Foreword

The aim of this Concept Document is to explain the implementation of the Network Code on Capacity Allocation Mechanisms and the Congestion Management Procedures on the BBL interconnector and the related changes it will introduce at the interconnection points Julianadorp and Bacton from 1 November 2015. Please note that this document is not exhaustive and is not intended to be legally binding on BBLC, GTS or NGG.

The general outline of this document is as follows:

1. Introduction
2. Proposed CAM implementation
3. Proposed CMP implementation

Appendix 1: Glossary of abbreviations
1. Introduction

BBL Company (BBLC) was established on 9 July 2004 to design, construct and operate an interconnector for the transportation of natural gas from the Netherlands to Bacton (UK). The BBL interconnector provides services to flow gas physically from the Netherlands to the UK and non-physical interruptible reverse flow (IRF) services from the UK to the Netherlands. The initial capacity for gas flow from the Netherlands to the UK was 1.75 million cubic metres per hour (mcm/h). After the signing of three initial contracts, commercial transportation of gas to the UK, via the BBL interconnector, started on 1 December 2006.

After the installation of an additional fourth compressor, the total forward capacity of BBLC as of 15th April 2011 was increased to 2.11 mcm/h. At the moment BBLC still has firm forward flow capacity available.\(^1\)

The initial forward flow capacity of the BBL interconnector (1.75 mcm/h) is exempted from Article 18 of Directive 2003/55/EC, i.e. regulations on tariffs and access rules, subject to the capacity and time limits given below:

- Until 2 December 2016 with respect to 1.75 mcm/h of capacity for the physical forward flow of gas from the Netherlands to the UK;
- From 2 December 2016 until 2 December 2022 with respect to approximately 0.6 mcm/h of capacity for the physical forward flow of gas from the Netherlands to the UK.

All other capacity is non-exempted capacity to which the Network Codes on Capacity Allocation Mechanisms (CAM) and Congestion Management Procedures (CMP) apply.

Joint Concept Document

The implementation of CAM and CMP to the non-exempted capacity of BBLC will introduce significant changes to the current arrangements on the BBL interconnector. Such implementation requires close cooperation between BBLC and its adjacent network operators National Grid Gas (NGG) and Gasunie Transport Services (GTS). Therefore, this Concept Document has been co-authored by these TSOs:

- BBLC: the owner and operator of the BBL interconnector between Julianadorp in the Netherlands and Bacton in Great Britain (GB);
- GTS: the owner and operator of the national high pressure pipeline network within the Netherlands that connects with the BBL interconnector at interconnection point (IP) Julianadorp;
- NGG: the owner and operator of the national high pressure pipeline network within GB that connects with the BBL interconnector at IP Bacton.

In its role as lead Transmission System Operator BBLC has led the development of this document. The sections on the interconnection point (IP) Julianadorp have been developed by BBLC and GTS and the sections on IP at Bacton have been developed by BBLC and NGG. Please note that this document is not exhaustive and is not intended to be legally binding on BBLC, GTS or NGG. Although this is a joint BBLC-GTS-NGG document, it does not cover the implementation of CAM and / or CMP by GTS and / or NGG at network points other than Julianadorp and Bacton.

\(^1\) Please see http://www.bblcompany.com/operations/available-transmission-capacity for available capacity.
Network Code on CAM
BBLC is required to implement the requirements set out in the NC on CAM from 1 November 2015 for the available part of its additional capacity following the installation of the fourth compressor and, in addition from 2 December 2016, for the available part of the capacity yielded by the expiration of the first initial contract.\(^2\) Until 2 December 2022 such implementation must not impact on the two remaining exempted contracts. The proposed details can be found in section 2 of this document.

CMP guidelines
The CMP arrangements will be implemented from 1 November 2015, together with the CAM requirements.\(^3\) ACM and Ofgem have requested BBLC to develop a detailed Oversubscription and Buy-Back (OBB) model alongside the surrender of capacity and long term UIOLI mechanisms. The proposed details can be found in section 3 of this document.

