

To all Stakeholders

**BBL Company V.O.F.**

P.O. Box 225  
9700 AE Groningen  
The Netherlands  
Concourslaan 17  
T +31 (0)505213541  
E consultations@bblcompany.com  
Trade register Groningen 02085020  
www.bblcompany.com

Date  
23 July 2018

Direct Dial  
+31631037034

Our reference  
BBL VOF 18.023

Subject  
Consultation of the proposed modifications to the GB  
Charging Methodology

Dear Stakeholder,

BBL Company (BBLC) is proposing several modifications to its GB Charging Methodology (CM). The modifications are proposed for the following reasons:

1. to demonstrate compliance with the EU network code on harmonised transmission tariff structures for gas (TAR NC), Regulation 2017/460/EC<sup>1</sup>;
2. as a response to changing market circumstances;
3. to make the CM applicable to both forward and reverse flow gas transport services when the BBL pipeline's physical reverse flow capability is realized;
4. and several textual changes, mostly for clarification purposes.

We seek your views on these modifications and invite you to submit a written response.

## 1. TAR NC related modifications

The TAR NC entered into force on 6 April 2017. Several chapters were implemented on 1 October 2017, which have not required any modification to BBLC's CM. Several other chapters will enter into force on 31 May 2019. Some of the articles in these chapters do require modifications to the CM. BBLC does not foresee any required modifications to its General Terms & Conditions.

Through Interconnector Standard Licence Condition (SLC) 10(4)<sup>2</sup> the TAR NC is applicable to BBLC's CM: "the charges and the application of the underlying charging methodology shall be objective, transparent, non-discriminatory and compliant with the Regulation and any relevant

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460>

<sup>2</sup> <https://www.ofgem.gov.uk/licences-industry-codes-and-standards/licences/licence-conditions>

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legally binding decision of the European Commission (EC) and/or the Agency". The TAR NC is a relevant binding decision of the EC adopted under Article 6 of Regulation 2009/715/EC<sup>3</sup>.

The TAR NC provides NRAs with the power to grant derogation from specific articles to certain entities, including BBLC. NRAs may grant derogation under Article 37 of the Code where the application of one or more articles would have certain negative consequences to the functioning of the gas markets, or would not be implementable when considering the special nature of interconnectors. BBLC intends to request derogation from a number of articles and has drafted a proposed request for derogation. The request outlines our reasoning why derogation is required, which articles will be implemented either with or without a modification to the CM, and which articles are considered to have no effect on BBLC.

The proposed derogation request has been published alongside the proposed modifications to the CM. The derogation request itself is not being consulted. Stakeholders are invited to use the proposed derogation request document for information purposes. The CM consultation results may lead to modifications to BBLC's derogation request before it is submitted to Ofgem.

The following modifications to the CM are proposed to demonstrate compliance with the TAR NC. For some of these derogation is required.

- The fixed payable price approach will be continued. The TAR NC requires a risk premium to be part of the reference price calculation reflecting the benefits of certainty regarding the level of transmission tariff. It is BBLC's intention that the risk premium will not lead to any additional charges.
- At the latest thirty days before the annual yearly capacity auction BBLC will publish the reserve prices for the yearly capacity products for gas years Y+1 to Y+15.
- At the latest thirty days before the annual yearly capacity auction BBLC will publish the maximum reserve prices for all non-yearly capacity products in the upcoming gas year.
- BBLC will set the relevant maximum reserve prices for its non-yearly capacity products by applying the multiplier range described in the CM. The maxima will be based on BBLC's expectations of what a competitive reserve price for the various non-yearly capacity products would be plus a risk margin. It is BBLC's intention to publish realistic maxima.

The competitive forces factor will no longer be part of the calculation for the reserve prices of the non-yearly capacity products. It will continue to be part of the calculation of the reserve prices for the yearly capacity products as a means for BBLC to adjust these reserve prices.

