

Response received via email:

Dear Danielle and Pavanjit,

Please find some comments from Centrica on your recent consultations. Don't hesitate to come back to me if you would like to discuss further.

Kind regards,
Ricky

Consultation on IUK's Implicit Allocation Mechanism

Centrica supports IUK's proposals to introduce an implicit allocation mechanism. We understand the issue that IUK faces with regards to a potential fall in revenues post-2018 and believe that adding flexibility to its products could help mitigate the most negative impacts. The increased flexibility in booking capacity on the Interconnector should be useful for shippers and enable IUK to compete on a more equal playing field with other sources of flexibility.

Whilst the mechanism should enable shippers to better tailor their bookings to their actual utilisation of the interconnector, we do foresee a potential issue with regards to bundling. Shippers that buy capacity through the implicit means would inevitably have to match it with unbundled NTS and Fluxys capacity. This is not a problem if the shippers already have this unbundled capacity but could pose a problem if they do not, as presumably, the only means of them obtaining it would be to purchase bundled capacity through the usual route on PRISMA which would defeat the purpose of the implicit allocation route. In other words, the IUK's Implicit Allocation Mechanism may have limited use in that it would only be used in cases when the shipper also has the right amount of unbundled NTS and Fluxys capacity. Nevertheless, this is just a potentially limiting aspect of the proposal and overall the mechanism should be beneficial to the market.

We believe that one improvement to the mechanism would be to offer short-term capacity within the arrangements (i.e. day-ahead or within-day). We do not understand why this would be out of scope. If IUK wishes to increase flexibility we believe this would be an attractive proposition.

TAR NC derogation application

Centrica is also broadly sympathetic with the derogation from the application of the TAR NC but does believe there is a distinction to make between those points of TAR that are clearly not relevant or harmful to IUK and those that are not ideal from a commercial perspective but it is less clear cut that an exemption is justified. Article 5 is clearly in the first group; as IUK doesn't have any domestic points, it is meaningless to apply the formula as in TAR. Others may be more nuanced. For example, on Article 12, IUK argues that it cannot predict flows/bookings and therefore cannot 'lock in a correct tariff structure effectively over a year'. Whilst we accept it is challenging for IUK, an alternative argument is that if the product is of use to shippers and is priced attractively it will be purchased and the most negative aspects will be prevented. Also, could the 'Risk premium' as proposed in the charging methodology help mitigate these issues to some extent? In addition, there is a suggestion not to publish the reserve prices in advance of the PRISMA auction – this is likely to create difficulties in terms of internal approval processes prior to participation in the auctions. To be clear, and as noted above, we are broadly sympathetic with the proposals to obtain an exemption from some of the TAR articles. However, it is worth distinguishing between those that clearly need to be revoked and those that are less clear cut and may be some implications for shippers.

Changes to the Access Terms (IAA)

No comments.

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