Other relevant Network Code - Balancing
The BBL interconnector is operated on an ‘in equals out’ principle. This principle ensures that confirmed BBL entry flows are equal to the confirmed BBL exit flows. As a result, imbalances do not occur in the BBL interconnector. Therefore, with regard to the Network Code on Balancing BBLC and both NRAs have agreed that although the Network Code is applicable to BBLC, from a practical point of view BBLC does not have to apply the Network Code on Balancing requirements dealing with operational balancing, daily imbalance charges, within-day obligations, neutrality arrangements, linepack flexibility services and interim measures.\(^4\)

Chapter IV of the NC on Balancing sets out requirements regarding nominations. Both GTS and NGG will implement these requirements. In order to harmonize the nomination procedures with both adjacent TSOs, BBLC proposes to implement Articles 12 – 16 of the Network Code on Balancing, nomination and re-nomination procedures. Please see section 2.6 for more detailed information on the proposed nomination process.

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3 The CMP guidelines can be found at: http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1399281824966&uri=CELEX:32014R0312
4 The Network Code on Balancing can be found at: http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1399281824966&uri=CELEX:32014R0312
In the table below all articles of the Network Code on CAM are listed together with a reference to the relevant page(s) on which the subject of the articles can be found:

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<td>28</td>
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<td>4</td>
</tr>
</tbody>
</table>
2. Proposed CAM implementation

The Network Code on CAM applies to all firm technical and interruptible capacity at interconnection points.\(^5\) With regard to implementing CAM to the BBL interconnector, recital (6) of the Network Code on CAM is taken into account.\(^6\) This means that the requirements set out in the Network Code on CAM only apply to the non-exempted capacity of BBLC. All exempted capacity does not fall under the scope of the Network Code on CAM and, therefore, arrangements regarding the exempted capacity of BBLC will remain unchanged.

The Network Code on CAM aims to implement a more transparent, efficient and non-discriminatory system of allocation of transmission capacities, so that cross-border competition can further develop and market integration can progress. Bringing about effective competition between suppliers requires that they are able to use the existing transmission systems to ship their gas according to price signals. Additionally, the Network Code on CAM aims to establish a degree of harmonisation across Europe.

In general, the main changes which BBLC needs to implement to its non-exempted capacity are:

- auctioning of capacity instead of an allocation based on “first come, first served”;
- selling of separate BBL entry and BBL exit capacity instead of one capacity product containing both BBL entry and BBL exit capacity;
- introduction of the pre-defined standard capacity products, namely yearly, quarterly, monthly, daily and within-day products instead of contracts for all possible durations;
- bundling of capacity products between GTS-BBLC and BBLC-NGG instead of offering separate GTS, BBLC and NGG capacity by the TSOs;
- change to a single booking platform on which the bundled capacity products will be offered - the PRISMA platform -, instead of booking capacity with the relevant TSO directly;
- changes in operating principles, e.g. lead times and nomination, confirmation and allocation procedures.

This joint Concept Document addresses the relevant articles of the Network Code on CAM and the proposed implementation by BBLC or, where relevant, by BBLC, GTS and NGG jointly. This section on the proposed CAM implementation covers the following:

2.1 - Capacity calculation and maximisation
2.2 – Bundled and unbundled capacity
2.3 - Allocation, products and amount of capacity to be offered
2.4 - Interruptible capacity
2.5 - TSO coordination: standardisation of communication
2.6 - Operating principles

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5 Please see Article 2 of the Network Code on CAM

6 Recital (6) states: ‘(…) This Regulation does apply to non-exempted capacities in major new infrastructures which have received an exemption from Article 32 of Directive 2009/73/EC or from former Article 18 of Directive 2003/55/EC to the extent the application of this Regulation does not undermine such an exemption. This Regulation shall be applied taking into account the specific nature of interconnectors.’
2.1 - Capacity calculation and maximisation

Subject related to Article 6 of the Network Code on CAM

Relevant principles:
1. The maximum technical capacity shall be made available to network users, taking into account system integrity, safety and efficient network operation;

