

# EASEE-gas

European Association for the Streamlining of Energy Exchange - gas

**Explanatory notes to CBP 2008-001/01 “Secondary Capacity Trading”**

**27 May 2008**

DRAFT

**EXPLANATORY NOTE 2:  
Questionnaire on existing systems for Secondary Capacity Trading**

### Centrica response

1. Which gas grid or geographical area does this system apply to? A – GB to Belgium
2. Who is the Transmission System Operator and what is its role within the process of secondary capacity trading? A – IUK acting as counterparty and/or
3. Since when has the system for secondary capacity trading been in place? A – 1996 since the initial Agreement.
4. Which capacity does it apply to (entry, exit, other)? A – Entry/Exit in Forward and Reverse Flow modes.
5. Which trade structure is used (assignment, inter-trade, sub-let, variation of these)? A – Assignment, Sub-let and Capacity Transfer.
6. What is the effect of the trade on the original booking of capacity on the primary market;
  - a. Commercial effect? –
  - b. Effect in capacity system?
  - c. Contractual effect (credit risk, financial obligation)? –A – The impact depends upon the capacity trading structure used.
7. Which market structure is used (how do shippers find each other? More than one answer possible)? A – OTC and IUK Bulletin Board.
8. Which method of communication is used
  - a. Between shippers? A – Phone/E-mail (plus formal written contracts in some situations).
  - b. Between shipper and TSO? A – ISIS and E-mail
9. Has the desired level of transparency been achieved in your view (*opinion*)? A No. There are no statistics on the real level of trading and therefore no view as to the liquidity of the market. The lack of current activity indicates it is not working effectively.
10. What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?) A – Any period up to 2018. The practical Minimum period is 1 day, but can be traded within day. There is no maximum other than the holding of the primary Shipper.
11. How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)? A – Commercial Agreement between Shippers.
12. Can the originally booked volume (primary capacity) be split up in different portions to be traded? – A – Yes. Shipper's choice.

13. Can the originally booked period (primary capacity) be split up in different portions to be traded? A – Yes, Shipper's choice
14. What is the minimum and maximum time between a trade and the start date of a capacity booking? A – Relatively short period assuming both parties are already set-up on the ISIS system.
15. Does the TSO charge for the service? If so, how much? A – No charge
16. Are there standard terms & conditions used
- Between shippers?
  - Between shipper and TSO?
- A – If the trade is an Assignment there is prescribed paperwork. Other trades are down to negotiation between the parties. A standard format is being discussed.
17. What is your personal view on this system for secondary capacity trading (pro's and con's) (*opinion*)? A - Whilst there are merits with the system; eg. Speed of trade, no intrusive involvement by TSO etc., Due to the lack of transparency there is no real market price. This leads to low liquidity. It can be difficult to find counterparties. Credit/Trading risk has to be allowed for. A large requirement can be difficult to find.

### ExxonMobil response

- Which gas grid or geographical area does this system apply to?*
  - NTS: UK
  - Gassled: Norway
  - BEB: NW Germany
  - GTS: Netherlands
- Who is the Transmission System Operator and what is its role within the process of secondary capacity trading?*
  - NTS: National Grid Gas - operates secondary market
  - Gassled: Gassco - operates secondary market
  - BEB: BEB - offer a platform for secondary capacity trade
  - GTS: GTS - confirms secondary market transactions
- Since when has the system for secondary capacity trading been in place?*
  - NTS: Since 1996
  - Gassled: Since 2003
  - BEB: Bulletin board available since 2003 and in Feb 2005 the existing bulletin board migrated to the current secondary capacity trading platform trac-x
  - GTS: No information available to answer, but we confirm the system has been available since at least 2005
- Which capacity does it apply to (entry, exit, other)?*
  - NTS: Entry capacity only
  - Gassled: Entry, Exit and Processing capacity
  - BEB: Entry and Exit Capacity
  - GTS: Entry and Exit capacity offered
- Which trade structure is used (assignment, inter-trade, sub-let, variation of these)?*

- NTS: Inter-trade
- Gassled: Assignment
- BEB: Assignment
- GTS: Assignment and inter-trade

