



EDF TRADING

80 Victoria Street
Cardinal Place, 3rd floor
London SW1E 5JL

T +44 (0)20 7061 4000
F +44 (0)20 7061 5000

Danielle Stoves
Interconnector (UK) Ltd,
4th Floor, 10 Furnival Street,
London, EC4A 1AB

07/09/2017

Subject: EDFT Response to IUK's consultations on Implicit Allocation Mechanism, IUK Charging Methodology and TAR Network Code Derogation

Dear Danielle,

We welcome the opportunity to comment on IUK's current consultations. Please find our comments below.

EDF Trading understands IUK's unique circumstances and the potential need for a regulatory framework which allows for a greater degree of flexibility than granted to other TSOs. As such, EDFT is in principle supportive of the proposals. However, clarifications are needed with regards to a number of aspects.

Charging Methodology

EDFT understands changes are needed to accommodate the introduction of Implicit Allocation. We appreciate IUK is introducing a Risk Premium as one of the factor determining capacity price in accordance to provisions of the TAR NC. We recognize this premium would reflect certainty of prices and we note that it has been mentioned this premium '*is unlikely to be higher than zero*'. We deem it necessary its level and the way it is set or computed have to be clearly defined and disclosed in advance so that it can be accounted for in Shippers commercial strategies. Moreover, it is stated that IUK aims to publish prices in advance but no clear timeframe is provided. Going ahead, the publication timeframe needs to be made clear.

Proposal for an Implicit Allocation Mechanism

The proposal of introducing Implicit Allocation can be supported as long as CAM auctions on PRISMA are regularly continued. Implicit Allocation could be to some degree beneficial to the market as it grants more flexibility in relation to the timing of capacity bookings. It is unclear to us, however, if there would be a clear benefit of offering a percentage of capacity via Implicit Allocation while PRISMA Auction is taking place. This could actually create more complexity and possibly add uncertainty in case prices differ significantly.



EDF TRADING

We appreciate that a partnership with a third party (either an Exchange or Broker) may be needed. We are worried however that if this will be priced by the third parties as separate ancillary service, it would result as an additional cost to the transaction, hence potentially reducing the attractiveness of this mechanism. EDF Trading would like to point out that a decrease in tariffs would attract more interest in booking capacity than increased flexibility. In any case, the tariff structure publication timeframe has to be clearly notified.

Application for Tariffs Network Code Derogation Application

We fundamentally agree with IUK's arguments for a derogation from some provisions of the TAR NC. Our only concern is the excessive freedom in setting capacity prices IUK may enjoy. We encourage IUK to find a solution whereby its discretion can be limited and tariffs capped to a certain pre-agreed level.

Please do not hesitate to contact us, should you wish to discuss any of our comments further.

Yours sincerely,

Samuele Repetto,
Regulatory Advisor
EDF Trading
samuele.repetto@edftrading.com
44 (0)20 70614363

