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Making a positive difference
for energy consumers

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Email:
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Date: 15 March 2022

Dear Mr De Ranter,

Authority's decision on the Access Rules and Charging Methodology proposed by Interconnector Limited including direction of partial approval pursuant to Standard Licence Conditions 10 and 11A of the gas interconnector Licence. Authority's decision to disapply articles 11.8, 12.6 and 13.6 of the UK Capacity Allocation Mechanism Network Code for Interconnector Limited in relation to the Implicit Allocation Mechanism.

Interconnector Limited ("INT", "Licensee") sent its final version of Access Rules and Charging Methodology on 22 December 2021 to the Authority[1] for approval. These were submitted pursuant to Standard Licence Conditions ("SLC") 10 and 11A of the Gas Interconnector Licence ("the Licence").[2]

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.
[2] The current version of the gas interconnector licence and SLCs can be found at epr.ofgem.gov.uk

This decision letter and attached directions set out our decisions to:

- Approve most of INT's proposed Access Rule changes under SLC 11A on the basis that they meet the relevant Access Rules objectives (Annex 1);[3]
- Approve all of INT's proposed Charging Methodology changes under SLC 10 on the basis that they meet the relevant Charging Methodology objectives (Annex 2);[4]
- Not approve part of INT's proposed Access Rules changes under SLC 11A, because it doesn't meet the transparency and objectivity criteria (Annex 3); and
- Disapply articles 11.8, 12.6 and 13.6 of the Capacity Allocation Mechanism Network Code[5] ("CAM") for INT in relation to the Implicit Allocation Mechanism (Annex 4).

INT's proposal

The changes proposed by INT are modifications to its Access Rules and Charging Methodology, which it submitted to Ofgem on 22 December 2021 and copies of these documents are available on INT's website.[6] INT also provided a Submission Report to Ofgem on 22 December 2021. The proposed changes to the Access Rules are:

- **Increasing the volume of capacity offered via Implicit Allocation Mechanism ("IAM") –** an incremental increase to the amount of capacity that can be offered through the IAM from a maximum cumulative total of 75% to 90% of firm or conditional firm capacity. Prior to the Annual auction for the relevant gas year, INT will offer up to 80% of firm and conditional firm capacity via the IAM. After the Annual auction for the relevant gas year, INT would then make up to 90% of its capacity available via the IAM.
- **Reducing the lead time for publishing INT capacity on the PRISMA platform** – reduction of the capacity publication window ahead of each CAM auction on PRISMA to three days for the Annual, Quarterly and Monthly auctions. This requires disapplication of Articles 11.8, 12.6 and 13.6 of CAM. This was proposed to be two days in INT's consultation. It was updated in the final submission following INT's review of consultation responses to three days.
- **Introduction of a Supplementary Commodity Charge** – this would only be payable where Shippers elect to use this differentiated, supplementary service offered by INT.

[3] The "relevant Access Rules objectives" are set out in SLC 11A(5) of the Licence.
[4] The "relevant Charging Methodology objectives" are set out in SLC 10(4) of the Licence.
[5] COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems has been 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.
[6] https://www.fluxys.com/en/products-services/empowering-you/customer-interactions/consultations-in-the-uk/2021---annual-review-of-the-interconnector-access-terms-and-charging-methodology

- **Amendment to the Planned Maintenance Notification Process** – INT will publish the month in which maintenance will occur in a first announcement, with the exact date and duration published at least 42 days in advance of the maintenance occurring.
- **Amendment to the Credit Support Process** – Shippers will be required to meet the Credit Criteria requirements until 30 days after the end of their registered capacity and where Credit Support is required, this will be for three months' worth of exposure.
- **Reduction in the Wobbe limit** – introduce a lower Wobbe index limit into the Exit specification from the GB National Transmission System ("NTS") and entry into the Interconnector at Bacton. This adjustment would be within the operating limits of the INT system and only be effective subject to agreements with adjacent operators National Grid Gas ("NGG") and Fluxys Belgium.
- **Other minor amendments** – minor drafting changes to both the Interconnector Access Agreement and Interconnector Access Code including reference to a Storage Services Agreement.

