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CC. Marie-Pierre Fauconnier,
President of the Commission de Régulation
de l'Electricité et du Gaz (CREG), Belgium
CC. Chris Logue, EU Policy Manager, National
Grid Gas plc

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Date: 23 September 2015

Dear Sean,

Approval of the amended Interconnection Agreement (IA) between Interconnector(UK) and National Grid Gas plc proposed by Interconnector (UK) pursuant to Standard Licence Condition (SLC) 3 of the gas interconnector licence.

Interconnector (UK) (IUK)¹ submitted proposed amendments to the IA on 25 August 2015 to the Authority² for approval pursuant to Standard Licence Condition (SLC) 3 of the gas interconnector licence ('licence').³

This letter sets out our approval of the submitted proposals. Set out in this letter is a decision approving the proposed modified IA on the basis that amendments to the IA are necessary to ensure compliance with relevant legally binding decisions of the European Commission and/or Agency for the Cooperation of Energy Regulators (ACER).

The amendments are proposed in order to comply with the following legally binding network codes required to be established pursuant to the Gas Regulation.⁴

- Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (INT)
- Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (BAL), and
- Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council (CAM).

Background

IUK entered into an IA with National Grid Gas plc (NGG) on 25 August 1998. The IA relates to the connection between IUK's and NGG's transmission systems at Bacton.

¹ IUK is a certified Transmission System Operator (TSO) and holder of a gas interconnector licence. It operates a bi-directional gas interconnector that links the UK and continental European energy markets.

² Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we' and 'us' are used interchangeably in this letter.

³ The current version of the gas interconnector licence and SLCs can be found at <https://epr.ofgem.gov.uk>.

⁴ Regulation 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.

SLC3 of IUK's gas interconnector licence requires that IUK enters into bilateral agreements as may be reasonably required by any relevant gas transporter. Such agreements, and any amendments to these agreements, must be provided by the licensee to the Authority for its approval. It further requires the licensee to take all steps within its power to make changes to such agreements as may be necessary from time to time to comply with the Gas Regulation and to give full and timely effect to any relevant legally binding decision of ACER or the European Commission.

IUK and NGG have indicated that they wish to amend and restate the IA. The proposed changes have been prompted primarily by the new obligations described above.

When submitting the proposed modifications to the IA for approval, IUK furnished the Authority with a report summarising how the proposed modifications to the IA ensure compliance with the relevant network codes.

IUK proposes that the amended and restated IA will take effect on and from 1 October 2015 (although some of its provisions will not take effect until 1 November 2016).

Proposed Modifications

IUK proposes to make amendments to the IA to ensure compliance with the INT and with certain provisions of CAM and BAL. This follows consultation with network users on the relevant aspects of the proposed amended and restated IA.⁵ One response was received to IUK's consultation which supported the proposed changes.

The proposed changes are summarised as follows:

- Changes to the recitals to reflect a number of changes affecting the parties, systems and circumstances since the IA was first entered into.
- Changes to definitions to reflect the new regulatory framework within which the IA operates and to remove now defunct terms.
- Updates to reflect the established connection between the parties' systems at Bacton.
- Changes to the rights to terminate the IA in order to be compatible with INT and or where a party has had its Gas Act licence revoked.
- Extension of the liability provisions to cover the new roles being performed by each transmission system operator (namely capacity allocation, nominations and matching, managing the operational balancing account and information exchange).
- Significant changes to how the IA is amended to reflect the requirements of INT.
- A change such that each TSO must provide their consent if the other wishes to assign the IA to a holding company or subsidiary ('an affiliate') provided the affiliate is capable of complying with the obligations of the assigning TSO.
- A more detailed procedure for agreeing how technical modifications to the connection facilities at Bacton are managed and costs apportioned.
- A more detailed procedure for the resolution of disputes and, where necessary, for when expert determination is required.
- Changes to reflect the electronic data requirements of INT.
- Addition of new annexes to reflect the requirements of CAM and INT including measurement provisions, capacity and optimisation, nominations and matching, and management of the Operational Balancing Account.
- Several minor changes throughout the document to reflect new structure of the IA and correct minor typographical points.

These amendments are being made pursuant to the requirement in SLC 3 paragraph 3 which requires IUK to "take all steps within its power to make such changes to agreements

⁵ IUK's consultation and responses can be found at www.interconnector.com/about-us/our-consultations/latest-consultation/.

which fall within the scope of paragraph 1 [*of SLC 3 of the gas interconnector licence*] as may be necessary from time to time to comply with the [Gas] Regulation and to give full and timely effect to any relevant legally binding decision of the Agency [ACER] or the European Commission.”

INT, CAM and BAL are established pursuant to the Gas Regulation and are legally binding decisions of ACER and/or of the European Commission. IUK is therefore required to take all steps within its power to make such amendments to the IA as may be necessary to ensure compliance with those network codes.

Decision on the proposed modified IA

Upon review of the documents submitted on 25 August 2015 to Ofgem for approval, with the main features as summarised above, the Authority considers the proposed modified IA to be compliant with relevant legally binding decisions of the European Commission and/or ACER.

The Authority has therefore decided to approve the proposed modified IA on the basis that the amendments are necessary to ensure compliance with relevant legally binding decisions of the European Commission and/or ACER.

Yours sincerely,



Rob Mills

Head of Gas Transmission, Gas Networks

Duly authorised on behalf of the Authority