



Making a positive difference
for energy consumers

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Dear Pavanjit,

Interconnector Ltd (hereafter "INT"): Authority Motivated Decision pursuant to Article 27(4) of the Tariff Network Code on Gas Tariffs

This letter sets out our¹ decision, in accordance with Article 27(4) of the Tariff Network Code on harmonised transmission tariff structures for gas (hereafter "TAR NC")², on all items set out in the periodic consultation required by Article 26 of the TAR NC.

Background

TAR NC was introduced in 2017 with the aim to contribute to European market integration, enhance security of supply and promote interconnection between gas markets. It does this by introducing a number of requirements for Transmission System Operators ("TSOs"). In particular, it sets out how TSOs must design their reference price methodology ("RPM"). There are also requirements in TAR NC that aim to increase the transparency of tariffs, such as requirements to publish and consult on various pieces of information.

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this document.

² TAR NC: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>.

TAR NC was incorporated into UK law by the European Union (Withdrawal) Act 2018 and the European Union (Withdrawal Agreement) Act 2020, as amended by Schedule 5 of the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations SI 2019/531.³

Under Article 37 of TAR NC, INT received a derogation from certain articles in TAR NC that if applied would have negative consequences on INT as a merchant interconnector.⁴ Furthermore, pursuant to Standard Licence Conditions 10 and 11A of INT's Gas Interconnector Licence, INT proposes modifications to its access rules and charging methodology on an annual basis, the most recent of which were approved earlier this year.⁵

Article 26 Consultation

Article 26(1) of TAR NC requires TSOs to consult on information relating to the RPM including indicative prices, technical characteristics of the transmission system and an assessment of the RPM against Article 7 of TAR NC. INT ran consultations simultaneously, for both Article 26 and for proposed changes to its access rules and charging methodology.⁶ Both consultations ran from 16 November 2023 to 16 December 2023.⁷ There were five responses received, of which only one is non-confidential and published on INT's website. These responses specifically focused on proposed changes to INT's access rules and charging methodology and did not mention the periodic consultation under Article 26 of TAR NC.

Motivated Decision

Article 27(4) of TAR NC requires the respective National Regulatory Authority ("NRA") to take and publish a motivated decision on all items set out in Article 26(1). Ofgem is the NRA for Great Britain ("GB"). This letter sets out our motivated decision for INT.

Ofgem Assessment

The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in Article 26 and 27 of TAR NC, and shall include the information set

³ The Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019 <https://www.legislation.gov.uk/ukxi/2019/531/made>

⁴ Decision to derogate Interconnector (UK) from certain articles of the EU Network Code on Tariffs: <https://www.ofgem.gov.uk/decision/decision-derogate-iuk-certain-articles-eu-network-code-tariffs>

⁵ Proposed modifications to Interconnector Limited's Access Rules and charging methodology – decision: <https://www.ofgem.gov.uk/decision/proposed-modifications-interconnector-limiteds-access-rules-and-charging-methodology-decision>

⁶ 2023 – Annual Review of INT Access Rules and Charging Methodology: <https://www.fluxys.com/en/natural-gas-and-biomethane/empowering-you/customer-interactions/consultations-in-the-uk/2023---annual-review-of-int-access-terms-and-charging-methodology>

⁷ Article 26(2) requires INT to conduct its periodic consultation for 2 months. INT has been derogated from this Article and all derogations granted to INT can be found here: https://www.ofgem.gov.uk/sites/default/files/docs/2018/07/17072018_iuk_a37_ofgem_derogation_letter_1.pdf

out in Article 26(1). The consultation INT undertook between 16 November 2023 to 16 December 2023 is the final consultation referred to in Article 26(1), prior to the motivated decision required by Article 27(4) of TAR NC.

INT's consultation sets out where the information required by Article 26(1) is found, either within INT's charging statement, its charging methodology or information that is permanently published on INT's website. It also indicates which information is not published either due to derogation from the requirement, or the requirement not being applicable to INT. A summary of this is set out below.

Information published on INT's website:

- Article 26(1)(a)(i), which requires the publication of indicative information from Articles 30(1)(a)(i), (iv) and (v) only.

Information published in INT's charging statement and/or its charging methodology

- Article 26(1)(a)(v)
- Article 26(1)(c)(i)(1)
- Article 26(1)(c)(i)(3)
- Article 26(1)(c)(ii)(1)
- Article 26(1)(c)(ii)(4)

Information not published due to INT receiving derogations under Article 37 of TAR NC:

- Article 26(1)(a)(i) – derogated from Article 30(1)(a)(ii) and (iii)
- Article 26(1)(a)(iii) – derogated from this Article
- Article 26(1)(a)(iv) – derogated from Article 5
- Article 26(1)(a)(v) – derogated from Article 7(a)
- Article 26(1)(a)(vi) – derogated from this Article
- Article 26(1)(b) – derogated from Article 30(1)(b)(i), (iv) and (v)
- Article 26(1)(d) – derogated from Article 30(2)

Information not published as they are not applicable to INT:

- Article 26(1)(a)(ii) – INT is not connected directly to storage or Liquefied Natural Gas sites
- Article 26(1)(a)(v) – full compliance with respect to Article 7(d) not needed due to INT not having final customer connections
- Article 26(1)(c)(i)(2) – INT has no allowed or target revenue
- Article 26(1)(c)(ii)(2) – INT has no allowed or target revenue
- Article 26(1)(c)(ii)(3) – INT has no allowed or target revenue
- Article 26(1)(e) – INT does not operate under a price cap regime

In its consultation, and in accordance with Article 26(1)(a)(v), INT also provided an assessment of its proposed RPM (which must be in accordance with Article 7). INT explains that both its charging methodology and charging statement already covers the following:

- Inclusion of actual costs incurred for provision of transmission services – operating and capital expenditures.
- Ensuring non-discrimination and prevention of undue cross-subsidisation – charging methodology is consulted on by stakeholders before being sent to relevant NRAs for approval.
- Ensuring prices do not distort cross-border trade.

Authority Decision

Upon reviewing the consultation and the documents referred to by that consultation and considering the information above, we are satisfied that INT has fulfilled the requirements of Article 26(1) of TAR NC, for the reasons set out above.

This decision satisfies the requirement to take and publish a motivated decision in Article 27(4) of TAR NC.

If you have any questions relating to this decision, please contact:
energy.securityofsupply@ofgem.gov.uk.

Yours sincerely,

Helen Seaton

Head of Gas Security and Flexibility

Signed on behalf of the Authority and authorised for that purpose