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Date 14 December 2023 Telephone +31505212365

Our reference BBL VOF 23.054 Your reference

Subject
BBL Company's response to consultation on UNC Modification Proposal - 0859 – "Reintroduction of the enhanced pressure service and increased MNEPOR for BBLC (as introduced by UNC0814)"

Dear Joint Office,

BBL Company (BBLC) **supports** the Proposal.

BBLC supports the Proposal because it enables BBLC to request access to the existing discretionary Enhanced Pressure Service (EPS) that is already available to Interconnector Limited (INT) at the Bacton Interconnector Exit Point. As such, BBLC considers that the Proposal will facilitate a 'Level Playing Field' to enable BBLC and INT to compete with each other. This benefit was particularly highlighted in Ofgem's decision letter on UNC Modification Proposal 0814¹.

This 'Level Playing Field' benefit also extends to the relevant shippers wishing to export gas at Bacton. The proposed enhancement to BBLC's MNEPOR rate will expand the availability of Bacton export (Exit) capability which therefore expands the market for Bacton IP NTS Exit Capacity. This in turn, facilitates further competition between shippers both within the GB market and across borders with the EU.

BBLC also considers that such increased exit flow rates will contribute towards greater security of supply for both mainland Europe and GB consumers. The increased MNEPOR exit flow rate will enable GB shippers to more rapidly replenish EU gas storage stocks, for redelivery back to GB consumers when required, and also enable them to respond more effectively to gas market demands within Europe.

In April 2021 BBLC contacted National Gas Transmission (NGT) and requested access to the existing discretionary EPS at the Bacton IP Exit Point. NGT subsequently raised UNC Modification Proposal 0814 which was approved by Ofgem on March 6th 2023.

It was envisaged that UNC Modification 0814 would allow BBLC equal access to the EPS for an initial time-limited period to enable NGT to gather operational data on the use of the service which would then inform the longer-term thinking on the enduring provision of the

¹ Ofgem decision letter 0814 - [UNC814 Decision \(gasgovernance.co.uk\)](https://www.ofgem.gov.uk/consult/condocs/unc/unc0814/unc0814_decision.pdf)

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service at Bacton. Unfortunately, as stated in Proposal 0859, delays in implementing 0814, and changing market conditions, meant that BBL shippers were not in a position to utilise the EPS during this trial period.

BBLC considers that it is appropriate to reintroduce the BBLC access to the existing EPS through Mod 0859 so that there is a further opportunity for NGT to gather the relevant operational data it requires. Modification Proposal 0859 is, in practical operational terms, and with regards to the proposed solution, identical to Modification 0814 which was approved by Ofgem on 6th March 2023.

BBLC supports NGT offering equal treatment in the provision and access to the existing EPS provisions at the Bacton IP Exit Point. BBLC believes that such equal access is in line with NGT's statutory and licence obligations to provide a 'level playing field' for those seeking to access NGT's network.

Access to the EPS will also enable an increase in BBLC's maximum exit flow rate (MNEPOR) from the NTS. BBLC agrees with the Proposer that facilitating increased exit flow rates at the BBL physical offtake point will increase the market size for NTS Exit Capacity at the Bacton IP and, therefore, will promote further competition between shippers wishing to export gas to Europe and also between the Interconnector Operators at the Bacton IP Exit Point.

BBLC's views on the Relevant Objectives:

a) Efficient and economic operation of the pipe-line system: Positive.

Having access to the existing EPS at the Bacton Interconnection Exit Point will enable an increase in the MNEPOR at the BBL physical Offtake. This increase in offtake rate will enable BBLC to offer its shippers increased BBL pipeline transportation capacity for reverse flow (GB to NL). This, in turn, will increase the provision of export capability available to the GB market. To the extent that BBL shippers take up this increased export capability, and this is matched to NGT Exit and Entry Capacity, this will increase the utilisation of the NTS and therefore increase the efficient and economic operation of the pipeline system.

If the increase in the BBL MNEPOR rate is fully utilised on a Gas Day, then BBLC estimates that enabling this service on behalf of its shippers would create, in the order of, £100,000 of additional daily NGT transportation revenue. In turn, this additional transportation revenue, recovered by NGT, would be offset against its Allowed Revenue and therefore reduce NGT's Allowed Revenue recovery requirement from other sources and therefore reduce costs to other GB consumers.

d) Securing of effective competition: Positive.

Having access to the existing EPS at the Bacton Interconnection Exit Point will be accompanied by an increased in the MNEPOR offtake rate at the BBL physical Offtake. This increase will enable BBLC to offer its shippers increased BBL pipeline transportation capacity for reverse flow (GB to NL). This will increase the provision of export capability for the GB market thus further facilitating competition between shippers and also between the Interconnector Operators at Bacton.

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To the extent that such additional BBL pipeline capacity is matched with NGT's NTS Exit Capacity this will also increase competition for NGT's Capacity products, again facilitating this relevant objective.

Increasing export capability also facilitates cross-border competition between markets which in turn drives down commodity prices and benefits end consumers. Enabling BBLC to request access to the existing EPS will also place BBLC on an equal footing with Interconnector Limited (INT) which is already able to request access to this service. As such, the Proposal would also facilitate a 'level playing field' between the two Interconnector Operators at Bacton and promote competition between these parties. Increasing the level of competition between Interconnector Operators was also specifically highlighted in Ofgem's decision letter for UNC Modification Proposal 0814 in which it confirmed that enabling BBLC access to the EPS would "*ensure fair and equal treatment of both interconnectors as well as facilitating a level-playing field between them and their users, which will promote competition*".

- e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers: **Positive.**

Enabling BBLC to access the existing EPS at the Bacton IP increases BBLC's capability to export gas to Mainland Europe. This, in turn, increases the ability of GB based gas suppliers to access European gas storage facilities and increases their commercial options for maintaining security of supplies to GB domestic consumers.

