

Conclusions report on the responses received to the 2019 General Terms & Conditions (GT&C) consultation

20 March 2019

Introduction

From 5 February 2019 to 5 March 2019 BBLC consulted its proposed modifications to the General Terms & Conditions (GT&C). The modifications were proposed for the following reasons:

1. To make the GT&C applicable to both forward and reverse flow gas transport services when the BBL pipeline's physical reverse flow capability is realized;
2. To allow for the introduction of implicit allocations as a second capacity allocation mechanism in addition to the auctions of capacity;
3. To allow for the introduction of the capacity bookings reprofiling service;

Stakeholders were invited to comment on the proposed modifications to the GT&C.

Condition 10(11) of BBLC's Gas Interconnector Standard License Conditions states that prior to submitting the proposed modifications 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 Access Rules are consulted on the proposed modifications and allow them a period of not less than 28 days within which to make written representations.

Thereafter BBLC is required to furnish to the Authority a report setting out the terms originally proposed for the modifications, the representations, if any, made by interested persons, any change in the terms of the modifications intended as a consequence of such representations, how the intended modifications better achieve the relevant charging methodology objectives, and a timetable for the implementation of the modifications and the date from which the modifications are to take effect.

Three responses of which two are confidential were received. ENGIE submitted a non-confidential response:

Detailed overview of the responses, BBLC answers and changes to the proposed GT&C modifications as compared to the consultation documents

In this paragraph an overview is given of the responses received and an answer is given to each of the comments. Furthermore, the changes to the implementation proposals compared to the consultation proposals as a result of the responses are provided.

The italicized text below contains the comments received from the respondents. All substantive commentary has been included in full. BBLC has not edited the content of the text of the responses in any way.

BBLC provides an answer to each italicized comment from respondents, where applicable, and indicates if any modifications to the CM are foreseen in respect of the comment compared to the original proposals.

Response from ENGIE

- *ENGIE welcomes the consultation launched by BBLC, and generally supports the proposed modifications to the General Terms & Conditions.*
- *ENGIE is in favour of any integration project that will bring efficiency to the European market, and agrees that the physical reverse flow offered by BBLC will improve market efficiency between the NBP and the TTF, and is in favour of both Dutch and UK markets.*

Response BBLC

BBLC welcomes ENGIE's support.

Changes to the GT&C modification proposals in relation to this response

None

- *ENGIE agrees this additional method of sell capacity will increase the flows from the UK to the continent and will support security of supply. ENGIE suggests that BBLS further enhances flexibility in capacity booking and increases market liquidity with the following modifications:*
 - *Increase the part of available technical capacity offered via implicit allocation to 75%, for both forward flow and physical reverse flow.*
 - *Offer a Balance of Month product via implicit allocation.*

Response BBLC

- BBLC welcomes ENGIE's support of the proposal to add an implicit allocation product.
- After reconsideration of the available technical capacity offered via implicit allocation, BBLC decided to propose a maximum of 75% instead of 50%, in line with the suggestion of ENGIE.
- BBLC thanks ENGIE for their suggestion to offer a Balance of Month product via implicit allocation, but BBLC does not think it is practical to introduce such a product at present.

Changes to the GT&C modification proposals in relation to this response

Change the amount of available technical capacity to be offered via implicit allocation from a maximum of 50% to a maximum of 75%.

- *ENGIE also welcomes the reprofiling service which could help to partially solve the current unfair situation between long-term and short-term BBL shippers. Indeed no possibility exists to adapt, to amend and/or to terminate long-term contracts while short-term subscriptions offer the possibility to adjust continuously the capacities' portfolio in accordance with a varying sales portfolio.*

However, ENGIE regrets the limitations of the service proposed by BBL and suggests:

- *To extend this service and open it for the long-term booking before October 2026*
- *To offer the possibility to reshuffle long-term booking between forward flow and physical reverse flow.*

With these enhancements to the reprofiling service, shippers with long-term agreements would be more able to compete on a level playing field basis with short-term shippers, in accordance with the requirements of European regulations to enhance competition.

Response BBLC

- BBLC welcomes ENGIE's support for the reprofiling service.
- BBLC thanks ENGIE for the two additional suggestions. However, BBLC will not take them into account at this moment.
- BBLC's current suggestion provides a balanced proposal for granting some flexibility to companies holding long term contracts and impact on BBLC's finances.
- The reshuffling between forward and reverse flow services is not supported by BBLC since this would undermine the position of shippers who only wish to make use of reverse flow opportunities. Furthermore BBLC is of the opinion that such a reshuffling service would have an unacceptable financial impact for BBLC.

