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Our reference Your reference
BBL VOF 22.002

Subject

Response consultation UNC Modification Proposal 0785—Application UNC processes to an aggregated Bacton (exit) Interconnection Point

Dear Joint Office,

BBL Company (BBLC) supports the implementation of this Proposal. BBLC considers that the Proposal furthers Relevant Objectives: c, d and g.

Background to the Proposal

BBLC operates the BBL Interconnector between The Netherlands and Great Britain. This interconnector enables gas to be physically transported to and from the GB NBP gas market and the TTF market in The Netherlands. To enable GB Shippers to take full advantage of this capability they need to be able to access commercial rights to National Grid (NGG) Entry and Exit Capacity at Bacton.

The BBL pipeline was initially a uni-directional pipeline delivering gas from NL to the NGG Bacton Entry point. In July 2019 following the completion of engineering works the pipeline became bi-directional and can now also transport gas from GB to NL. However, until the 15th December 2021, because of the NGG's Gas Transporter (GT) Licence provisions, shippers wishing to use the BBL pipeline have not been able to access Baseline Obligated NGG Firm NTS Exit Capacity at Bacton. This has also resulted in BBL shippers being unable to take advantage of the short-haul discounts which became available on 1 October 2021 to Firm Exit Capacity holders.

Since 2015 NGG's Entry Capacity capability has been made available on an aggregated basis at an aggregated Bacton IP **Entry** Point. However, prior to 15th December 2021, this was not the case in relation to **Exit** Capacity provision. Following various consultations, on the 15 October 2021 Ofgem issued its "*Decision to modify National Grid Gas Plc's Gas Transporter Licence to amend Special Condition 9.13, Appendix 2: combining of two existing NTS Exit Points*" which served to aggregate the existing NGG GT licence Baseline Exit Capacity at the Bacton Interconnection Point (IP) and therefore facilitates access to such capacity on an equal basis for both Interconnector Ltd (INT) and BBLC shippers.

BBLC's responses to Ofgem's various consultations including its 'Call for Evidence', 'Initial Impact Assessment' and 'Minded to Position' documents, and its 'Statutory Consultation and Final Impact Assessment', provided evidence in support of Ofgem's final decision to amend NGG's Licence.

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(c) Efficient discharge of the licensee's obligations – BBLC considers that the Proposal furthers this relevant objective. As detailed above, on the 15th October 2021 Ofgem directed a change to NGG's Gas Transporter Licence which aggregated the existing Exit Capacity Baseline at the Bacton IP. As such NGG is now obliged to make this capacity available on an equal basis to all shippers wishing to use such capacity to deliver gas into either the BBL or INT pipeline.

The amount of NTS Exit Capacity Baseline available at the new Aggregated Bacton IP is less than the sum of the Technical Capacities of the BBL and INT pipelines. Therefore, the Aggregated Bacton IP is effectively a constrained offtake. The EU CAM Network Code (EU CAM NC) sets out how such limited capacity should be made available via competing auctions. Such competing auctions are already provided for within the UNC EID but the wording within the EID Section B restricts such auctions to Entry Capacity only. NGG's Proposal seeks to extend these existing 'competing auctions' provisions to include the sale of Exit Capacity at the new Aggregated Bacton IP. This will ensure that the UNC provisions apply in the same way to both Entry and Exit Capacity reflecting the new requirement within NGG's licence. As such, BBLC considers that the Proposal furthers this relevant objective.

(d) Securing of effective competition: between relevant shippers etc – Aggregating the Baseline Exit Capacity at the Bacton IP requires NGG to make such capacity available to all shippers regardless of which downstream IP they wish to use to transport their gas. NGG's Proposal details how it intends to comply with this new licence obligation through the extension of the existing competing auctions processes set out in UNC EID. Together with aggregating the Capacity, extending competing auctions enables a wider range of shippers to compete for the available capacity on level terms thus furthering this relevant objective.

Granting access to, and facilitating competition for, Exit Capacity at the Bacton IP also puts in place a level playing field between the two IP providers at Bacton. As such this Proposal also facilitates competition between these TSOs.

Enabling BBLC shippers to have access to Baseline Exit Capacity at the Bacton IP, coupled with extending the current UNC arrangements for competing auctions to include Exit Capacity at the Aggregated Bacton IP, will also remove existing restrictions to cross-border trade between the NBP and TTF markets.

(g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators - The EU CAM NC sets out how Transmission network capacity is to be released via the auction process. It also establishes how such capacity is to be auctioned via competing auctions where such capacity is constrained. Currently the UNC fully reflects the arrangements set out in EU CAM NC in relation to the sale of NTS Entry Capacity at the Bacton IP. However, the provisions related to 'competing auctions' within the UNC do not extend to the sale of NTS Exit Capacity. BBLC notes that EU CAM NC does not make any distinction between 'entry' and 'exit' capacity and its auction rules apply without distinction.