6. *What is the effect of the trade on the original booking of capacity on the primary market;*

a. *Commercial effect?*

- i. NTS: Primary market entry tariff is variable depending on outcome of capacity auctions. The secondary market is an alternative to participating in auctions, therefore the secondary and primary markets are related.
- ii. Gassled: Primary tariffs are not affected by secondary trading.
- iii. BEB: Primary tariffs are not affected by secondary trading.
- iv. GTS: Primary tariffs are not affected by secondary trading.

b. *Effect in capacity system?*

- i. We are unaware of the effects in the capacity systems

c. *Contractual effect (credit risk, financial obligation)?*

- i. NTS: Liability for the primary capacity remains with the original shipper (even if some or all of that capacity has been on-sold via secondary trading)
- ii. Gassled: All potential traders of capacity are required to be qualified Gassled shippers and hence credit risk is controlled by Gassled. As capacity rights and obligations are assigned to the purchaser of capacity, the vast majority of credit risk is borne by Gassled. For sales at premium and purchases at demium to the primary tariff however, some credit exposure may exist to the shipper trading capacity.
- iii. BEB: As the capacity rights and obligations are assigned to the purchaser of capacity the vast majority of credit risk is borne by BEB. For sales at premium and purchases at demium to tariff however, some credit exposure may exist to the shipper trading capacity.
- iv. GTS: GTS offers the transfer of services by two types of transfer: transfer of capacity rights and transfer of usage rights. In the first case, all rights will be transferred from the seller to the buying shipper (same as Gassled). In the case of usage rights, the seller retains the payment obligation to GTS, only the usage rights will be transferred from the seller to the buying shipper (same as NTS).

7. *Which market structure is used (how do shippers find each other? More than one answer possible)?*

- d. NTS: Bulletin board on NGG's Gemini system, bilateral trades through shippers contacting each other and a broker market.
- e. Gassled: Anonymous bulletin board on GVG system and bilateral negotiation between shippers
- f. BEB: Open or anonymous auction via a bulletin board system that is operated by trac-x for a total number of six TSOs including BEB.
- g. GTS: Basic bulletin board where shippers can notify capacity for sale and their contact details and bilateral negotiation by phone or email

8. *Which method of communication is used*

h. *Between shippers?*

- i. NTS: Phone to agree trade details followed up with standard contract.
- ii. Gassled: Bulletin board, phone and email.
- iii. BEB: Bulletin board, phone and email.
- iv. GTS: Bulletin board, phone and email.
- i. *Between shipper and TSO?*
  - i. NTS: Automatic verification and confirmation of matched capacity trades performed hourly by NGG's Gemini system.
  - ii. Gassled: Immediate verification and confirmation of matched capacity trades on GVG system.
  - iii. BEB: TSO informed of requests for capacity trade via paper transaction sheet or by using trac-x system online. Either way, transaction could take up to 10 business days to be implemented.
  - iv. GTS: TSO informed of requests for capacity trade via paper transaction sheet or GEA online system. GTS then performs validation check prior to issuing confirmation which can take 10 days for paper transactions.

9. *Has the desired level of transparency been achieved in your view (**opinion**)?*

No opinion

10. *What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?)*

- j. NTS: Capacity can be traded for any period with a minimum of 1 day.
- k. Gassled: Capacity can be traded for any period with a minimum duration of 1 day.
- l. BEB: Capacity can be traded for any period with a minimum duration of 1 day.
- m. GTS: Capacity can be traded for any period with a minimum duration of 1 day.

