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All Stakeholders

16 November 2023

Dear Stakeholder,

Consultation on Interconnector's Access Rules and Charging Methodology

Interconnector Limited ("**Interconnector**" or "**INT**") would like to hear stakeholder's views on its proposed changes to the Interconnector Access Rules and to the Interconnector Charging Methodology ("**CM**").

This Consultation Letter is intended to outline the proposed changes to the Access Rules and CM. The accompanying attachments outline the specific changes proposed to these documents.

1. Introduction

This Consultation Letter highlights the proposed changes to INT's Access Rules and Charging Methodology ("**CM**"). These include:

- The Interconnector Access Agreement ("**IAA**") which contains the general terms and conditions to access Interconnector capacity¹. By signing this, parties agree to adhere to the Interconnector Access Code.
- The Interconnector Access Code ("**IAC**") which details the access rules for INT capacity acquired under the IAA.

The Interconnector Charging Methodology sets out the methodology that Interconnector applies to charging for its transportation services under the IAA and IAC.

Interconnector is required by its governing rules to review its Access Rules and its CM at least once every calendar year. The Access Rules and CM are approved by both Ofgem², the GB National Regulatory Authority ("**NRA**") and by CREG³, the Belgian NRA. INT's current Access Rules and CM⁴ were approved by both NRAs following a consultation in 2022.

Additionally, INT is for the first time covered by the CREG Natural Gas Code of Conduct ("**CoC**") following an update to the rules in September 2022⁵. The CoC is a set of rules applied

¹ Interconnector also publishes an IAA Summary ("**IAAS**") which describes the transportation model and related services offered by INT under the IAA. This document does not give rise to any contractual relationship between INT and any other party for the provision of services by INT.

² Ofgem: The Office of Gas and Electricity Markets, <https://ofgem.gov.uk>

³ CREG: La Commission de Régulation de l'Électricité et du Gaz, <https://www.creg.be>

⁴ <https://www.fluxys.com/en/about-us/interconnector-uk>

⁵ <https://www.creg.be/sites/default/files/assets/Publications/Decisions/B2411NL.pdf>

by CREG to transmission, storage and LNG operators as well as balancing providers in Belgium. The CoC rules are consistent with the Belgian Gas Act and manage the connection and access to the network as well as the procedures for allocating capacity and managing congestion.

2. Summary of Proposed Amendments to Interconnector's Access Rules

2.1 Amendments to the Interconnector Access Agreement (Annex 1)

The following key changes have been proposed to the Interconnector Access Agreement:

a. Gas Quality Arrangements

The focus of INT's review has been to address the comments provided by CREG in their November 2022 Decision⁶ for the implementation of Issue 8 of the IAA.

INT's Gas Quality provisions are aligned with standard practice across the UK and Continent; the Shipper must deliver natural gas at the relevant entry point which meets the specification agreed between itself and the operator in their transportation agreement. This principle remains unchanged.

The proposed amendments presented in this consultation provide further clarity and structure on the responsibilities and liabilities, of the Shipper and INT, relating to the acceptance or refusal of Gas which does not meet the relevant quality requirements and operating conditions specified in Annex H-1 of the IAC.

The applicable rules for INT's Bacton Connection Point ("**IBT**") and INT's Zeebrugge Connection Point ("**IZT**") have been clearly differentiated in the new drafting. The main changes relate to the IZT Connection Point where a distinction has been made between whether INT has knowingly and explicitly accepted gas into its system which does not meet the Specification or if it has unknowingly received such gas. Due to the proximity of INT's IBT Connection Point to upstream delivery points in the UK, such a distinction is not acceptable at IBT.

Further clarity has also been proposed on INT's obligations towards the Shipper; so long as the gas received by INT from the Shipper is within the Specification, INT shall be responsible for making sure that the gas remains within the Specification on redelivery at the relevant Connection Point. If INT has received gas which is indeed within the Specification, but the gas subsequently made available to the Shipper at an exit point no longer meets the Specification, the Shipper may choose to refuse or accept redelivery of such gas. A Shipper who refuses redelivery will receive a refund from INT against the Capacity Charges for the impacted volume, unless INT has been affected by a Force Majeure event. If the Shipper accepts redelivery of such gas, INT shall indemnify the Shipper for the associated costs and expenses.

b. Clarification of Force Majeure Arrangements for Interruptible Capacity

This year, INT increased the percentage of capacity it offers as Interruptible to 34% of the Technical Capacity to reflect maintenance requirements over the coming years. The Force Majeure clause has been updated to account for the fact that reductions in the Capacity Charge for the first three months of a Force Majeure event are limited to Firm and Conditional Firm capacity only. This is a more accurate reflection of the interruptible nature of Interruptible Capacity and is in line with other Transmission System Operators ("**TSOs**") treatment of Interruptible Capacity.

c. Annex for Own Use Gas Arrangements

⁶ <https://www.creg.be/nl/publicaties/beslissing-b2490>

INT uses natural gas for the operation of its transportation system ("**Own Use Gas**"); this Own Use Gas has previously been sourced via a tender process and separate bi-lateral agreements with market participants. INT has received feedback that this is a time consuming process for Shippers. INT is therefore proposing to now include provisions for the sale & delivery and purchase & offtake of Own Use Gas directly within the IAA. This means that all signatories of the Interconnector Access Rules will be eligible to partake in these provisions on a non-exclusive, voluntary basis, streamlining the Own Use Gas processes considerably for both INT and its Own Use Gas providers. This approach remains transparent, non-discriminatory and market based.