The changes to the Charging Methodology are:

- **Removal of the Initial Registration Fee** – INT proposes to remove this charge as it has been, in practice, zero for a number of years.
- **Introduction of a Supplementary Commodity Charge** – this change will support the introduction of a Supplementary Commodity Charge (see Access Rules section above).
- **Amendment to the tariff publication lead time of Short-term products offered via the IAM** – this change will allow the tariffs for the IAM products, which are less than one month in duration, to be published at least six hours in advance of the relevant auction.
- **Amendment to the tariff publication lead time for Quarterly products offered via the CAM auctions on PRISMA** – this change will lead to the reserve price of Quarterly capacity offered via the CAM auctions on PRISMA being published at least one week in advance of the relevant auction.
- **Amendment to the tariff publication lead time for Monthly products offered via the CAM auctions on PRISMA** – this change will lead to the reserve price for the Monthly capacity products offered via the CAM auctions on PRISMA being published at least a day in advance.

Following conversations with the Authority and CREG[7] INT re-submitted part of the Access Rules on 04 March 2022. The Interconnector Access Code was re-submitted with details of

[7] CREG is the Belgian Federal Commission for Electricity and Gas Regulation.

the lead times for publishing capacity ahead of the PRISMA Capacity Auction added to Section B Annex B-1 and Section B Annex B-3. This did not alter the proposed change that INT had previously submitted, but made the proposed change more transparent in the Access Rules documentation.

INT's Industry Consultation

The proposed changes were subject to a public consultation which took place from 28 October 2021 to 28 November 2021, as required by SLC 10 (11)(a) and SLC 11A (6)(a) of the Licence. The consultation responses were sent to us by INT on 03 December 2021. Four shippers responded to the consultation. The consultation responses received were broadly supportive for the majority of INT's proposals.

One respondent did express concern over the reduction on the lead time for publishing INT capacity on the PRISMA platform. It stated that implicit allocation should be seen as a supplementary service and that it should not unduly interfere with the IP capacity allocation mechanism defined in CAM. The respondent opposed the two-day suspension period as it would mean that shippers intending to participate in the CAM auctions, if they were held on Monday, would not know how much capacity was being offered until close of business Friday, which is too short a notice period. They proposed that halving the current lead times may be more appropriate and that suspension periods should be consistent with the notice periods INT is required to give for capacity prices applying in each relevant CAM auction, as differences risk undermining the CAM process.

One respondent opposed the amendment to the planned maintenance notification proposal because this change could result in significant costs to INT's shippers if they purchase capacity before the final maintenance is published. These costs would include the INT capacity they have booked, any adjacent NTS and Fluxys capacity booked, and unwinding any future gas hedged positions that could not be physically fulfilled.

Three out of four respondents objected to the amendment to the tariff publication lead times for short-term products offered via the IAM. One respondent suggested that INT could align the notification periods between PRISMA and IAM by changing the prices on PRISMA with a one-day notice in advance. A second respondent who opposed this change believed they would give shippers less visibility of the transmission tariffs and discourage them from booking capacity on INT. The third objection stated that this change could result in the prices of these products being changed within day, which they state is unacceptable.

Two of the four respondents also disagreed with the amendment to the tariff publication lead time for both the Quarterly and Monthly products offered via the CAM auctions on

PRISMA. One respondent believed that these changes would introduce a non-standard variation in the current standard PRISMA calendar process and that INT could instead match the IAM notification with PRISMA. The other respondent who opposed these changes believed they would give shippers less visibility of the transmission tariffs and discourage them from booking capacity on INT.