The amount of NTS Firm Obligated Exit Capacity available at the Bacton IP is less than the aggregate 'Technical Capacities' of the two Interconnectors. Following the decision by Ofgem to amend NGG's Licence to aggregate the existing Exit Capacity Baselines at Bacton, the

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Aggregated Bacton IP Exit Point is technically a constrained IP. Therefore, in order to remain compliant with EU CAM NC, BBLC considers that it is necessary for the existing UNC provisions for competing auctions to be extended to include Exit Capacity at the Aggregated Bacton IP.

By ensuring that Exit Capacity released by NGG at the Aggregated Bacton IP is subject to the same administrative arrangements as those already deemed to be EU CAM NC compliant for Entry Capacity BBLC considers that the Proposal furthers this relevant objective.

Benefit to end consumers

BBLC considers that introducing the same auction arrangements at the Aggregated Bacton IP Exit Point as those in place for Entry Capacity at the Bacton IP Aggregated System Entry Point (ASEP) facilitates wider, market-based access to all the available Exit Capacity. This, in turn, will lead to more efficient / greater utilisation of the available capacity at the Bacton IP as shippers take advantage of the increased arbitrage opportunities made available between the NBP and TTF market hubs. BBLC notes that Ofgem's Final Impact Assessment¹ estimates that the introduction of the revised arrangements at Bacton Exit will deliver benefits to end consumers of between £0.9 and £1.4 million per year.

Implementation

NGG's licence was amended on the 15th December 2021. Since this date BBLC believes that NGG has been obliged to make the Baseline Bacton IP Exit Capacity available on an equal and non-discriminatory basis to all shippers at an aggregated Bacton IP Exit Point.

During the 0785 Workgroup meeting on 4th November 2021 NGG presented information that indicated that the implementation of the Proposal would be delayed until later in 2022 due to the delivery of changes to NGG's Gemini IT system.

At the 0785 workgroup meetings on 4th November, 29th November and 2nd December 2021 BBLC and other workgroup attendees requested that NGG provide details of how it intended to release the new Baseline Aggregated Bacton IP Exit Capacity after the 15th December Licence change, and particularly how this would impact the Annual, Quarterly and Monthly auctions held between 15th December 2021 and the eventual implementation date of the Gemini IT system changes.

On the 14th December NGG published a note via the Energy Network Association stating that, due to the Gemini system changes not being available "until sometime in 2022", as an interim measure "*the aggregate baseline will be pro-rated between the Interconnectors according to their technical capacity. By this process then:*

79.5% (518.1 GWh/d) of obligated baseline will be apportioned to Interconnector; and 20.5% (133.6 GWh/d) of obligated baseline will be apportioned to BBL."

Whilst BBLC understands that this is a pragmatic approach, it urges NGG to implement the full solution as soon as possible and also to consider releasing additional non-Obligated Exit Capacity at both of the individual IP offtakes whenever possible to avoid any unnecessary

¹ [Final - Bacton Exit Impact Assessment \(ofgem.gov.uk\)](http://ofgem.gov.uk)

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restriction of cross border capacity.

Impacts and costs of delayed implementation

BBLC is concerned that any delay in introducing aggregated Bacton IP Exit Capacity, and expanding the existing competing auction functionality, will affect Quarterly Capacity Auctions due to be run in February 2022 and the Monthly Auctions starting in April 2022, each of which will cover the important Spring, Summer and Autumn 2022 periods when gas is traditionally transported from GB to NL. This would restrict the amount of bundled Firm Exit Capacity made available to BBL shippers compared to what should be available according to NGG's licence obligation.

BBLC, however, appreciates, and is encouraged by, the assurances given by NGG at the UNC Transmission Workgroup meeting on 6th January 2022² that it now expects to be able to deliver the IT system changes that enable the implementation the Proposal, if approved by Ofgem, from 1st March 2022. Whilst BBLC understands that this would be too late for the February Quarterly Auctions, it would enable the key Monthly Auctions to be run under the new arrangements.

Impacts and costs of full implementation

Full implementation of the Proposal will deliver benefits to competition and additional revenues to NGG through increased utilisation of Exit Capacity at the Bacton IP.

Legal Text

BBLC is satisfied that the legal text provided by NGG in support of the Proposal reflects the Proposal.

Yours sincerely,



Rudi Streuper
Commercial Manager

² [1.3 Action 1103 Update - Bacton Exit Capacity Release \(updated 06 January 2022\).pptx \(live.com\)](#)