

Milano, 06/09/2017

Dear Danielle,

### **Consultation on IUK's Implicit Allocation Mechanism**

Thank you for the opportunity given by this consultation to express our opinion regarding the potential implementation of Implicit Allocation Mechanism (IAM) in addition to the standard auctions of the Capacity Allocation Mechanism (CAM) already in place.

We support the Interconnector UK's proposal of introducing IAM and we believe that it could be beneficial both to IAA Shippers and to the Transport System Operator itself. The main limit of the CAM is the reduction of marketable Capacity: no matter what the demand of the Shippers is, TSOs can offer just a few standard products in specific and infrequent auctions. The application of Implicit Allocation Mechanism would give much more flexibility to your transport customers; widely increasing the possibility of capacity booking, this solution appears to be the most appropriate for an infrastructure which supposedly is not going to be very congested in the near future.

The offer of additional flexibility should anyway be combined with a different tariff structure to encourage Shippers to commit long/medium term bookings. We suggest tariff reductions for Yearly, Quarterly and Monthly Capacity compared to short term Products. Without these adjustments, and as the likelihood of a congestion is low, the biggest part of bookings would concentrate in short term Products, with probable decrease of capacity purchase and more uncertainty for IUK to predict the Shippers' intentions.

We appreciate the proposed restrictions to prevent gaming, but, in our opinion, they should be integrated with additional actions. Implicit Allocation Mechanism could increase the risk of capacity buying-up; we propose to set a limit to the capacity that each company or each group could acquire.

To offer more transparency and to allow further analysis of shippers, we also suggest publishing the amount of sold and available capacity for each period on Interconnector website.

ENOI considers the proposal at section 2.2.2 of the consultation document as a desirable definitive schedule without any overlap between Implicit Allocation procedures and PRISMA auctions. We believe that offering additional capacity through IAM during PRISMA Auctions is unnecessary: to transport gas through IUK pipelines, bundled capacities are required. Adjacent TSOs' Capacities can be purchased only by standard





auctions, so it would be more beneficial to make all the bookable IUK capacities available on PRISMA.

Specifically, offering WD and DA capacity products through IAM during PRISMA auctions could even be counter-productive and we believe that there is no need for a parallel mechanism. During WD and DA PRISMA auctions, shippers are trading standard products on the market, which correspond to capacity products offered on PRISMA. The problem of infrequent auctions is also failing in this case: for within day products there are several standard auctions, once an hour, almost corresponding to a continuous capacity offer.

We believe that Implicit Allocation Mechanism will simplify capacity booking and transporting gas between UK and Europe; it can be beneficial to the market, if all the process is built in a coherent way and easy to use.

Best Regards,

Roberto Borghetti  
Heads of Logistics and Origination