Ofgem's View

SLC 10 (4) and SLC 11A (5) of the Licence requires the Charging Methodology and Access Rules to be objective, transparent, non-discriminatory and compliant with the relevant Access Rules and Charging Methodology objectives. EC 715/2009 ("Gas Regulation") continues to apply[8] as Retained EU Law.[9] Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas[10] ("TAR"), also continues to apply as Retained EU Law.

Increase in the volume of capacity offered via Implicit Allocation

INT claim that constraints on the IAM sales channel, due to application of CAM, result in missed opportunities for shippers and INT. In INT's view, this results in a less economically efficient market with loss to consumers. Therefore, INT proposed to increase the volume of capacity offered via Implicit Allocation.

INT proposed to increase firm or conditional firm capacity via the IAM from the cumulative total of 75% to 90% in two stages:

1) Prior to the Annual auction for the relevant gas year – INT proposed to offer up to 80% of firm and conditional firm capacity via the IAM;
2) After the Annual auction for the relevant gas year – INT proposed to offer up to 90% of firm and conditional firm capacity via the IAM.

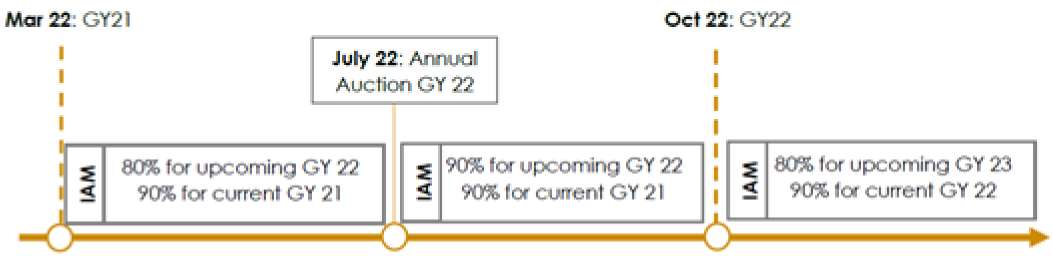

Figure 1 Proposed IAM capacity offering, from INT's Submission Report 22 December 2021

[8] EC 715/2009 as amended by Electricity and Gas (Powers to Make Subordinate Legislation) (Amendment) (EU Exit) Regulations 2018 SI no.1286.
[9] "Retained EU Law": Retained EU Law has the same meaning as that given by [section 6(7) of the European Union (Withdrawal) Act 2018.]
[10] As amended by Schedule 5 of UKSI 2019/531.

The change proposed by INT will still continue to meet the obligations of Article 8 of CAM to set aside capacity reducing 20% to 10% after the Annual auction. All shippers supported the change.

It's the Authority's view that the proposed change is objective, transparent, non-discriminatory and compliant with the Licence requirements. The change will also likely increase the attractiveness of using INT transmission capacity, adding to the flexibility in shippers' ability to respond to the changing market conditions. Therefore, the proposed change is likely to be beneficial to consumers.

Reducing the lead time for publishing capacity on the PRISMA platform

INT proposed to reduce the lead time for publishing their capacity on the PRISMA platform. INT has an obligation, under CAM, to suspend all capacity offerings ahead of CAM auctions on PRISMA. The suspension periods are: four weeks for an Annual auction, two weeks for a Quarterly auction, and one week for a Monthly auction. During these periods INT is not allowed to offer capacity products which cover the period offered in that auction. Therefore, even if there are market opportunities during the suspension periods, they cannot be realised.

Alongside the submission of its Access Rules and Charging Methodology, INT requested the disapplication of CAM Articles 11.8, 12.6 and 13.6 which will allow this proposed change to be enacted. Article 2.5 of CAM states that the Authority may decide not to apply Articles 8 to 37 where implicit capacity allocation methods are applied. Article 3(6) of CAM, 'implicit allocation method' is defined as "a capacity allocation method where, possibly by means of an auction, both transmission and a corresponding quantity of gas are allocated at the same time".

Initially, INT proposed to reduce the suspension period to two days ahead of all above mentioned capacity auctions on PRISMA. Following the industry consultation, INT took into account one shipper's reservation that a two-day notice would be too short for Monday capacity auctions. INT extended the suspension period in this proposed change to three days.

