.018767	0.025591	0.025591	0.018767
Zeebrugge Exit	0.018767	0.025591	0.025591	0.018767
Zeebrugge Entry	0.025591	0.018767	0.018767	0.025591
Bacton Exit	0.025591	0.018767	0.018767	0.025591

Whilst IUK has the right to change the quarterly firm capacity prices at least a week in advance of the relevant Implicit Allocation offering, prices will be fixed at the time of allocation.

2.3.4 Monthly Firm Capacity

Capacity may be offered for any of the following three months. The prices to apply are as follows:

	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.034121	0.018767	0.018767	0.018767	0.018767	0.034121
Zeebrugge Exit	0.034121	0.018767	0.018767	0.018767	0.018767	0.034121
Zeebrugge Entry	0.034121	0.034121	0.042652	0.051182	0.051182	0.034121
Bacton Exit	0.034121	0.034121	0.042652	0.051182	0.051182	0.034121

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19
	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h	p/(kWh/h)/h
Bacton Entry	0.034121	0.034121	0.034121	0.034121	0.034121	0.034121
Zeebrugge Exit	0.034121	0.034121	0.034121	0.034121	0.034121	0.034121
Zeebrugge Entry	0.034121	0.018767	0.018767	0.018767	0.018767	0.018767
Bacton Exit	0.034121	0.018767	0.018767	0.018767	0.018767	0.018767

Whilst IUK has the right to change the monthly firm capacity prices at least a day in advance of the relevant Implicit Allocation offering, prices will be fixed at the time of allocation.

3. Commodity Charges

3.1 Commodity Charges for the Gas Year 2018-19

In accordance with Section F paragraph 9.3 of the IAC, IUK will invoice each IAA Shipper with a Monthly Commodity Charge which covers the cost of flowing gas taking into account shrinkage.

The commodity charges are calculated using the following formulae:

Commodity Charge (Bacton) in p/kWh = $0.0001024 * MA\ NBP$

Commodity Charge (Zeebrugge) in p/kWh = $0.0002252 * MA\ NBP + 0.0002423 * MA\ ENDEX * Fx$

Where:

- (i) MA NBP is the mean of the NBP bid and offer prices for the front month as published in ICIS Heren NBP Price Assessment in p/therm;
- (ii) MA ENDEX is the front month price taken from ICE ENDEX Belgian Power Baseload Futures in €/MWh;
- (iii) Fx is the 'ECB reference exchange rate, UK pound sterling/Euro, 2:15 (C.E.T)' as published for the relevant day by the European Central Bank at <http://sdw.ecb.europa.eu/>.

The commodity charges for the following month will be calculated and fixed two weeks before the monthly auction, using the most recently available data, and published on IUK's website [here](#).

IUK reserves the right to change the formulae parameters with a 28 day notice throughout the gas year in case of a significant over/under run between the actual costs vs. invoiced charges. Any changes to the formulae parameters will not affect commodity charges which have already been fixed and published on IUK's website.

4. Initial Registration Fee

The Initial Registration Fee charged by IUK for any new IAA Shippers signing an IAA during the Gas Year 2018-19 is set to zero.

5. Monthly Administration Fee

The Monthly Administration Fee payable by each IAA Shipper under an IAA during the Gas Year 2018-19 is £516. The fee for future Gas Years will be calculated as set out in Appendix 1.

6. Maximum Buy-back Price

When IUK implements the Buy-back procedure as set out in the IAC Section C paragraph 3.1, it will accept offers from shippers subject to paying no more than the Maximum Buy-back Price. This is the aggregate price that IUK will pay for offered Entry Capacity and Exit Capacity and will be calculated as the weighted average price paid for that day's Entry Capacity and Exit Capacity plus a premium of 0.035233 p/(kWh/h)/h for Gas Year 2018-19. The premium for future Gas Years will be calculated as set out in Appendix 1.

7. Forced Buy-back Price

When IUK implements the Forced Buy-back procedure set out in the IAC Section C paragraph 3.2, it will pay an IAA Shipper for the reduction in Entry Capacity and Exit Capacity at the Forced Buy-back Price. This price shall be the price paid by the IAA Shipper for such capacity plus a premium equal to 5% of the weighted average price paid for all Entry Capacity and Exit Capacity for that day.

8. Net OS Revenue Account

IUK will keep track of the revenue from IAA Capacity sales that originated from oversubscription on a cumulative basis over the Gas Year, minus any payments made for Buy-back during that time. The net amount will be allowed to go negative up to a limit, the “**Maximum Deficit**”, of £100,000. At this level, if further Buy-back is required, IUK will implement the Forced Buy-back procedure.