11. *How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)?*

- n. NTS: Commercial agreement between shippers
- o. Gassled: Commercial agreement between shippers
- p. BEB: Commercial agreement between shippers
- q. GTS: Commercial agreement between shippers

12. *Can the originally booked volume (primary capacity) be split up in different portions to be traded?*

- r. NTS: Yes
- s. Gassled: Yes
- t. BEB: Yes
- u. GTS: Yes

13. *Can the originally booked period (primary capacity) be split up in different portions to be traded?*

- v. NTS: Yes
- w. Gassled: Yes
- x. BEB: Yes
- y. GTS: Yes

14. *What is the minimum and maximum time between a trade and the start date of a capacity booking?*

- z. NTS: The start date can be the same day the trade is agreed and matched in the Gemini system. There is no maximum time beyond which the trade cannot start.
- aa. Gassled: Capacity trades can be performed within day. Currently bookings in GvG run until 2028 which sets the maximum time between trade and start date.
- bb. BEB: Up to 10 working days implementation time. We are unaware of a maximum time between a capacity trade booking and its start date.
- cc. GTS: GTS advises 10 business days, but with GEA application that might be reduced to 5 days. We are unaware of a maximum time between a capacity trade booking and its start date.

*15. Does the TSO charge for the service? If so, how much?*

- dd. NTS: Not directly, although the cost of maintaining the Gemini trading platform is recovered through the normal transportation charging methodology.
- ee. Gassled: No.
- ff. BEB: Under the assignment structure, there is a service fee of 1% of the winning offer (minimum €50) whereas under the sub-let structure, the conditions are imposed by the seller.
- gg. GTS: Yes - €118 per transaction.

*16. Are there standard terms & conditions used  
hh. Between shippers?*

- i. NTS: There are generally accepted terms and conditions and shippers have developed their own standard contracts around these principles. There is no single standard contract used for secondary capacity trading.
- ii. Gassled: Yes, as defined by the TSO in the general terms and conditions for secondary trading of capacity.
- iii. BEB: Yes, as defined by the TSO in the general terms and conditions for secondary trading of capacity.
- iv. GTS: No, the shippers have developed their own standard contracts.
- ii. *Between shipper and TSO?*
  - i. NTS: Yes, the Uniform Network Code provides the basis upon which all capacity trading in the UK is carried out.
  - ii. Gassled: Yes, as per Gassled terms and conditions.
  - iii. BEB: Yes, BEB GT&Cs are applicable.
  - iv. GTS: Yes, the TSC (Transmission Services Contract)

*17. What is your personal view on this system for secondary capacity trading (pro's and con's) (opinion)?*

- jj. NTS: The system works well. Capacity can be traded easily and quickly (within day) with little or no intervention by the TSO.
- kk. Gassled: The system works well. GvG is a very user friendly tool on which to transact capacity trades easily and quickly (within day).
- ll. BEB: The system works well for long and mid term capacity transactions, but it is still limited in facilitating short-term capacity trading.
- mm. GTS: The system is not set up to allow within day trading of capacity. The trading platform is still very basic and needs further development. The preferred method of contact between shippers is the phone.

We have completed the questionnaire to the best of our abilities for UK-NTS, Gassled, GTS and BEB systems.

ExxonMobil supports the development of a CBP for secondary trading of capacity, as a step to improve the liquidity of the secondary market for capacity. We encourage the development of market mechanisms to allow the transfer of capacity from one shipper to another in an easy and quick manner. We would like to see the ability to transfer capacity on a within day basis, as can be done in the UK NTS and Norwegian Gassled systems. We also support the development of standard industry agreements between shippers for the transfer of capacity.

### ..? response

1. Which gas grid or geographical area does this system apply to? A –National Grid Gas (NGG), GB
2. Who is the Transmission System Operator and what is its role within the process of secondary capacity trading? A – NGG – facilitates market with bulletin board and also has option to buy and sell.
3. Since when has the system for secondary capacity trading been in place? A – 1996 since the inception of the NWC.
4. Which capacity does it apply to (entry, exit, other)? A - Entry.
5. Which trade structure is used (assignment, inter-trade, sub-let, variation of these)? A - Inter-trade
6. What is the effect of the trade on the original booking of capacity on the primary market;
  - nn. Commercial effect? – A - Yes
  - oo. Effect in capacity system? A - yes
  - pp. Contractual effect (credit risk, financial obligation)? – A - No
7. Which market structure is used (how do shippers find each other? More than one answer possible)? A – OTC and NGG Bulletin Board.
8. Which method of communication is used
  - qq. Between shippers? A – Gemini/Phone/E-mail
  - rr. Between shipper and TSO? A – Gemini (fax back-up)
9. Has the desired level of transparency been achieved in your view (*opinion*)? A No. There are no statistics on the real level of trading and therefore no view as to the liquidity of the market.
10. What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?) A – Minimum period is 1 day, but can be traded within day. There is no maximum other than the holding of the primary Shipper.
11. How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)? A – Commercial Agreement between Shippers.