As INT operates as a merchant interconnector with no captive customer base, competing with another interconnector and other methods of gas supply (piped gas, LNG), it is the Authority's view that INT should be allowed to plan their operations to capture market opportunities. Different capacity products of INT compete with one another. We note one industry consultation respondent expressed concern that implicit allocation should be seen as a supplementary service and that it should not unduly interfere with the IP capacity allocation mechanism defined in CAM. However, in our view, INT should be given this flexibility in structuring their product offering and we consider three days to provide shippers with sufficient time to effectively manage their capacity bookings. It is our view that shippers have the opportunity to adjust their operations to INT's new suspension period by procuring capacity from INT in the longer term (in which case shippers won't be affected by this change).

The proposed change will be applied to all shippers consistently. Thus, it is the Authority's view, that the proposed change is objective, transparent and non-discriminatory. Furthermore, by making longer-term booking of gas transmission capacity more attractive, it may also contribute to increased stability of the market and enhanced security of gas supply. The change is likely to lead to a more stable competitive environment.

In order to facilitate this change we have decided it would be appropriate to disapply Articles 11.8, 12.6 and 13.6 of CAM for the same reasons detailed above. A direction has been published alongside this letter (Annex 4).

Supplementary Commodity Charge

In both the Access Rules and Charging Methodology, changes are proposed to allow INT to introduce a Supplementary Commodity Charge. This charge would only be applicable where INT Shippers elect to use a differentiated, supplementary service. No consultation respondents objected to this change and two respondents noted the relevance of a product which supports a future carbon neutral transportation service.

On 21 January 2022, and at the request of the Authority, INT provided further details on how they consider this charge to be compliant with Article 4.3 of TAR:

- Article 4.3(a)(i): the Supplementary Commodity Charge will be a flow-based charge and will cover the cost of providing the additional service linked to the gas flow;
- Article 4.3(a)(ii): shippers can forecast what they require for their gas flows and the service will be set in the same way at INT's Interconnector Points; and
- Article 4.3(a)(iii): the price will be expressed in monetary terms and published in a transparent manner in the charging statement.

INT notes that the change is transparent, objective and non-discriminatory as it is an option available to any INT shipper. INT also states that the proposed change furthers compliance with the Gas Regulation by helping Shippers to meet environmental targets. We agree that the introduction of this charge meets the requirements of the Licence objectives and acknowledge it is only charged if a Shipper elects to use the associated services. We also consider this to be in line with our Principal Objective to consider existing and future consumers interests in the reduction of gas-supply emissions of targeted greenhouse gases.

Amended Planned Maintenance Notification Process

INT proposed to amend its Planned Maintenance Notification Process by publishing a draft schedule ahead of the calendar year, which would detail the month in which the long-term maintenance will occur. The final dates and duration of the maintenance would then be announced to the market at least 42 days in advance of the start of the maintenance, in line with the requirements of Annex 1 paragraph 1(9) of the Gas Regulation.

INT notes that bi-lateral conversations with shippers indicated an interest in bringing forward the timing of the announcement to allow more certainty ahead of the Quarterly CAM auctions via PRISMA. INT states that it will consult and make its initial announcement earlier in the year in order to provider shippers with improved visibility ahead of making decisions against longer-term capacity bookings.

One consultation respondent opposed this change because it could result in significant costs to INT's shippers if they purchase capacity before the final maintenance is published, including the INT capacity they have booked, any adjacent NTS and Fluxys capacity booked and unwinding of any future gas hedged positions that could not be physically fulfilled. We acknowledge this concern but understand INT's intention to better reflect their procurement and planning processes. INT stated that it will announce in the first market notification the month within which maintenance will take place in order to provide the market with visibility for longer-term bookings. INT will also consult and make its initial announcement earlier in the year to provide additional visibility to shippers ahead of making decisions on longer-term capacity bookings. We consider that a first announcement of the month within which the maintenance will occur, followed by a minimum 42-day announcement of the date and duration of the maintenance, would provide transparency of the maintenance plan, and that it would continue to be equally visible to all INT's shippers.

