

## Representation - Draft Modification Report UNC 0814 (Urgent)

### Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector

Responses invited by: **5pm on 01 August 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Nick Mills
<b>Organisation:</b>	Freepoint Commodities LLC
<b>Date of Representation:</b>	27/07/2022
<b>Support or oppose implementation?</b>	Oppose
<b>Relevant Objective:</b>	
<b>Relevant Charging Methodology Objective:</b>	

#### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Two reasons for objection:

- 1) The modification leaves Bacton Exit Capacity oversubscribed.

If pressure towards BBL is increased, the total pipeline capacity to export at Bacton will be 38GW (27GW on the IUK, 11GW on BBL). The total exit capacity at Bacton is 34GW (27GW baseline, 7GW non-obligated). The result is that exit capacity at Bacton will be oversubscribed by 4GW

Firstly, given that this proposal will not increase exit capacity at Bacton, it will not result in the ability to export more gas to the continent to help fill continental storages, as mentioned in the modification proposal.

Of more concern is the fact that, in times of wide price difference between the UK and continental hubs (as we are currently experiencing), there will be increased risk of shippers over-nominating Bacton exit, since the penalty charge for over nomination may well be less than the profit achieved from the wide price difference. This raises a range of operational risks, with no benefit to continental storages.

- 2) The modification results in increased likelihood of higher gas prices for the UK consumer.

At the time of writing the Day-Ahead contract price at the TTF (Dutch hub) is 187p/Thm above the equivalent contract at the NBP (UK Hub). The Day-Ahead contract at the ZTP (Belgium) is only 38p/Thm above NBP. By increasing the ability to export gas to the TTF, the likelihood of the NBP coupling with the TTF increases, which would increase the price for the UK consumer by 52%

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

At a very minimum this modification should not be implemented before 1<sup>st</sup> January 2023. The monthly auction for Bacton exit capacity in August has already passed (on the 18<sup>th</sup> July 2022) and the quarterly auction for Q4'22 capacity is scheduled to happen on the 1<sup>st</sup> August 2022, before this decision is finalised. It would be unfair to shippers with existing capacity on IUK or BBL to be forced into competing for oversubscribed Day-Ahead Bacton exit capacity in the daily auctions during periods where alternative capacity purchasing options have expired.

This modification makes a significant change to the information considered by shippers when choosing an optimal strategy for exporting gas to the continent – specifically whether to book Bacton Exit Capacity on a quarterly, monthly or daily basis. If this modification were to be implemented it's highly likely that shippers would choose a different optimal strategy, and so it should not be implemented before 1<sup>st</sup> January 2023 when shippers still have flexibility to choose the most optimal strategy.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

All shippers wishing to export to the continent would likely face increased costs due to increased likelihood that the oversubscribed Bacton Exit Capacity would trigger a spike in the surcharge obtained at the capacity auctions.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

**Please provide below any additional analysis or information to support your representation**