12. Can the originally booked volume (primary capacity) be split up in different portions to be traded? – A – Yes. Shipper's choice.
13. Can the originally booked period (primary capacity) be split up in different portions to be traded? A – Yes, Shipper's choice
14. What is the minimum and maximum time between a trade and the start date of a capacity booking? A – Min ½ hour, with no maximum.
15. Does the TSO charge for the service? If so, how much? A – No charge
16. Are there standard terms & conditions used
  - ss. Between shippers? A – Can be
  - tt. Between shipper and TSO? A – Yes; UNC
17. What is your personal view on this system for secondary capacity trading (pro's and con's) (**opinion**)? A - Whilst there are merits with the system; eg. Speed of trade, no intrusive involvement by TSO etc., Due to the lack of transparency there is no real market price. This leads to low liquidity. It can be difficult to find counterparties. Credit/Trading risk has to be allowed for. A large requirement can be difficult to find.

### Essent response

1. Which gas grid or geographical area does this system apply to?

*GTS grid.*

2. Who is the Transmission System Operator and what is its role within the process of secondary capacity trading?

*GTS (Gas Transport Services) is the TSO and facilitator of the process.*

3. Since when has the system for secondary capacity trading been in place?

*As of 1 January 2004. (check)*

4. Which capacity does it apply to (entry, exit, other)?

*Both capacity rights and usage rights can be traded. It concerns transmission capacity, quality conversion capacity, wheeling (point to point transmission service based on fixed combinations of entry and exit points) and Combiflex. It is also possible to trade tolerance (hourly and cumulative tolerance volumes).*

5. Which trade structure is used (assignment, inter-trade, sub-let, variation of these)?

*A system of inter-trade is applicable. Transfer of capacity rights or usage rights decreases the capacity in the portfolio of the party discharging of the capacity by the transferred capacity and increases the capacity in the portfolio of the party receiving the capacity accordingly. Capacity rights or usage rights can be transferred for one or more gas days and one or more gas months.*

6. What is the effect of the trade on the original booking of capacity on the primary market;
- uu. Commercial effect?
  - vv. Effect in capacity system?
  - ww. Contractual effect (credit risk, financial obligation)?

*The capacity is being transferred from one party to another party, provided that the creditworthiness of the receiving shipper allows for the amount of capacity in its portfolio resulting from the transfer. Credit limits will be adjusted depending on the amount of the increase or decrease at the time of the transfer. If a party does not allow for the decrease of the credit limit, the transfer of capacity rights will not be registered.*

7. Which market structure is used (how do shippers find each other? More than one answer possible)?

*Shippers can make use of a bulletin board provided for by GTS. Further shippers in the Netherlands usually have a pretty good insight into who owns what capacity at which entry or exit point. Since there not that many shippers active on the Dutch market, parties find each other via common communication methods.*

8. Which method of communication is used
- xx. Between shippers?
  - yy. Between shipper and TSO?

*Common communication methods are being used in the communication between shippers and between shippers and TSO.*

9. Has the desired level of transparency been achieved in your view (**opinion**)?

*As a shipper, Essent is of the opinion that the level of transparency can still be increased. In our view the procedure for secondary capacity trading is not clearly published. Further we believe that GTS can improve transparency with regards to the publication of available capacity on entry points throughout the system. The UK system is in our opinion a good example: on-line flow data are being published and a national imbalance signal is being published. Imbalance should be solved via TTF, not Groningenfield.*

10. What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?)

*It is possible to trade capacity or usage rights from 1 day up to multiple months.*

11. How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)?

*The price setting takes place on a bilateral level.*

12. Can the originally booked volume (primary capacity) be split up in different portions to be traded?

Yes

13. Can the originally booked period (primary capacity) be split up in different portions to be traded?

Yes

14. What is the minimum and maximum time between a trade and the start date of a capacity booking?

*Both for capacity and usage rights the minimum time between a trade and the start date is 10 days.*

15. Does the TSO charge for the service? If so, how much?

*The TSO charges the shipper registered as the receiving party of the traded services. It's not clear how much this is.*

16. Are there standard terms & conditions used

zz. Between shippers?

aaa. Between shipper and TSO?