Credit Support Process

INT proposed to amend its Credit Support Process in two ways:

1) Where applicable, shippers would be asked to provide credit support for 30 days after their registered capacity ends to fully cover the invoicing and payment period; and
2) Where a shipper's exposure is being used to calculate the required level of credit support, this would be calculated against three months' worth of charges.

INT notes that this will increase its alignment with the standard practice of other Transmission System Operators and states that the proposal furthers compliance with the Gas Regulation and the Licence by safeguarding against default and furthering INT's operation as a prudent and efficient operator. No consultation respondents objected to this change. It is the view of the Authority that this is a sensible change in light of recent volatile market conditions. We believe this change to be transparent, objective and non-discriminatory as it will apply equally to all relevant shippers.

Lowering of the Wobbe limit

INT have proposed to introduce a lower Wobbe index limit of 46.62 MJ/m^3 into the Exit specification from the GB NTS and entry into the Interconnector at Bacton. INT noted that the GB gas industry and authorities are discussing proposed changes to widen the gas quality specification. INT states that its proposed adjustment to the Access Rules would be within the operating limits of the INT system, and would only be effective subject to agreements with the adjacent operators NGG and Fluxys Belgium. No consultation respondents objected to this change. We note that the current Wobbe index remains as part of the primary quality requirements and operating conditions in the table in Annex H-1 of the Interconnector Access Code, with the potential for a lower value added as an asterisk. It is stated in this asterisk that a lower Wobbe index will be applied subject to the agreement with NGG and Fluxys Belgium. Therefore, we consider this change to be compliant with the Licence objectives.

Other minor amendments

INT has proposed other minor amendments to its Access Rules to improve transparency. INT notes that the changes are objective and that no shipper opposed these in the consultation. We approve these changes except where they refer to the potential introduction of the INT Storage Services Agreement. This service is contingent upon approval of Uniform Network Code modification 761 'Arrangements for Interconnectors with additional Storage capability' ("UNC761") by Ofgem. We have not yet received the final submission of, nor made a decision on, UNC761. We think it would be inappropriate to approve changes relating to the Storage Services Agreement prior to making a decision on UNC761 and that allowing these changes could cause confusion for market participants, and therefore would not meet the Licence requirements of transparency and objectivity. We do not approve the minor amendments to INT's Access Rules which relate to the introduction of a Storage Services Agreement. This decision does not fetter in any way the discretion of the Authority on UNC761, nor is it an indication of the Authority's view on UNC761.

Removal of initial registration fee

INT proposed to remove the initial registration fee from their Charging Methodology. Interconnector notes in its submission report that the fee has in practice been zero for a number of years and that removing this will make the Charging Methodology clearer and more transparent. No consultation respondents opposed this change. We agree that removing this fee provides transparency for potential new customers.

Amendment to the tariff publication lead times

INT proposed to allow the tariffs for the IAM products which are less than one month in duration to be published no later than six hours in advance of the relevant IAM product offering. In INT's view, this will closer align publication time of the IAM products and products offered on PRISMA which are less than one month in duration.

Whilst all Shippers appeared to understand the logic behind the change to align publication times across all the sales channels, and some supported it but with preference for extending the lead time of pricing publication of the CAM short-term auction products offered via PRISMA, some were against it on the grounds that this change would give shippers less stability and predictability of the price.