At the end of the Gas Year, if the balance in the Net OS Revenue Account is positive, then 75% of this amount (the “**Net Revenue Share**”) will be distributed to all shippers based on their allocated flow over the year. If the balance in the Net OS Revenue Account is negative, the amount to be distributed shall be zero.

9. Balancing Charges

An IAA Shipper has an obligation to be in balance on an hourly basis such that its Intended Inputs equal its Intended Outputs. Intended Inputs and Intended Outputs take into account the IAA Shipper’s Confirmed Nomination Quantities for Entry and Exit and additionally any Acquiring or Disposing Trade Notifications.

Any differences that occur between allocated Inputs and Outputs (such differences only arise during exceptional circumstances), are allowed to accumulate from one day to the next without any penalty or recompense within an allowed cumulative tolerance (“**Allowed Tolerance**”) for each IAA Shipper of $\pm 560,000$ kWh.

On any Gas Day on which the IAA Shipper’s accumulated imbalance exceeds the Allowed Tolerance, a Balancing Charge shall apply as detailed in the IAC Section E and Section F.

Appendix 1 – Indexation

A1 Indexation Factor

The following prices and fees are indexed using an Indexation Factor defined below:

- (a) The Contracted Capacity Price for Capacity Products that cover multiple Gas Years, in accordance with Section F paragraphs 5.1 to 5.3 of the IUK Access Code;
- (b) Monthly Administration Fee;
- (c) Maximum Buy-back Price premium.

“**Indexation Factor**” means for Gas Year Y the ratio of RPI_Y/RPI_{Y-1} where:

- (i) RPI means the “CHAW” Index numbers of consumer prices – “RPI All Items” as published by the Office for National Statistics in the monthly Consumer Price Inflation Reference Tables (or any successor to such Index published by such Office or any other department of HM Government) at www.ons.gov.uk;
- (ii) RPI_Y = the average value of the RPI for the twelve month period ending on 30 June immediately prior to the commencement of Gas Year Y;
- (iii) RPI_{Y-1} = average RPI for twelve months ending 30 June prior to the commencement of Gas Year Y-1;

The values of RPI are follows:

Base 1987=100														
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Avg	RPI _Y
2014-15	256	257	257.6	257.7	257.1	257.5	255.4	256.7	257.1	258	258.5	258.9	257.2917	RPI ₁₅
2015-16	258.6	259.8	259.6	259.5	259.8	260.6	258.8	260	261.1	261.4	262.1	263.1	260.3667	RPI ₁₆
2016-17	263.4	264.4	264.9	264.8	265.5	267.1	265.5	268.4	269.3	270.6	271.7	272.3	267.325	RPI ₁₇
2017-18	272.9	274.7	275.1	275.3	275.8	278.1	276	278.1	278.3	279.7	280.7	281.5	277.1833	RPI ₁₈

The indexation factors are therefore as follows:

IF ₁₆	IF ₁₇	IF ₁₈
1.011951	1.026725	1.036878

A2 Application

A2.1 Contracted Capacity Price

Example : calculation of the indexed Contracted Capacity Price in Gas Year 2018-19

Suppose Annual Capacity (Entry or Exit) was allocated in the auction in March 2016 with a Contracted Capacity Price (CCP₁₆) of 0.018767 p/(kWh/h)/h, i.e. no IUK Auction Premium, with the Capacity Period starting on 1 October 2018:

The payable price for Gas Year 2018-19 is calculated as follows -

Gas Year		Calculation method	Payable Price p/(kWh/h)/h	
2016-17	CCP ₁₆	No indexation	0.018767	No capacity held
2017-18	CCP ₁₇	CCP ₁₇ = CCP ₁₆ × IF ₁₇	0.019269	No capacity held
2018-19	CCP₁₈	CCP ₁₈ = CCP ₁₇ × IF ₁₈	0.019980	Price applied to Contracted Capacity

A2.2 Monthly Administration Fee (“MAF”)

The fee will be calculated as:

$$MAF_Y = MAF_{Y-1} * \text{Indexation Factor}$$

A2.3 Maximum Buy-back Price premium (“MBPP”)

The premium will be calculated as:

$$MBBP_Y = MBBP_{Y-1} * \text{Indexation Factor (expressed in p/(kWh/h)/h)}$$