2. A joint method shall be established by adjacent TSOs which shall include an in-depth analysis of technical capacities to maximise the offer of bundled capacity;

3. If optimization of technical capacity causes costs TSOs shall be allowed to recover such costs;

Article 6.1 of the Network Code on CAM seeks to maximise the offer of bundled capacity. The working assumption underlying this joint document is that GTS will be expected to match the declared technical capacity of the BBL interconnector, being 2.11 mcm/h, at the entry point Julianadorp. For NGG there will be an aggregate Bacton IP for both BBL and IUK, and the technical capacity will be the sum of the declared technical capacities of BBL and IUK.7

Available technical capacity at the Julianadorp GTS exit point

GTS aims to offer firm capacity at Julianadorp at such a level that total available and booked capacity will equal the technical capacity of BBL. GTS has different options to reach this desired capacity level. The main part will be regular firm capacity that can be booked at exit Julianadorp. On top of that GTS has the opportunity to offer additional capacity based on the oversubscription and buy-back (OBB) mechanism that GTS has applied since early 2014. OBB capacity will be offered at least on a day ahead and on a month ahead basis.

Available technical capacity at the Bacton NGG entry point

The entry point to the NGG system at Bacton is currently common to two EU interconnectors and to gas arriving from the UK Continental Shelf (UKCS). There has been an Ofgem open letter and subsequent industry debate regarding the splitting of the entry point capacity in order to allow the current GB regime to co-exist at the UKCS entry point, alongside the EU CAM requirements at the BBL and IUK entry and exit points. On the 10th February 2015 Ofgem issued a statutory direction modifying NGG’s License to split Bacton entry point into two new entry points, Bacton UKCS and Bacton IP which become effective from Gas Day 1st November 2015. The baseline capacity at the Bacton IP (NGG entry point) will be the sum of the declared technical capacities of BBL and IUK. The license direction would be effective from 8th April 2015.

NGG is introducing competing auctions for the Bacton NTS entry capacity at the EU IP. Competing auctions could occur in the event that the sum of the capacity (technical capacity and capacity from CMP) offered by BBLC and IUK is greater than the Bacton IP entry capacity made available by NGG. In the event of competing capacity auctions shippers would need to compete for NGG Bacton entry capacity at the EU Bacton IP, via auctions on the PRISMA platform.8 Competition may also occur when capacity has been already sold and the offered quantity on the NGG side is less than the combined quantity offered by BBLC and IUK. NGG expects its technical capacity to be its obligated capacity in accordance with NGG’s Obligation under

7 A statutory direction modifying NGG’s License was issued on 10th February 2015 and will be effective from the 8th April 2015.

8 Subject to PRISMA competing capacity functionality.
its Licence and UNC. NGG uses the terms Obligated Entry Capacity and Obligated Exit Capacity as calculated in accordance with Special Condition 5F and 5G of its Gas Transporter Licence in respect of the National Transmission System (NTS) as the technical capacity. NGG may, but is in no way obligated to, also release additional capacity in accordance with its incentive regime, and this could increase the offer of bundled capacity if it matches with capacity offered above its declared technical capacity by BBLC.

2.2 – Bundled and unbundled capacity

Subject related to Article 19 of the Network Code on CAM

Relevant principles:
1. On both sides of the interconnection point all available firm capacity offered as bundled capacity, based on lowest denominator;

2. TSOs shall offer capacity on a joint booking platform;

3. Bundled capacity offered shall be contracted with each TSO through a single allocation procedure;

4. Network users shall apply with applicable terms and conditions;

5. More available firm capacity on one side can be auctioned as unbundled capacity:
   a. Where there is an existing unbundled transport contract at the other side of the IP, capacity may be offered on an unbundled basis not exceeding the amount and duration of the existing transport contract on the other side;
   b. Where such extra capacity would not fall under 5a, it may be offered for a maximum period of one year on a rolling basis;

6. Unbundled capacity may be used and nominated as such;

7. Adjacent TSOs should establish a joint nomination procedure for bundled capacity facilitating network users to nominate via a single sided nomination;

8. Obligations to offer bundled capacity also extend to secondary markets. Capacity originally allocated as bundled capacity can only be resold as bundled capacity.