INT also proposed to amend the tariff publication requirements for CAM Quarterly and Monthly products offered via PRISMA. INT state that they want to achieve better alignment of tariffs for offered Quarterly and Monthly products regardless of which sales channel is utilised, the IAM or PRISMA. At present:

1) INT quarterly actual reserve prices for capacity offered via PRISMA are published at least 30 days before the Annual capacity auction on PRISMA. INT proposed to change this to publishing binding multiplier cap for the subsequent gas year at least 30 days before the annual capacity auction via PRISMA and to publish the actual reserve price one week before the relevant auction via PRISMA.
2) INT monthly reserve prices for capacity offered via PRISMA are currently published two weeks ahead of the relevant auction via PRISMA. INT proposed to change this publication lead time to one day before the relevant PRISMA auction.

Three consultation respondents objected the proposed changes. One of these believed that such change gives shippers *"less visibility and stability of the transmission tariffs"*. Another believed that the proposed change, if implemented, would *"introduce a non-standard variation in the current standard PRISMA calendar process"* and also proposed that INT may *"opt to match the IAM notification period(s) with the PRISMA notification period(s) when IAM process overlaps with the PRISMA auction process"*.

INT operates as a merchant interconnector with no captive customer base, competing with another interconnector and other methods of gas supply (piped gas, LNG). Therefore it is the Authority's view that INT should be allowed to optimise their pricing strategies. Closer alignment of IAM and PRISMA tariffs publication lead times increases transparency and predictability in competition between these two sales channels. Different capacity products of INT compete with one another. In our view INT should be given this flexibility in structuring their product offering.

The proposed change will be applied to all shippers consistently. Therefore, it is the Authority's view that it is objective, transparent and non-discriminatory. Furthermore, by making longer-term booking of gas supply capacity more attractive, compared to shorter-term booking, it is likely to contribute to increased longer-term stability of the market and enhanced security of gas supply. The change may facilitate a more stable competitive environment.

The Authority's decision

The Authority considers the proposed changes to Access Rules, apart from minor amendments that relate to the introduction of a Storage Services Agreement, and Charging Methodology referred to above to be transparent, non-discriminatory, objective, and compliant with any relevant legally binding decision of the European Commission and/or the Agency. We expect INT to keep its Access Rules and Charging Methodology under review.

The minor amendments that relate to the introduction of a Storage Services Agreement relate to UNC761, which the Authority is due to receive to make a decision on. The Authority considers that it may create confusion to approve these changes until and unless UNC761 is approved and, therefore, the changes proposed to INT's Access Rules would not be transparent and objective. Therefore, the Authority does not approve this proposed change to Access Rules and directs INT not to enact them. We expect INT to keep its Access Rules under review.

Directions issued in accordance with SLC 10 (14) and SLC 11A (14) of the Licence to this effect can be found in Annex 1, Annex 2 and Annex 3.

The Authority has decided in accordance with Article 2(5) to dis-apply Articles 11.8, 12.6 and 13.6 of CAM in relation to the publication of capacity ahead of the PRISMA Annual, Quarterly and Monthly capacity auctions respectively. A direction issued in accordance with Article 2(5) to this effect can be found in Annex 4.

Publication

In accordance with SLC 10 (15) and SLC 11A (15) of the Licence, INT is required to publish (at least on its website) the approved Charging Methodology statement and Access Rules 28 days prior to them coming into effect (the Publication Period), unless the Authority directs otherwise.

If you have any questions relating to this decision, please contact Gas.TransmissionResponse@ofgem.gov.uk.

Yours Sincerely

David O'Neill
Head of Gas Markets and Systems, ESMS
Signed on behalf of **the Authority** and authorised for that purpose

ANNEX 1 - Ofgem Direction

Direction issued to Interconnector Limited pursuant to Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Condition 11A ("SLC 11A") paragraph 14 of the Gas Interconnector Licence ("the Licence") granted or treated as granted under section 7ZA of the Gas Act 1986 ("the Act") to Interconnector Limited ("INT" or "the Licensee").

2. SLC 11A paragraph 9 requires the Licensee to review its Access Rules at least once each calendar year and make such modifications to the Access Rules as may be needed for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.

