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for energy consumers

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Date: 5 July 2023

Dear Pavanjit & Belinda,

**Approval of the proposed revised Pressure Service Charges Agreement between Interconnector Limited and National Gas Transmission**

On 27 June 2023, a revised Pressure Service Charges Agreement ("PSCA") between Interconnector Limited ("INT") and National Gas Transmission ("NGT") was submitted to the Authority for approval in accordance with Standard Licence Condition ("SLC") 3 of the Gas Interconnector Licence<sup>1</sup> ("the Licence") – 'Compliance with bilateral agreements'. This condition states that the licensee shall enter into such bilateral agreements as may be reasonably required by any relevant gas transporter. NGT also confirmed agreement to this text.

This letter sets out our decision to approve the revised PSCA on the basis that its contents have been agreed by both parties.

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<sup>1</sup> <https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions>

## Background

INT is the operator of a bi-directional interconnector that connects the Belgian gas market with Great Britain. INT is a certified Transmission System Operator and holder of a gas interconnector licence.

INT first entered into an Interconnector Agreement ("IA") with NGT on 25 August 1998. The IA relates to the connection between INT and NGT's National Transmission System at Bacton interconnection point ("Bacton"). INT entered into a PSCA with NGT on 17 June 2022. The PSCA between INT and NGT states the charging mechanism for the pressure service contained within the IA.

Both the INT and BBL Company V.O.F. ("BBL") interconnectors connect to NGT's National Transmission System at Bacton. BBL also has an IA and PSCA with NGT for the connection between BBL and NGT's National Transmission System at Bacton. The PSCA that INT and BBL have with NGT, include charging methodologies that divide the cost of NGT providing a pressure service at Bacton to INT and BBL for each Gas Day, depending on the pressure services being requested by INT and BBL.

On 27 June 2023, INT submitted a revised PSCA to Ofgem for approval. INT stated that that they have agreed with BBL and NGT to a new pro-rata cost allocation approach for the pressure services that NGT provides to INT and BBL at Bacton. The new methodology is intended to ensure equitable cost allocation between INT and BBL for pressure services at Bacton. The revised PSCA amends charging methodologies within the PSCA and includes other minor amendments. No changes have been made to the IA, approved by Ofgem on 10 June 2022.<sup>2</sup> The revised PSCA mirrors a revised PSCA between BBL and NGT also submitted to the Authority on 27 June 2023 and approved alongside this decision on 5 July 2023.<sup>3</sup>

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<sup>2</sup> <https://www.ofgem.gov.uk/publications/decision-proposed-interconnection-agreement-and-pressure-services-charging-agreement-between-interconnector-limited-and-national-grid-gas>

<sup>3</sup> Decision letter published alongside this decision on the Ofgem website.

## **Authority Decision**

SLC 3.1 requires that bilateral agreements, and any amendments to these agreements, must be submitted to the Authority for approval. We have received a request to approve the proposed revised PSCA, as well as confirmation from both parties that all components have been agreed.

The Authority has decided to approve the revised PSCA in accordance with the provisions of SLC 3 of the Licence on the basis that its contents have been agreed by both parties. These are commercial terms between two market participants, and we have not identified any change in terms that would be detrimental to the market or to consumers.

If you have any questions relating to this decision, please contact Jonathan Balls at [energy.securityofsupply@ofgem.gov.uk](mailto:energy.securityofsupply@ofgem.gov.uk).

**Dr Adrian Richardson**

**Head of Energy Security of Supply, ESMS**

**Signed on behalf of the Authority and authorised for that purpose**