*Standard terms & Conditions are used between shipper and TSO. GTS makes use of the so-called GEA (Gastransport Electronic Application). Apart from this GTS has a standard form published on its website for shippers to register the trades. GTS will send to shippers new contract data sheets that will add or replace, to be determined by GTS, contract data sheets of these parties. These contracts data sheets must be signed by shipper involved.*

17. What is your personal view on this system for secondary capacity trading (pro's and con's) (*opinion*)?

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### **GRTgaz response**

1. Which gas grid or geographical area does this system apply to?

The Secondary Capacity Market is applied to GRTgaz network – France.

2. Who is the Transmission System Operator and what is its role within the process of secondary capacity trading?

The TSO is GRTgaz, and it has mainly a registration role for the capacity transfers between shippers.

Nevertheless, GRTgaz organizes an anonymous exchange system by seeking capacity near shippers for any request for monthly subscription of capacity exceeding the available capacity (more details on question 7).

3. Since when has the system for secondary capacity trading been in place?

Since 1/1/2005.

4. Which capacity does it apply to (entry, exit, other)?

Entry capacities, exit capacities to the cross-border interconnection points, link capacities between balancing zones and entry and exit capacities to the storages.

5. Which trade structure is used (assignment, inter-trade, sub-let, variation of these)?

The structures used are inter-trade and assignment.

6. What is the effect of the trade on the original booking of capacity on the primary market;

- bbb. Commercial effect?
- ccc. Effect in capacity system?
- ddd. Contractual effect (credit risk, financial obligation)?

- There is no commercial effect for GRTgaz, because the service is free of charge.
- About the capacity system, GRTgaz has to register the capacity transfers to :
  - update the operational capacity of each shipper,
  - impact the invoicing (for assignment only)
- For inter-trade structure, no contractual effect (excepted for a clause on secondary capacity market in the general conditions of the transmission contract, and its operational procedures). For assignment, there is an update of the transmission contract.

7. Which market structure is used (how do shippers find each other? More than one answer possible)?

For any request for monthly subscription of capacity exceeding the available capacity, GRTgaz commits itself to seek the corresponding capacity near the other shippers.

In this case, GRTgaz proposes to the shippers to yield the capacity to him making it possible to satisfy the request. This proposal is made to the shippers, who have enough capacity, to cover the request completely. The transfer is effective for the first shipper answering the proposal favourably.

The anonymous exchange offer of capacities applies to the entry and exit on the Network Interconnection Points capacities, and to the link capacities between balancing zones.

The exchange is the subject of an amendment of the concerned Transmission Contracts. The capacity is deducted from the annual capacities of the yielding shipper for the considered month, and is added to the contract of the requesting Shipper in the usual commercial conditions.

On a experimental basis, a anonymous transfer system has been set up at the crossborder interconnection point Obergailbach, from November 2006. The transfer mecanism is not managed with the IT.

For intertrade structure, shippers contact themselves directly.

8. Which method of communication is used

- eee. Between shippers?
- fff. Between shipper and TSO?

- For inter-trade structure, GRTgaz makes available to the Shipper a secure website, accessible free of charge (excepting connection costs), which enables the Shipper, in particular, to cede the right of use of capacities.
- For assignment, the mail and fax are used. The two Shippers each notify the Operator of the capacity concerned, its period of validity, the ceding Shipper and the cessionary Shipper,

9. Has the desired level of transparency been achieved in your view (*opinion*)?

Yes.

10. What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?)

For inter-trade, the minimum period is the gasday, and the maximum is the month.

For assignment, the minimum period is the year.

11. How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)?

The TSO doesn't know the trade price between shippers. The TSO just register the capacity transfers.