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<sup>3</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32009R0715>

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- BBLC may reduce the actual multipliers from these maxima: this would lead to a reduction in the relevant reserve prices. The minimum notice periods described in the CM would still apply.
- An ex-ante discount for interruptible capacity has been in place since the start of operations in 2006. In addition, in the event of an interruption BBLC would have compensated the interrupted shippers for the actual period of interruption in so far capacity has been nominated. This combination of ex-ante and ex-post discount is not allowed under the TAR NC requirements and is not eligible for derogation. Therefore, BBLC will apply an ex-ante discount only.

## **2. Modifications as a response to changing market circumstances**

Two modifications are proposed as a response to changing market circumstances. These modifications are not related to the TAR NC implementation.

- To encourage shippers to book annual capacity for a number of consecutive years in an individual auction, a long term booking incentive may be offered. Capacity products that are longer in duration may be eligible for a discount that increases with the booking period (longer period equals higher discount). This discount will not be reflected in the reserve prices. Capacity holders will be able to submit a request for the discount after the annual yearly capacity auction for the capacity obtained during that auction. The conditions for the long term booking incentive will be published on the BBLC website.
- As an incentive to book a combination of firm forward flow and firm reverse flow capacity products, shippers who book a consecutive combination of forward flow capacity products and reverse flow capacity products (e.g. 6 months forward and 6 months reverse) may be eligible for a discount. The discount will not be reflected in the reserve prices. The minimum booking period and applicable discounts will be published on the BBLC website. Capacity holders will be able to submit a request for the discount after the end of the calendar year for the capacity obtained during that year. Details of the combination incentive will be published on the BBLC website.

## **3. Modification to make the CM applicable to physical reverse flow gas transport services**

- The CM will be applicable to forward and reverse flow capacity products. Until physical reverse flow services are offered, BBLC's CM for virtual reverse flow services will remain in place.

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#### **4. Other proposed modifications**

- The reserve price for available capacity is subject to annual indexation. The applicable annual indexation to the reserve price will be 25%, instead of 100%, of the yearly increase in the consumer price index as published by the Dutch Statistics Office.
- The determination of the large and small price steps in the ascending clock auction will be added to the CM. The determination of the price steps is in line with the CAM NC. This modification is for clarification purposes. In addition to the information available on the PRISMA platform, BBLC will publish on its website the price steps in advance of the auction.
- A modification is required in relation to the charges for interruptible capacity contracts in the event additional firm (non-CMP) capacity being released.

In the event that yearly or quarterly interruptible capacity has been sold, followed by a release of firm capacity for the monthly capacity product, the shipper's interruptible capacity will be upgraded to firm for that specific month without charge.

- Several textual changes are proposed for clarification purposes.

For your convenience a version of the CM with tracked changes is available.

#### **Process**

In accordance with BBL Company's Standard License Condition 10(11) the proposed modifications need to be consulted to ensure that all persons who may have a direct interest have the opportunity to submit a written representation. The consultation period will run from Monday 23 July 2018 to Wednesday 22 August 2018.

Please send your response to [consultations@bblcompany.com](mailto:consultations@bblcompany.com) by Wednesday 22 August 2018. Any response not marked confidential will be published on the BBLC website. Confidential responses will be published without any references to your company name. If you indicate that you do not wish to have your response published at all, an anonymized version of your response will be sent to Ofgem.

The final CM modification proposal will be submitted to Ofgem for approval following consideration of the responses received. A conclusions report will be written in accordance with SLC 10(11)(b). The approval request will be accompanied by the conclusions report and the derogation request. In its CM approval request BBLC will propose that the revised CM comes into effect three months after Ofgem's receipt of the approval request.

If you wish to have further clarification of anything outlined in this letter or have any questions on the proposed modifications to the CM or the proposed derogation request, please do not

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hesitate to email us at [consultations@bblcompany.com](mailto:consultations@bblcompany.com) or call Marcel Neef at +31631037034 or Rudi Streuper at +31611005087.

Kind regards,

A handwritten signature in blue ink, appearing to be 'MN', written in a cursive style.

Marcel Neef  
Regulatory Affairs Manager