d. Other key changes

- i. Annex A: To improve readability, the ordering of the clauses has been updated.
- ii. Annex A, paragraph 3.2: INT has noted that all INT Shippers must be in possession of a Shipper Licence in the UK and Belgium prior to purchasing INT capacity, unless otherwise specified.
- iii. Annex A, paragraph 4.3 & 4.4: INT has updated the definition of Acceptable Credit Support to include specific provisions for Shippers or legal entities registered in 'High-Risk Third Countries' under the European Directive 2015/849⁷ and the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017⁸.
- iv. Annex A, paragraph 5.5 & 5.6: INT has clarified that late payments against Euro invoices will accrue interest at a rate equal to EURIBOR whilst invoices in Pounds Sterling will accrue interest at a rate equal to SONIA.
- v. Annex A, paragraph 13.9: INT has added references to its Know Your Customer process both in relation to the initial sign up process and to ongoing assessment through the Term of the Agreement.
- vi. Minor drafting changes have been made to remain consistent with the requirements of the Belgian CoC.

2.2 Amendments to the Interconnector Access Code (Annex 2)

The following key changes have been proposed to the Interconnector Access Code:

a. Refiling Service

Over the past two years, INT's booking profile has changed considerably with Shippers securing bi-directional capacity on a longer term basis and bookings extending to Gas Year 2033. INT's ability to provide physical, bi-directional gas flows all year round means that Shippers can react very quickly to market fluctuations. This is likely to become more valuable as the growth in wind and solar renewable on the continent and the UK drives volatility. INT is therefore proposing to introduce the ability to offer a Refiling Service which enables Shippers to refile their Annual Capacity bookings forward in time. This will allow Shippers to maximise the extrinsic value of their current longer term positions as well as protect themselves against this expected increase in volatility. When INT makes a Refiling Service available, the specific terms and conditions relating to that service will be published in the INT Charging Statement.

b. Long-Term Planned Maintenance

Since September 2021, INT has seen strong and sustained UK to Belgian flows. As previously communicated, this, alongside the age of the asset, leads to additional and more significant maintenance requirements, next to investments in specific technical interventions. Alongside

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L0849>

⁸ <https://www.legislation.gov.uk/uksi/2017/692/contents/made>

this, INT is required to adhere to increasingly stringent environmental standards which introduce new processes that increase the time taken to prepare the facilities for shutdown. INT is therefore proposing to increase the number of maintenance days available to it for Long-Term Planned Maintenance to 20 days. Whilst INT will continue to seek to minimise the number of planned maintenance days taken each year, the additional number of days will enable INT, as a Reasonable and Prudent Operator, to safely carry out the increased maintenance requirements whilst remaining compliant with increasing environmental standards.

3. Amendments to the Interconnector Charging Methodology (Annex 3)

The following key changes have been proposed to the Interconnector Charging Methodology and furthermore, Annex 4 provides the periodic consultation information required by Article 26 of the Tariff Network Code⁹.

a. Amendments to INT's Pricing Publication Timetable

In March 2022, INT received approval from its NRAs to disapply Article 11.8, 12.6 and 13.6 of the Capacity Allocation Mechanism Network Code¹⁰ ("**CAM NC**") to reduce the time that INT's capacity offering was suspended ahead of a CAM NC Capacity Auction to three days.

This move helped maximise the capacity offering to the market, however there is currently a misalignment between INT's capacity and tariff publication requirements. To streamline the offering, INT is proposing to align the lead time for publishing its Annual tariffs and binding multiplier caps for Standard Capacity Products to at least 3 days before the yearly Annual Auction.

Additionally INT is proposing to publish the actual prices for Standard Quarterly Products and the actual prices for products which are longer than one month in duration offered via IAM at least 3 days before the relevant offering.

These changes simplify INT's product offering and bring the tariff publication requirements in line with the current capacity publication process, which has been working successfully.

4. Your Feedback

We would appreciate comments from all interested parties. Please send your response to consultation@interconnector.com by 17:00 UKT on **16 December 2023**.

Following this stakeholder consultation, Interconnector will review the responses with the aim to submit final proposals to Ofgem and CREG by the end of December 2023. Subject to NRA approval the amended Access Terms and the Interconnector Charging Methodology will come into effect ahead of the planned implementation date of March/April 2024.

Please ensure that a "read receipt" is requested to confirm that your response has been received by Interconnector. Please note that any responses not marked confidential may be published on Interconnector's website. Confidential responses may be shared with Ofgem and CREG, at their request.

⁹ Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas; also retained in UK law retained in UK law with amendments made under schedule 4 of the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019 No. 531.

¹⁰ COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems; also retained in UK law with amendments made under schedule 4 of the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019 No. 531.

If you wish to clarify any aspect in relation to this letter, or have any questions please contact Sarah Cooper on +44 (0) 20 3621 7856 or sarah.cooper@interconnector.com or Pavanjit Dhese on +44 (0) 7866 620 832 or pavanjit.dhese@interconnector.com.

We look forward to hearing from you.

Yours faithfully,

Sarah Cooper
Commercial Manager