12. Can the originally booked volume (primary capacity) be split up in different portions to be traded?

Yes for inter-trade and for assignment.

13. Can the originally booked period (primary capacity) be split up in different portions to be traded?

Yes for inter-trade (from one day to one month).

No for assignment (one year only).

14. What is the minimum and maximum time between a trade and the start date of a capacity booking?

For inter-trade, shippers can transfer capacities for a gasday D/M from 20<sup>th</sup>/M till D-1/M+1.

For assignment, shippers have to transfer capacities for the period [M/Y - M/Y+1] before 15<sup>th</sup>/M-1/Y.

15. Does the TSO charge for the service? If so, how much?

This service is free for the shippers.

16. Are there standard terms & conditions used

ggg. Between shippers?

hhh. Between shipper and TSO?

The terms and conditions used between shippers and GRTgaz are customized, and don't refer to any standard. The capacity transfer mechanisms are described in the general condition of the transmission contract.

17. What is your personal view on this system for secondary capacity trading (pro's and con's) (*opinion*)?

Pro's :

- All kinds of firm capacity can be transferred excepted LNG interconnection points.
- No fees for the shippers
- For inter-trade :
  - the booking on-line, from the website,
  - only the shipper who give the capacity has to carry out the request, and not the shipper who take it,
  - no complaint from the shipper about the GRTgaz inter-trade system.

Con's

- TSO can't detect speculative effect, because the trade prices between shippers are not known.
- No on-line booking for assignment.

### Fluxys response

1. Which gas grid or geographical area does this system apply to?  
Belgium domestic transport
2. Who is the Transmission System Operator and what is its role within the process of secondary capacity trading?  
Fluxys – Facilitator
3. Since when has the system for secondary capacity trading been in place?  
2006.
4. Which capacity does it apply to (entry, exit, other)?
  - Entry for domestic transport,
  - Flexibility services (= allowed margin between entry and supply for the hourly imbalance, cumulated imbalance or daily imbalance) on balancing point,
  - Additional Rate Flexibility services on supply point (= service that allows a higher hourly offtake than the subscribed capacity for that day, as long as average daily offtake is not higher than the subscribed capacity for that day).
5. Which trade structure is used (assignment, inter-trade, sub-let, variation of these)?  
Assignment
6. What is the effect of the trade on the original booking of capacity on the primary market;
  - iii. Commercial effect?
  - jjj. Effect in capacity system?
  - kkk. Contractual effect (credit risk, financial obligation)?  
All rights and obligations transferred to buyer.
7. Which market structure is used (how do shippers find each other? More than one answer possible)?  
Purely bilateral or Publication on Fluxys Web site.
8. Which method of communication is used
  - lll. Between shippers?
  - mmm. Between shipper and TSO?  
Fax – standard mail
9. Has the desired level of transparency been achieved in your view (*opinion*)?  
Yes, transparency is not really an issue.
10. What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?)  
Days to whole contract duration. Not necessarily calendar months, possible as of any date.
11. How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)?  
Agreement between shippers.
12. Can the originally booked volume (primary capacity) be split up in different portions to be traded?

Yes

13. Can the originally booked period (primary capacity) be split up in different portions to be traded?

Yes

14. What is the minimum and maximum time between a trade and the start date of a capacity booking?

Minimum: no "official" minimum published, the only reference is the Belgian "code of conduct" that states that the TSO should reply to a capacity request in maximum 10 working days.

No maximum.

15. Does the TSO charge for the service? If so, how much?

Yes – 200 € per transaction

16. Are there standard terms & conditions used

nnn. Between shippers? Don't know

ooo. Between shipper and TSO? Yes

17. What is your personal view on this system for secondary capacity trading (pro's and con's) (*opinion*)?

This is a first basic system, upgrades are currently investigated.

