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Subject
**BBLC's response to consultation on Urgent UNC Modification Proposal 0748 –
"Prospective Removal of Entry Capacity Revenue from Capacity Neutrality
Arrangements"**

Dear Joint Office,

BBLC welcomes the opportunity to respond to this urgent consultation and offers support for the implementation of the Proposal.

Efficient cross border trading is dependent on the provision of a 'level-playing field', effective competition between shippers and equal access to low cost transportation services between national trading hubs. The Proposal seeks to remove the potential market distortive impacts of the large sums of money currently flowing through the Entry Capacity Neutrality mechanism and, in effect, using this cashflow to reduce the transportation charges that would otherwise be levied on a proportion of the gas entering the GB network during the peak winter period. This approach, together with the expected subsequent reduction in the Entry Revenue Recovery Charge (RRC), will reduce the costs of delivering gas to the GB market during the Peak Winter period; BBLC agrees with this approach.

BBLC understands the urgency of addressing the current situation and the pending increase in the Transmission Services Revenue Recovery Charges (TSRRCs). The published revised TSRRCs are due to come into effect on the 1st February 2021. BBLC believes that the notified increases could have a significant and detrimental impact on the GB gas market and are likely to lead to higher prices at the NBP at a time of peak demand. BBLC, therefore, considers that it is in the interests of market participants, consumers and energy suppliers to seek to reduce these likely impacts where possible and as soon as possible. BBLC considers that the proposed Modification reduces this impact in an appropriate way.

During industry discussions regarding the current situation BBLC noted that representatives of storage operators and shippers cautioned that the published revised TSRRCs and the subsequent increase in the NBP market prices may lead to early withdrawal of stored gas, which in turn could lead to a negative impact on GB's Security of Supply. Given this, BBLC believes that, to the extent that this Proposal would subsequently deliver a near-term reduction in the Entry RRC, this Proposal will reduce the negative impact on Security of Supply of the pending revision of the TSRRCs. As such BBLC considers that the Proposal furthers supports Relevant Objective (e).

During Stakeholder meetings in December 2020, National Grid (NGG) detailed how the cash-flow through the Entry Capacity Neutrality mechanism has increased significantly since the introduction of the revised transportation charging arrangements associated with UNC Modification 0678A. The notified and forecast increase in cash-flows, and the distortive re-distributional effects of the mechanism has increased the potential for adverse impacts on shipper competition. Removing these increased cash-flows from this mechanism going forwards and using them to address a proportion of National Grid's Allowed Revenue under-recovery, and thus reduce the pending increase in the Entry RRC as from 1st February 2021, would reduce the magnitude of the mechanism's re-distributional effects and thereby may reduce the potential impact on shipper competition. It would also serve to reduce the harmful market distortion and cross border competition effects that will be generated by the published high Entry RRC rates during the peak winter period. BBLC therefore considers that the Proposal better facilitates Relevant Objective (d) and Charging Relevant Objective (c).

Introduction of Transitional terms to set aside the minimum two months notice period for notification of a revision to Transportation Charges.

The pending increase in the TSRRCs may result in increased market prices at the NBP and increased energy costs to end consumers. National Grid have committed to reducing the currently notified Entry RRC if the Proposal is implemented. BBLC believes that it is in the interests of market participants for the reduction in the Entry RRC to be introduced as soon as possible in order to reduce the market and consumer impacts of higher levels of Entry RRC. National Grid has also confirmed that the Entry RRC can be further reduced if the Proposal is implemented in time to apply for the January 2021 period. Again, to the extent that such earlier implementation results in a lower Entry RRC, BBLC supports this intention. Given that there are market and competition benefits from a reduction in the Entry RRC BBLC believes it is in the interests of consumers for the proposed changes to be implemented without delay. BBLC emphasizes that since the current situation is exceptional the waiving of the normal minimum notice periods should be strictly temporary and linked solely to the changes proposed within this Proposal. On this basis BBLC agrees with the introduction of the Transitional elements of the Proposal.

Yours sincerely,

Jasper Stevens
Regulatory Affairs