

ANNUAL RE-PROFILING AND SIMPLIFICATION CONVERSION SERVICE

At the beginning of December 2016, IUK formally submitted a request to its two NRAs, Ofgem and CREG, for a modification of its access rules, following a market consultation exercise in October and November 2016. Under its proposal IUK set out two new services, to be offered in addition to the standard CAM annual capacity products, which would enhance and better reflect the seasonal pattern of utilisation demanded by the market. IUK is fully regulated as a TSO but without an allowed revenue, thereby facing full market exposure and these are specific circumstances acknowledged in the EU Network Codes.

The NRAs have advised that they will not approve the proposed changes to IUK's access arrangements, determining that they are not compliant with the CAM Network Code.

- IUK is disappointed with the decision and we will therefore be unable to offer the service enhancements at the time of the March 2017 annual capacity auction.
- IUK will continue to participate in the March 2017 auction, in which we will be offering annual capacity products via PRISMA.
- We are engaging actively with potential customers and would encourage any shipper considering acquiring IUK capacity to get in touch with our commercial team.
- We believe that the service proposals would have been of value to the market and believe it is vital that interconnectors are provided with an ability to act flexibly to enable them to respond to customers' needs in order to remain viable.
- We will therefore advocate a change to the CAM Network Code, to permit greater commercial flexibility. We ask for the support of European gas industry stakeholders as we pursue this change.