3. SLC 11A paragraph 5 require that the Access Rules be objective, transparent, non-discriminatory, and compliant with the Regulation (EC) 715/2009, which continues to apply as retained EU law (on conditions for access to the national gas transmission networks) and any relevant legally binding decision of the European Commission and/or the Agency (collectively the "relevant Access Rules objectives").

4. Having regard to the relevant Access Rules objectives set out in SLC 11A paragraph 5, the Authority considers that INT's proposed Access Rules meet the relevant Access Rules objectives (except minor amendments relating to the introduction of a Storage Services Agreement – see Annex 3).

5. SLC 11A paragraph 11 require the licensee to take all reasonable steps to ensure that all persons, including those in any other relevant neighbouring State who shares the interconnection with the United Kingdom and who may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish the Authority with a report setting out the terms originally proposed in the Access Rules, the representations, if any, made by interested persons and any change in the terms of the Access Rules intended as a consequence of such representations.

6. In accordance with SLC 11A paragraph 9, on 22 December 2021, the Licensee submitted its Access Rules to the Authority for approval.

7. The Authority hereby directs, pursuant to SLC 11A paragraph 14, that the Licensee's proposed Access Rules are approved (except minor amendments relating to the introduction of a Storage Services Agreement – see Annex 3).

8. Pursuant to SLC 11A paragraph 15, the Authority directs that the Access Rules be published 28 days prior to coming into effect.

9. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

10. This direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 15 March 2022

David O'Neill
Head of Gas Markets and Systems
Duly authorised on behalf of the Authority

ANNEX 2 - Ofgem Direction

Direction issued to Interconnector Limited pursuant to Standard Licence Conditions 10 (Approval of charging methodology to the licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Conditions 10 ("SLC10") paragraph 14 of the Gas Interconnector Licence ("the Licence") granted or treated as granted under section 7ZA of the Gas Act 1986 ("the Act") to Interconnector Limited ("INT" or "the Licensee").

2. SLC 10 paragraph 9 requires the Licensee to review its charging methodology at least once each calendar year and make such modifications to the charging methodology as may be needed for the purpose of ensuring that the charging methodology better achieve the relevant charging methodology objectives.

3. SLC 10 paragraph 4 requires that the charging methodology be objective, transparent, non-discriminatory, and compliant with the Regulation (EC) 715/2009, which continues to apply as retained EU law (on conditions for access to the national gas transmission networks) and any relevant legally binding decision of the European Commission and/or the Agency (collectively the "relevant charging methodology objectives").

4. Having regard to the relevant charging methodology objectives set out in SLC 10 paragraph 4, the Authority considers that INT's proposed charging methodology meet the relevant charging methodology objectives.

5. SLC 10 paragraph 11 requires the Licensee to take all reasonable steps to ensure that all persons, including those in any other relevant neighbouring States who shares the interconnection with the United Kingdom and who may have a direct interest in the charging methodology, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish the Authority with a report setting out the terms originally proposed in the charging methodology, the representations, if any, made by interested persons and any change in the terms of the charging methodology intended as a consequence of such representations.

6. In accordance with SLC 10 paragraph 9 on 22 December 2021, the Licensee submitted its charging methodology to the Authority for approval.

7. The Authority hereby directs, pursuant to SLC 10 paragraph 14, that the Licensee's proposed charging methodology is approved.

8. Pursuant to SLC 10 paragraph 15, the Authority directs that the charging methodology be published 28 days prior to coming into effect.

9. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

10. This direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 15 March 2022

David O'Neill
Head of Gas Markets and Systems
Duly authorised on behalf of the Authority

ANNEX 3 - Ofgem Direction

Direction issued to Interconnector Limited pursuant to Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Condition 11A ("SLC 11A") paragraph 14 of the Gas Interconnector Licence ("the Licence") granted or treated as granted under section 7ZA of the Gas Act 1986 ("the Act") to Interconnector Limited ("INT" or "the Licensee").

2. SLC 11A paragraph 9 requires the Licensee to review its Access Rules at least once each calendar year and make such modifications to the Access Rules as may be needed for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.