### **Interconnector Response**

1. Which gas grid or geographical area does this system apply to? The Interconnector Pipeline connecting the UK National Transmission System with the Belgian National Transmission System.
2. Who is the Transmission System Operator and what is its role within the process of secondary capacity trading? Interconnector (UK) Limited is the TSO and seeks to facilitate the market in secondary trading through appropriate provisions within the transportation agreement and related on-line mechanisms and information dissemination.
3. Since when has the system for secondary capacity trading been in place? Secondary capacity trading has been in place since commissioning of the Interconnector pipeline on 1 October 1998. The rules for secondary capacity trading have been improved in recent years.
4. Which capacity does it apply to (entry, exit, other)? Applies to Forward Flow (UK Export - UK entry & Belgian exit) and Reverse Flow (UK Import – Belgian entry & UK exit) capacity.
5. Which trade structure is used (assignment, inter-trade, sub-let, variation of these)? See the following webpage <http://www.interconnector.com/Commercial/how2beAshipper2.htm> for details on the different types of trade available.
6. What is the effect of the trade on the original booking of capacity on the primary market;
  - ppp. Commercial effect?

- qqq. Effect in capacity system?  
 rrr. Contractual effect (credit risk, financial obligation)?

The commercial effect of any secondary capacity trade is that the appropriate amount of capacity is transferred between the buying and selling parties. The buyer has full operational access to their capacity via Interconnector's commercial information system (ISIS) and is able to submit nominations and otherwise manage the acquired capacity.

Although Interconnector will have a direct contractual relationship with the seller in respect of the capacity, unless the buyer already has primary capacity rights, Interconnector will not have a direct relationship with the buyer. Thus, the financial obligation and credit risks in respect of traded capacity remain with the seller (i.e. the seller remains responsible for all liabilities in respect of the capacity in the event that the buyer defaults).

7. Which market structure is used (how do shippers find each other? More than one answer possible)? Interconnector provides information on its website [www.interconnector.com](http://www.interconnector.com) which also includes bulletin board (see <http://www.interconnector.com/iuk/onlinepage>). In addition, Interconnector provides direct advice in response to enquiries from any market participant looking to engage in capacity trading.
8. Which method of communication is used  
 sss. Between shippers?  
 ttt. Between shipper and TSO?  
 Interconnector provides a bulletin board which may be used by shippers. Shippers can enter secondary capacity transactions between themselves directly through using ISIS, which in turn informs Interconnector of the transaction. For new Shippers, Interconnector is notified in writing (fax or letter).
9. Has the desired level of transparency been achieved in your view (*opinion*)?  
 Interconnector provides the required methods and tools for facilitating the secondary market and continually looks at ways in which the secondary market can be improved.
10. What are the periods that are traded (hours, days, weeks, months, years? Calendar months or months as of any date?) Any period can be traded from one hour through to the remainder of the contract period up to 30 September 2018. For existing Shippers, only two hours notice needs to be provided. For parties that are new to the Interconnector the notice period is longer as they need to be set-up, trained and granted access to ISIS.
11. How is the trade price determined (commercial agreement between shippers, other price setting mechanisms)? Commercial agreement between shippers.
12. Can the originally booked volume (primary capacity) be split up in different portions to be traded? Yes.
13. Can the originally booked period (primary capacity) be split up in different portions to be traded? Yes.

14. What is the minimum and maximum time between a trade and the start date of a capacity booking? At least 2 hours notice is required of a trade between existing shippers. No maximum time, although shippers can only enter trades on ISIS that commence within the next two months.
15. Does the TSO charge for the service? If so, how much? Yes. For sub-lets and capacity transfers an administration fee of between £40 and £400 is charged, dependent on the size of the trade.
16. Are there standard terms & conditions used
- uuu. Between shippers? Standard contracts have been developed, but do not have to be used. See <http://www.interconnector.com/PDF/VA005final.pdf> and <http://www.interconnector.com/PDF/060814sublet.pdf>
  - vvv. Between shipper and TSO? Yes.
17. What is your personal view on this system for secondary capacity trading (pro's and con's) (*opinion*)? The system is flexible although the number of trades is not as high as originally envisaged. There is an ongoing dialogue as to whether any further changes to the contractual arrangements/information provision etc. will further improve liquidity or if alternative mechanisms (location swaps etc.) already meet the market's needs.

DRAFT