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7<sup>th</sup> September 2017

Dear Danielle,

### **Consultation on Interconnector (UK) Ltd Implicit Allocation Mechanism**

We welcome the opportunity to respond to the above consultation. This response is provided on behalf of National Grid, as National Grid Gas in its role as owner and operator of the Gas Transmission System in Great Britain.

National Grid is not party to the IUK Access Terms Agreement (IAA) / IUK Access Code (IAC) and therefore responds on an adjacent TSO basis, rather than responding to specific questions raised by IUK in its consultations.

#### **The proposed changes and our views:**

##### **General**

IUK operates as a Merchant Interconnector and therefore has a different commercial model than other TSOs. We therefore understand the need for IUK to explore potential addition services to the market.

We are monitoring current developments in UK and EU Regulatory arrangements and any potential changes that may or may not arise post the United Kingdom leaving the European Union. There is still considerable uncertainty about post-Brexit energy arrangements between the UK and EU27 and we are therefore continuing to implement and operate European Legislation and associated Network Codes to meet the EU implementation timetable. We have also publicly stated our support of maintaining future UK/EU cooperation on energy matters and the associated benefits to both EU and UK consumers of harmonised arrangements.

As such, we note that IUK's proposals could result in some divergence from current arrangements in the GB regime at the Bacton IP specifically those deriving from the CAM Network Code, but noting CAM Articles 2.5 & 3.6 provide for the potential of implicit allocation under CAM.

In terms of National Grid IT systems, our initial view at this stage is that there is unlikely to be a significant impact, but we will continue to assess this when more detail is available.

## **Implicit Allocation**

As a consequence of IUK capacity being offered via a trading platform on an implicit basis, this would naturally result in less bundled capacity at the Bacton IP and a potential increase in unbundled capacity being offered / sold by National Grid.

## **Capacity Conversion**

We note that IUK is proposing to offer the conversion of capacity covering Annual, Quarterly, Monthly and Daily. In terms of National Grid compliance with the new obligation under CAM, we have raised UNC Modification 0616 which does not offer a conversion service (on the National Grid side) for a daily (day ahead) duration as this goes beyond the Regulation. UNC parties have been involved in the development of Modification 0616 and to date a party has not raised a UNC Modification for a day ahead conversion service on the National Grid side. Any UNC proposal (if raised) would be considered on its merits by the industry and ultimately by an Authority decision.

## **Pricing in relation to Long and Short Term discounts**

The consultation refers to shippers currently wishing to book IUK long term capacity which would be obliged to purchase more expensive NG capacity. We would assume this to be in the context of 'relative to the IUK long term capacity price' going forward.

The consultation also refers to an unknown future charging regime. National Grid is undertaking a charging review under Modification 0621 and changes may be proposed from the current arrangements. We continue to encourage participation by IUK and the wider GB industry as part of the charging review.

If you have any questions regarding any points raised in this response, then please do not hesitate to contact me on the details above, or Matthew Hatch ([matthew.hatch@nationalgrid.com](mailto:matthew.hatch@nationalgrid.com)) – (01926 655893).

Yours sincerely

Jenny Phillips

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