9. The reserve price of the bundled capacity product shall be the sum of reserve prices of the capacities in the bundled capacity product.

9 Regarding NGG capacity at the Bacton IP, this is subject to the approval of UNC Modification 0501 (or alternatives), and subject to there being no appeals made to the license direction prior to license effective date.
10 NGG may offer additional capacity at its sole discretion above its technical capacity Licence obligation.
Currently, shippers need to book the capacities needed to be able to flow gas from the Netherlands to the UK through the BBL interconnector separately with the three relevant TSOs: exit Julianadorp at GTS, BBL-capacity and entry Bacton at NGG. Please note that with regard to BBLC, shippers book the same amount of BBL entry and BBL exit capacity with one single booking action based on a first come, first served principle. Therefore, BBL entry and BBL exit capacity is currently sold as one capacity product and not sold separately.

**2TSO capacity bundles**

Following the implementation of the Network Code on CAM, the three relevant TSOs have agreed to implement a 2TSO bundle on each IP. This means that at the IP Julianadorp a bundled firm capacity product of GTS exit and BBL entry capacity will be offered. At the Bacton IP a bundled firm capacity product of BBL exit and NGG entry capacity will be offered.

The alternative to a 2TSO bundle would be a 3TSO bundle whereby a shipper flowing gas from the Netherlands to the UK would just buy one product, incorporating GTS exit, BBL entry, BBL exit and NGG entry capacity. Both options are compliant with the Network Code on CAM, as explained in Ofgem’s ‘Open Letter on Options for GB’s implementation of the NC on CAM at the Bacton entry point’. However, since responding market participants have expressed a clear preference for 2TSO over 3TSO bundling, mainly because the 2TSO model allows for more flexibility in the booking of capacity, BBLC, GTS and NGG have agreed to implement a 2TSO bundling solution. Ofgem’s Open Letter, a subsidiary document with the advantages and disadvantages of both models and market participant's responses are available on Ofgem’s website.

The 2TSO firm capacity bundles at both IPs will be offered to the network users on the PRISMA primary auction platform. A precondition for network users to be able to book any capacity via PRISMA is that network users are registered as such on PRISMA and have accepted the general terms and conditions of the relevant TSOs. A shipper will only be able to purchase capacity if it satisfies the credit requirements of the relevant TSOs.

**Reserve price and revenues**

For BBLC, GTS and NGG the tariff as calculated using the methodology set and / or approved by the relevant NRA, or the tariff set and / or approved by the relevant NRA, will be used as the reserve price in all auctions for all standard capacity products for firm and interruptible capacity. The reserve price of the bundled capacity product will be the sum of reserve prices of the capacities in the bundled capacity product. The revenues from the reserve price of bundled capacity will be attributed to the TSOs in proportion to the reserve prices of their capacities in the bundled capacity product.

GTS and BBLC on the one hand and BBLC and NGG on the other hand, will agree from time to time how any premium above the reserve price received from the auction of any bundled product will be split between them. An agreement has not yet been concluded. CAM Article 26(5) foresees that if no agreement

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12 In relation to NGG, network users will need a Licence from Ofgem and they must accede to the Uniform Network Code (UNC) to be able to purchase capacity from NGG.

13 And subject to, or in parts to, the forthcoming Network Code on Harmonised Transmission Tariff Structures for Gas.
is concluded before the auction then the auction premium from bundled capacity will be attributed to the TSOs in equal proportions. The relevant reserve price plus proportion of the auction premium will then be invoiced separately by BBLC, GTS and NGG under their respective contracts.

BBLC, GTS and NGG will each put in place a methodology for determining the large and small price steps to be used in the auction of each bundled capacity product. The number of small price steps as a proportion of the large step will be agreed from time to time by BBLC and GTS on the one hand and BBLC and NGG on the other hand following discussions and building on best-practice seen in auctions to date. The large and small steps will be published on PRISMA in advance of the relevant auction.