Changes to the GT&C modification proposals in relation to this response

None

Confidential response 1

1. *The development and implementation of a physical firm RF product is welcomed and we note the indicative go-live date of 1/7/19. Will the Regulator (Ofgem) have opined in advance of the Q3 Prisma auction on 6/5/19 when we would expect this product to be initially offered to the market?*

Response BBLC

BBLC does not expect Ofgem's approval of the revised GT&C in time for BBLC to be able to offer a Q3 '19 product for physical reverse flow. After approval of the General Terms & Conditions (GT&C), BBLC will offer all NC CAM products for physical firm reverse flow as soon as possible.

Changes to the GT&C modification proposals in relation to this response

None

2. *We understand the exit limitations at Bacton with respect to the BBL physical RF product as only non-obligated Bacton exit is offered for BBL flows (circa 23 Gwh of capacity is currently ring fenced for IUK infinitum). Whilst paragraph 22 (1) of National Grid's Exit Capacity Substitution Statement restricts the substitution of NTS exit capacity at Interconnection Points, to achieve an efficient and certain firm reverse flow service we would expect and support a consultation to amend Table 8 of Special Condition 5G of the NGG Licence to achieve parity for BBL & IUK Shippers accessing firm Bacton exit capacity. We support the swift resolution of this issue.*

Response BBLC

BBLC agrees with the respondent's comments regarding the current exit limitations at Bacton and the proposed solution to change to current NGG License. BBLC also believes that it is important for this issue to be resolved as quickly as possible. To this end BBLC has been discussing this situation with Ofgem for some time and hopes that a satisfactory solution will be agreed in the very near future.

Changes to the GT&C modification proposals in relation to this response

None

3. *We are satisfied with the proposed amendments to the Operating Manual to facilitate physical firm reverse flow, however we note Clause 1.11 provides for a temporary status ending 31/12/20. An 18 month temporary status feels unnecessarily long and we would suggest 6 months to be a satisfactory timeframe to determine operational efficiency. In addition, in the event that changes to the operations of firm physical RF are required we would request early warning/consultation.*

Response BBLC

BBLC believes it is important to have experience of a full year auction period within the evaluation period and originally suggested an 18 months period. However after further consideration BBLC has decided that the temporary status period can be reduced to 15 months and end after the first full gas year (01/10/20).

Changes to the GT&C modification proposals in relation to this response

Change temporary status described in Clause 1.11 of the Operating Manual to 15 months ending 01/10/2020

4. *We fully support the development of a new IA product and are pleased that BBL has recognised the market need for a flexible product. We support the IA process as proposed by BBL Company.*

Response BBLC

BBLC welcomes this support for the reprofiling service.

Changes to the GT&C modification proposals in relation to this response

None

5. *BBL Company have recognised the market need to reprofile long term commitments, specifically ring-fenced to the legacy pre-CAM contracts. We welcome the one-off option for legacy Shippers to re-profile the firm committed capacity whilst maintaining the financial commitment to BBL Company. We support the proposal for the replacement capacity commitments to be both firm physical forward and reverse flow. We note the proposal for a replacement capacity profile to be pre-agreed with BBL 8 weeks prior to the annual Prisma auction – however we believe this timetable is over-restrictive and doesn't need to be limited to the annual Prisma auction. We would suggest that current interconnector (IUK) IA processes have already set a precedent in terms of the market being able to access the IA product at specified times and only restricted/closed-out around the Prisma auction windows. This approach would seem to lend itself to the reprofiling proposal and we propose that BBLC adopt an equivalent timetable for Shippers to conclude any such capacity reprofiling option, with an end-dated of 31/12/19 to conclude any such one-off reprofiling process.*

Response BBLC

The new reprofiling service will allow shippers to adjust existing contracts and give them flexibility to arrange their portfolio to meet increasing market uncertainty. A shipper who meets the criteria will need to enter into an agreement with BBLC to terminate its existing long term booking agreement. This capacity will be bought back by the same shipper on the Prisma platform when the auction of yearly capacity takes place. Buying back of capacity will be in line with an agreed new profile with regards to capacity amounts per contract year.

As described above, the auction of the yearly capacity has a central role in the proposed reprofiling service. BBLC needs to know prior to the annual Prisma Auction which shippers want to make use of the service. Moreover, BBLC has to update their available capacity one month prior to the annual Prisma Auction. Therefore, it is BBLC's opinion that 8 weeks is a reasonable term.

