

Conclusions report on the responses received on the consultation of
BBLC's charging methodology for forward flow capacity

7 October 2015

Introduction

BBLC is proposing to amend its charging methodology for forward flow capacity to ensure the Company meets the Standard Conditions of its Interconnector Licence. The proposed changes apply to all non-exempt forward flow capacity sold under BBLC's General Terms & Conditions and also relate to the introduction of the European Network Code on Capacity Allocation Mechanisms and the Congestion Management Procedures.

Licence Condition 10(11) requires that prior to submitting the charging methodology to the Authority for approval the licensee shall take all reasonable steps to ensure that all persons, including those in other Member States, who may have a direct interest in the charging methodology are consulted and allow them a period of not less than 28 days within which to make written representations, furnish to the Authority a report setting out the terms originally proposed in the charging methodology, the representations, if any, made by interested persons, and any change in the terms of the methodology intended as a consequence of such representations.

BBLC consulted its charging methodology from 2 September 2015 until 1 October 2015. The proposals were published on BBLC's website. Stakeholders were invited to comment on the proposals and, in addition, active shippers received an email with the invitation to do so. One confidential response was received. The italicized text below is the response received from the respondent. All his comments have been included in full. BBLC has not edited the text in any way. The name of the respondent is not included.

Confidential response:

- *The consultation does not provide sufficient clarity on who the new charging regime would apply to. We understand from BBLC that these changes are only intended to be applied to future sales of capacity, however, the documentation needs to make this much clearer. For example, if parties reshuffle their current capacity, would future payments for this capacity fall under the new charging methodology or the current one. Our expectation is that the current charging methodology should apply but we would like confirmation on this.*

Response BBLC

BBLC appreciates the view that more clarity could be provided on who the new proposals will apply to. The charging methodology consultation document states that the changes apply to future sales of available non-exempt capacity. The arrangements for the congestion management procedures are an exception to this general rule and apply to both available and already sold non-exempt capacity. BBLC will clarify this in its final proposal and elaborate on it here.

Capacity that has been allocated before the date on which this new charging methodology enters into force is subject to the charging methodology that was valid at the time this capacity was originally allocated to the shipper. The fixed price nature of the capacity contracts, for example, reflects this principle.

The reshuffling service is offered until 1 November 2015. Any reshuffling of capacity will lead to the revision of the original capacity contract and not to the replacement of the original capacity contract with a new contract. Therefore, the current, and not the new, charging methodology applies.

The surrender of capacity and the long-term use-it-or-lose-it mechanisms work somewhat differently. Successfully reallocated capacity is subject to the charging methodology that is valid at the time of the reallocation. The shipper who holds the original capacity contract is relieved of its contractual rights and obligations when the capacity is reallocated and to the extent that the capacity is reallocated. Furthermore, reallocated surrendered capacity offsets the disposing shipper's payment obligation to BBLC to the extent of the revenue gained from the successfully reallocated capacity. Revenues from reallocated long-term use-it-or-lose-it capacity offset the disposing shipper's payment obligation to a maximum of the price originally paid for the capacity and to the extent the capacity has been reallocated successfully.

Changes to the charging methodology proposal in response of [this view](#)

The introduction paragraph will be rewritten as follows:

Original proposal

'This document describes the Charging Methodology (CM) that BBL Company (BBLC) proposes to use for future sales of capacity under the provisions set out in the BBLC General Terms & Conditions (GT&C).

This CM applies to all non-exempt capacity sold under BBLC's General Terms & Conditions (GT&C).'

New proposal

'This document describes the Charging Methodology (CM) that BBL Company (BBLC) proposes to use for future sales of capacity under the provisions set out in the BBLC General Terms & Conditions (GT&C).

This CM applies to all available non-exempt capacity sold under BBLC's General Terms & Conditions (GT&C). Capacity that has been sold before the effective date of this charging methodology is subject to the charging methodology that was valid at the time this capacity was originally allocated to the shipper. Congestion management procedures are an exception to this rule. The surrender of capacity and long term-use-it-or-lose-it mechanisms apply to all non-exempt capacity irrespective of the date of allocation.'

- *The consultation states that there will be an adjustment factor to take into account "competitive forces from suppliers of comparable services" which will enable BBLC adjust the tariffs for each capacity product in order to reflect competitive market circumstances. We have serious concerns about this element of the proposals. No objective detail is provided on how the 'competitive forces' would drive tariffs- e.g. what would be required to make the tariff increase (or decline by 10% or 20%). Also, 'competitive forces' are not defined and furthermore, even if they were, it is not clear in what way are they a driver of costs to be reflected in tariffs? For users to be properly able to scrutinise the proposals they need to have access to the legal text setting out the formula that will be used to derive the actual tariffs and we would ask BBL to provide this.*

Response BBLC

BBLC wishes to emphasize that it is not a monopoly like most other national TSOs with meshed networks. BBLC operates in a competitive environment with direct competitors to its transportation services and indirect competition from providers of flexibility sources like LNG or

storage services. BBLC is not a revenue or tariff regulated transmission system operator whose tariffs are cost oriented with an assured rate of return on the investments made. Instead, the company bears the full force of the market and, therefore, needs to be able to adjust its tariffs in response to developments in the market.

The competitive factor will be one element of the charging methodology used to determine the reserve prices for the auction of all capacity products. The reserve prices will be transparent and always available on BBLC's website.

Changes to the charging methodology proposal in response of this view

None

Conclusion

BBLC welcomes the input received from the respondent. His first suggestion has led to a revision of the charging methodology proposal. The second suggestion has been considered but BBLC does not propose to amend the original proposal for the reasons given above.