Different available capacities at both sides of the interconnection point

Where there is more capacity available, i.e. more unsold capacity, at one side of the IP compared to the other side, the remaining capacity will be offered as an unbundled firm capacity product by the relevant TSO separately through the PRISMA platform, subject to restrictions defined in CAM 19.5. So, the lowest denominator of available capacity per IP will be offered as bundled capacity, while the remaining capacity will be offered as unbundled capacity.

Assignments and transfers

Bundled firm capacity products allocated to a network user can only be assigned or transferred to another network user on the secondary market as a bundled capacity product. Any unbundled capacity products allocated to a network user, either firm or interruptible, can be assigned or transferred on the secondary market as unbundled capacity products. Please note that NGG does not have an assignment process for capacity.

An assignment means the assignment of all rights of the entire transport contract from one shipper to another. A transfer means the transfer of the right to transport to another shipper while the contract remains with the original shipper. More information about the PRISMA secondary market can be found in section 2.3.

Single sided nominations

For allocated firm bundled capacity products, the three TSOs will facilitate a single sided nomination procedure for network users. This means that a shipper with bundled capacity at both IPs will need to submit two single sided nominations instead of four.

At Bacton IP NGG will be the initiating TSO, which means that NGG receives the single sided nomination for the bundled capacity from the shipper and forwards this to BBLC as the matching TSO. Following this, NGG determines the processed quantity in respect of the nomination it has received and provides this to BBLC who will match NGG’s processed quantity with BBLC’s processed quantity to determine a confirmed quantity. The confirmed quantity will be send by BBLC to NGG and each TSO then forwards the confirmed quantity to the shipper. At Julianadorp IP GTS will be the initiating TSO and BBLC will be the matching TSO.

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14 More available firm capacity on one side can be auctioned as unbundled capacity:  
   a) where there is an existing unbundled transport contract at the other side of the IP, capacity may be offered on an unbundled basis not exceeding the amount and duration of the existing transport contract on the other side;  
   b) where such extra capacity would not fall under a), it may be offered for a maximum period of one year on a rolling basis.

15 For NGG any secondary capacity transactions will be rejected if they are not in compliance with the UNC.

16 Please also see p.20 on single sided nomination procedure
which means that the shipper with bundled capacity at Julianadorp IP submits its nomination to GTS.

Currently, the relevant Edig@s rules are being designed to facilitate one single sided nomination procedure per IP. The single sided nomination procedure which will be offered by the three TSOs will be in line with these relevant Edig@s rules. For allocated firm unbundled capacities network users will still need to submit a nomination at both sides of the IP.

**Bundling of existing transport contracts**

It will be possible for shippers holding existing capacity contracts at both ends at the IPs Julianadorp and / or Bacton at the time of the entry into force of the Network Code on CAM, to bundle these existing capacity contracts, i.e. GTS exit Julianadorp capacity contract with BBL entry capacity contract and / or BBL exit capacity contract with a NGG entry Bacton capacity contract. If shippers wish to do so, they can contact (one of) all three involved TSOs directly.

Shipper(s) will also need to confirm that the relevant capacity holding to be bundled is not already part of a future transfer. The shipper, NGG and BBLC on the one hand, and the shipper, GTS and BBLC on the other hand will jointly inform Ofgem and ACM of the bundling arrangement. On a yearly basis BBLC; GTS and NGG will meet to review the amount and duration of capacity booked under any existing contracts which will result in unbundled capacity on either side of the Bacton IP.

**2.3 - Allocation, products and amount of capacity to be offered**

Subject related to Articles 8-18 of the NC on CAM

Relevant principles:
1. Auctions shall be used for the allocation of capacity at IPs.

2. TSOs shall offer yearly, quarterly, monthly, daily and within-day standard capacity products.

3. At least 10% of the technical capacity shall be set aside to be offered in the quarterly capacity auctions.

4. At least 10% of the technical capacity shall be set aside to be offered in the yearly capacity auctions offering capacity for the next five years.