Due to the prescribed timelines and the uncertainty as to when Ofgem will approve the GTC, BBLC is not able to state at this stage whether the first opportunity to agree on a reprofiling arrangement will be in 2019 or in 2020.

Changes to the GT&C modification proposals in relation to this response

None

6. *In advance of 6/5/19 we would request early sight of the proposed agreement which will allow for the termination of the pre-agreed legacy capacity and an obligation to new replacement capacity commitments so that we can conclude a legal review and agree those terms in advance.*

Response BBLC

See above:

however, BBLC is willing to start discussions with shippers about the details of the proposed agreement before final approval is received from the regulator.

Changes to the GT&C modification proposals in relation to this response

None

7. *As you are aware legacy pre-CAM Open Season Shippers are governed by GTC-2014 (subsequently amended 4 times) under which such capacity holders are subject to a commodity charge (T2 component) multiplier of 1.9619 when the BBL is in a period of high flow (specifically when hourly allocations exceed 17,005,375 kWh) and is directly related to the energy requirements of the 4th compressor. Nb this multiplier is not applied to CAM capacities. In light of the reprofiling option and the (likely) outcome of capacity under the legacy contract diminishing and replaced with a CAM product we would suggest that any remaining legacy capacity commitments should not be penalised with a commodity charge multiplier when the pipeline is in a period a high flow and seek an amendment to have this multiplier removed.*

Response BBLC

The mentioned commodity charge is based on contractual agreements. BBLC do not think it is appropriate to change the contracts which are not part of a reprofiling service.

Changes to the GT&C modification proposals in relation to this response

None

8. *In terms of the GTC-2019 please can you clarify:*
- *What is the intention of Clause 5 1.3.b? We are unclear as to the 'in common' aspect of the clause.*
 - *Why is Clause 5.1.7b proposed? 'It is understood between Parties that filtration equipment will not be installed at the Entry Point Reverse Flow'.*

Response BBLC

- The 'in common' aspect is referring to the fact that flows will be commingled with flows of other shippers. This is equates with the current method of working with forward flows (clause 5.1.3.a).
- Clause 5.1.7b, related to the absence of filtration equipment, was added for the sake of completeness. However, after reconsideration, the added value of this clause is not significant and BBLC decided to remove it in the final GTC-2019 proposal.

Changes to the GT&C modification proposals in relation to this response

- Remove clause 5.1.7b

Confidential response 2

Amendment GTCs:

As already discussed via phone, from our view the chapter 9 on quality/pressure specifications in the operating manual does no longer fit to the currently existing “virtual entry-/exit-system”, where we as a shipper are acting in. The possibility from a shippers perspective to influence or even steer the respective specs is no longer applicable and therefore a shipper could no longer be liable on that. Also the chapters on weekly nominations in the amended operating manual (Chapter 2) are no longer reflecting the behavior of a shipper in this liquid market.

Response BBLC

BBLC is of the opinion that on spec gas requirements should be part of the GT&C. They are part of the current GT&C and the change to an integrated market area concept does not change this. We understand that shippers can not directly influence the quality of the gas, but BBLC accepts this gas based on these same shippers nominations. If the gas is off spec BBLC needs to be able to raise the matter with shippers.

Changes to the GT&C modification proposals in relation to this response

None

Remark on IA:

From the view of a long-term-shipper, as we are, the implementation of the implicit allocation will devalue our long-term-booking on the BBL.

Response BBLC

BBLC believes that having additional methods of selling transmission capacity, in real-time and in direct alignment with market spreads, will create flexibility and will stimulate flows from the Netherlands to the UK and vice versa. This will also support the efficient use of BBL transmission capacity, attract new Shippers, and reduce the overall costs to consumers. BBLC also believes it will support the commodity and transmission market and support gas security of supply in the UK, the Netherlands and other countries.

Changes to the GT&C modification proposals in relation to this response

None

Conclusion

BBLC is grateful to the companies who have taken the trouble to respond formally to the consultation. After careful consideration of all the comments that have been submitted BBLC has decided make the following modifications to its initial proposals and these will be contained in the final report submitted to Ofgem:

- Change the amount of available technical capacity offered via implicit allocation from a maximum of 50% to a maximum of 75%.
- Change temporary status described in Clause 1.11 of the Operating Manual to 15 months ending 01/10/2020.
- Remove clause 5.1.7b from the GT&C-2019