Response to Ofgem questions:

Question One - *Provide views / details on the data / information collection required from the proposed solution in order to be in a position for a decision on any future enduring solution. UNC0859S is proposed as a temporary modification. The proposer states "This timeframe would provide sufficient time to gather data towards the longer term thinking and development of whether an enduring solution would be appropriate" [Page 3 of Modification document]. What information would you need to form a view as to whether an enduring solution is appropriate?*

BBLC Response - BBLC does not consider that it is necessary for additional data to be gathered, or for 0859 to be time-limited in order to make a regulatory / commercial decision on the enduring provision of the existing discretionary EPS to all parties connected at the Bacton Exit IP. However, BBLC understands that NGT wishes to adopt this approach.

The provision of regulated services by NGT should be based on the requirements set out in the Competition Act 1998, the Gas Act 1996 and its related Standard Licence Conditions to offer the same level, and type, of service to all connected parties, on the same basis and without undue preference. BBLC considers that to do otherwise would prevent, restrict and / or distort competition between the Interconnector Operators at Bacton and between the shippers wishing to export gas at this IP Exit Point.

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The existing EPS at Bacton has been made available by NGT to Interconnector Limited (INT) for a significant period of time and over such period significant data / information must have been gathered by both parties. Therefore, BBLC sees no reason why the discretionary EPS should not be made available to all parties at Bacton on the same terms and conditions.

As stated earlier in this response, BBLC approached NGT to request access to the EPS in April 2021. Since then, other than during the short trial period covered by the previous Modification Proposal 0814, the restricted provision of the EPS solely to INT has placed INT and its shippers at a competitive advantage to BBLC and its shippers. This is because without access to the EPS BBLC is unable to make available, to its shippers, the additional export capability associated with the increased MNEPOR that accompanies access to the EPS. As detailed above, this restricts the market size for NGT's Exit Capacity at the Bacton IP Exit Point and therefore restricts / distorts competition. Given this situation BBLC wonders whether it is appropriate for NGT to continue to provide such restricted access to the EPS at Bacton whilst waiting for a formal decision, on the nature of its future provision to all relevant parties, to be made.

Question Two - *Provide views on the appropriateness of the time period for the enhanced pressure service proposed by the modification, with regards to system safety and GB security of supply. Do you consider Winter 23/24 to be an appropriate time to implement this modification. Please explain your reasons. If not, please state when you consider would be an appropriate time and your reasons for this."*

BBLC Response - BBLC notes that the existing discretionary EPS is already available to INT. INT also has a significantly larger MPNEPOR than BBLC. Indeed, BBLC notes that, subject to shipper demand to export gas, INT could today ask for access to the EPS, be granted it by NGT, and then subsequently flow gas up to the maximum NGT GT Licence Baseline Exit Capacity rate at the Bacton IP Exit Point.

BBLC would again stress that the Proposal merely enables NGT to extend the offer of access to this existing discretionary service provision to others at the same Exit Point. The Modification Proposal does not 'require' or 'oblige' NGT to provide BBLC with access to the existing EPS. The existing EPS currently provided to INT is also discretionary. Therefore, NGT is able to refuse to offer the service on any, and for any, Gas Day it wishes. Also, the Proposal does not increase NGT's GT Licence Baseline Exit Capacity at the Bacton IP, neither does it force / require NGT to increase gas volumes, pressures or velocities at the Bacton IP Exit Point.

Perceived increased risk of dust / solid material being present within the pipeline system – BBLC notes previous industry discussions in UNC workgroup meetings relating to INT's concerns regarding dust contamination within the NTS Feeder pipeline to which its physical offtake is connected. BBLC also notes the Proposer's statements, during the workgroup discussions on this, and the previous 0814, Proposal, that it has responded to INT's concerns by completing both a cleaning exercise on pipeline Feeder 4 in 2022, and put in place other local dust mitigation steps and velocity protocols.

BBLC can also confirm that it completed an Online Inspection of the BBL pipeline in September 2023. This inspection found no dust or liquid contamination of the pipeline.

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BBLC considers that operational (Business as Usual (BAU)) risk assessments covering parameters such as gas quality, temperature, velocity, pressure, contaminants, etc are fundamentally the role of NGT as the System Operator and this role is governed by its GT licence, safety case and various statutory obligations.

It is important to recognise that the Proposal, and associated changes to BBLC's Interconnector Agreement, merely enable BBLC, as is currently the case in regards to INT, to request NGT to provide an enhanced pressure for a given Gas Day. NGT are not obliged to provide the service.

BBLC agrees with the Proposer that enabling BBLC to request access to the existing discretionary EPS would not pose "an additional integrity risk" since such 'requests' would always be subject to the normal BAU operational assessments by NGT. NGT has confirmed that such operational BAU assessments include an assessment of integrity risk for supplies to other network users prior to any such EPS requests being granted.

Timing - Given that the Proposal does not require a change to the physical operation of the network or any IT systems, BBLC believes the Proposal should be implemented as soon as a decision is reached. It should be noted that even in winter periods 'reverse flow' (export) of gas through the BBL pipeline is possible and, in such circumstances, having access to the existing EPS would enable BBLC to offer greater value to shippers and more effective competition with INT. Early implementation of the Proposal would permit the maximum opportunity for BBLC and its shippers to make use of the discretionary EPS in order to maximise the size of the market for gas export capacity at the Bacton IP Exit Point and also maximise NGT's revenue from both the provision of the service and any associated additional NTS Exit Capacity and Entry Capacity sales.

BBLC considers that Winter 2023/24 is an appropriate time to implement the Proposal.

Yours sincerely,



Rudi Streuper
Commercial Manager