3. SLC 11A paragraph 5 require that the Access Rules be objective, transparent, non-discriminatory, and compliant with the Regulation (EC) 715/2009, which continues to apply as retained EU law (on conditions for access to the national gas transmission networks) and any relevant legally binding decision of the European Commission and/or the Agency (collectively the "relevant Access Rules objectives").

4. Having regard to the relevant Access Rules objectives set out in SLC 11A paragraph 5, the Authority considers that INT's proposed minor amendments relating to the introduction of a Storage Services Agreement to the Access Rules do not meet the relevant Access Rules objectives.

5. SLC 11A paragraph 11 require the Licensee to take all reasonable steps to ensure that all persons, including those in any other relevant neighbouring State who shares the interconnection with the United Kingdom and who may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish the Authority with a report setting out the terms originally proposed in the Access Rules, the representations, if any, made by interested persons and any change in the terms of the Access Rules intended as a consequence of such representations.

6. In accordance with SLC 11A paragraph 9, on 22 December 2021, the Licensee submitted its Access Rules to the Authority for approval.

7. The Authority hereby directs, pursuant to SLC 11A paragraph 14, that the Licensee's proposed minor amendments relating to the introduction of a Storage Services Agreement to the Access Rules are not approved.

9. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

10. This direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 15 March 2022

David O'Neill
Head of Gas Markets and Systems
Duly authorised on behalf of the Authority

ANNEX 4 - CAM

Direction issued to Interconnector Limited pursuant to Article 2 paragraph 5 of the Capacity Allocation Mechanisms Code[11] disapplying Articles 11.8, 12.6 and 13.6 of that regulation in relation to the Implicit Allocation Mechanism.

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Article 2(5) of the Capacity Allocations Mechanism establishing a Capacity Allocation Mechanisms Code ("CAM") in relation to the proposal by Interconnector Limited ("INT" or "the Licensee") to reduce the lead time for publishing INT capacity on the PRISMA platform.

2. Articles 8 to 37 of CAM define the process through which capacity is generally expected to be allocated at an Interconnection Point.

3. Article 2(5) of CAM allows National Regulatory Authorities to disapply Articles 8 to 37 of CAM where "implicit allocation methods" are applied. Under article 3(6) of CAM, "implicit allocation method" is defined as "a capacity allocation method where, possibly be means of an auction, both transmission capacity and a corresponding quantity of gas are allocated at the same time".

4. On 22 December 2021 INT requested that the Authority issue a direction under Article 2(5) of CAM to disapply Articles 11.8, 12.6 and 13.6 of CAM in relation to an Implicit Allocation Mechanism established under its proposed changes to its Access Rules.

5. The Authority has concluded that INT's Implicit Allocation Mechanism satisfies the definition of an implicit allocation method under Article 3(6) of CAM. Having regard to our principal objective and the purpose of CAM and the related Regulation (EC) 715/2009[12] on conditions for access to the natural gas transmission networks the Authority considers it appropriate to issue a direction disapplying Articles 11.8, 12.6 and 13.6 of CAM in relation to the Implicit Allocation Mechanism.

6. The Authority hereby directs that, pursuant to Article 2(5) of CAM, Articles 11.8, 12.6 and 13.6 are disapplied in relation to the Implicit Allocation Mechanism.

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[11] COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems has been 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.

[12] EC 715/2009, as amended by Electricity and Gas (Powers to Make Subordinate Legislation) (Amendment) (EU Exit) Regulations 2018 SI no.1286, continues to apply as retained EU law within the meaning of the European Union (Withdrawal) Act 2018. "Retained EU Law": Retained EU Law has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.

7. This Direction shall come into effect at the beginning of the Gas Day 28 days after the date of this notice. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

8. This direction constitutes notice of the Authority’s reasons for the decision pursuant to section 38A of the Act.

Dated: 15 March 2022

David O'Neill

Head of Gas Markets and Systems

Duly authorised on behalf of the Authority