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Swindon, 26/11/2021

Consultations on Interconnector's Access Terms and Charging Methodology and Storage Service

Dear Sarah,

RWE Supply & Trading welcomes the opportunity to respond to the above consultations. Those aspects of the consultations which we have not commented on below are broadly acceptable to us. Our response is not confidential and can be published on your website.

Access Terms and Charging Methodology

In light of the limited progress at EU level to make firm IP capacity allocation more flexible, we agree with Interconnector being allowed to increase the amount of capacity it can offer through implicit allocation, as described in the consultation. Market participants have clearly demonstrated they value the flexibility provided by implicit allocation as it better enables them to optimise their portfolios and arbitrage gas flows between the UK and continental Europe, despite the added complexity it brings.

Nevertheless, despite implicit allocation becoming the principal means by which Interconnector sells its capacity, we still think it should be seen as a supplementary service. To this extent, it should not unduly interfere with the IP capacity allocation mechanism defined in the EU Capacity Allocation Network Code (CAM NC). Any additional flexibility afforded to Interconnector through implicit allocation in light of its merchant status should not automatically be applied to explicit allocation under the CAM NC, by way of derogations or disapplications.

We do not agree with the proposal to reduce implicit allocation suspension periods to 2 days for annual, quarterly and monthly products. This would mean that shippers intending to participate in the CAM NC auctions for such products, which are typically held on Monday, would not know how much capacity was being offered until close of business the previous Friday, which is too short a notice period for shippers to effectively manage their capacity bookings via the CAM NC.

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Also, whilst we acknowledge there may be a case for reducing the implicit allocation suspension periods to better facilitate market opportunities, a more appropriate solution could be to reduce the current lead times by half (i.e. 2 weeks for annual capacity, 1 week for quarterly and 3 business days for monthly). For clarity and to ensure the market is able to efficiently price and evaluate spreads, these suspension periods should be consistent with the notice periods Interconnector is required to give for capacity prices applying in each relevant CAM NC auction, as any differences risk undermining the CAM NC process.

Finally, we do not agree that the prices of all capacity products less than one month duration which are allocated implicitly should be subject to just six hours' notice. Under the CAM NC the only capacity product allocatable of less than one month duration is day-ahead capacity (disregarding within day), whereas under implicit allocation there are currently five products allocatable, extending multiple months ahead. Reducing the implicit notice period to six hours could result in the prices of these products being changed within day, which is unacceptable, however unlikely Interconnector claim this would be in practice. In our opinion, the price of all implicitly allocated capacity products less than one month duration should, at the latest, be published by 09:30 UTC (winter time) on the day they are offered and fixed for the remainder of that day. This is consistent with the current 6 hour notice period for day ahead products offered under the CAM NC.

Storage Service

Interconnector's proposed storage service should not detrimentally affect the market and may offer some limited benefits for shippers in managing balancing risks and optimising prompt intra and inter day price spreads. As such we cautiously support the proposal as described and its facilitating UNC Modification 761, subject to both being confirmed as legally compliant with the Gas Act.

As regards charges for the storage service, we think it would more efficient for the storage injection and withdrawal unit costs to be incorporated into the within day and day ahead SBU prices, rather than being charged separately

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HR B 14327
Share Capital: EUR15,030,000.00
Sales Tax ID No.: DE 8130 22 070