5. The capacity to be offered in the rolling capacity auction shall be equal to:
   
   \[ A - C + D, \] 

   in which
   
   \[ A = \text{technical capacity} \]
   \[ C = \text{previously sold capacity (on a longer term), adjusted by re-offered capacity under CMP.} \]
   \[ D = \text{additional capacity} \]

One of the most significant changes for BBL shippers will be the change from “first come, first served” as the allocation mechanism for capacity products with any given duration to the auctioning of prescribed standard capacity products. The three TSOs will offer yearly, quarterly, monthly, daily and within-day standard capacity products through auctions as prescribed in articles 11-18 of the Network Code on CAM. All three involved TSOs will offer their capacity products separately through the PRISMA platform according to the timescales
detailed within the auction calendar published. Consequently, network users have the option of bidding for capacity products with a different duration on both IPs relevant to the BBL interconnector. It is up to network users to manage their capacity contracts and obtain matching amounts at each side of the IP.

Any capacity originating from CMP mechanisms will be included in the total firm available capacity that each TSO will upload to PRISMA.

The matrix below gives a complete overview of the firm forward flow capacity products offered by BBLC on the PRISMA primary auction platform as of 1 November 2015.

<table>
<thead>
<tr>
<th>BBLC firm forward flow capacity products on PRISMA primary</th>
<th>Year</th>
<th>Quarter</th>
<th>Month</th>
<th>Day-Ahead</th>
<th>Within-Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical cap. entry BBL bundled</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>unrelated</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>exit BBL bundled</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>unrelated</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>SOC entry BBL bundled</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>unrelated</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exit BBL bundled</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>unrelated</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OBB 18 entry BBL bundled</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>unrelated</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>exit BBL bundled</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>unrelated</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

17 For more information on the PRISMA platform, auction algorithms and the auction calendar, please see: https://www.prisma-capacity.eu/web/start/

18 The amount of oversubscription capacity to be offered will be determined on a daily basis and shall be offered as part of the firm capacity of the day-ahead capacity product. Oversubscription capacity will also be offered for capacity products with a longer duration if this can be done without an excessive risk of having to buy-back capacity rights.
The matrix below gives a complete overview of the current capacity auction timetable for BBLC capacity products on the PRISMA primary auction platform as of 1 November 2015.\(^{19}\)

**BBLC capacity auction timetable on PRISMA primary**

<table>
<thead>
<tr>
<th>Capacity product period</th>
<th>Parameter</th>
<th>Calendar entry as amended by the Entsog Auction Calendar</th>
<th>Valid for</th>
<th>Auction algorithm(^{20})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>auction start</td>
<td>yearly, on the first Monday of March</td>
<td>Y+1 through Y+15</td>
<td>Ascending Clock</td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>1 month before auction start at 9:00 CET</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>no later than the next business day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quarter</td>
<td>auction start</td>
<td>yearly, on the first Monday of June</td>
<td>Q1 through Q4</td>
<td>Ascending Clock</td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>2 weeks before auction start at 9:00 CET</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>no later than the next business day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Month</td>
<td>auction start</td>
<td>monthly, on the second Monday of the month before M+1</td>
<td></td>
<td>Ascending Clock</td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>1 week before auction start at 9:00 CET</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>no later than the next business day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Day-ahead</td>
<td>auction start</td>
<td>Firm, daily, 15:30 CET and interruptible, daily, 16:30 CET</td>
<td>D+1</td>
<td>Uniform-Price</td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>the same day as the auction starts, 15:30 CET</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>no later than 30 minutes after closing bidding round</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within-day(^{21})</td>
<td>auction start</td>
<td>every hour during gas day</td>
<td>WD</td>
<td>Uniform-Price</td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>after closure of last day-ahead auction</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>publication</td>
<td>within 30 minutes of closure bidding round</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


\(^{20}\) More information about the auction algorithms can be found in general information section of the Prisma website: [https://platform.prisma-capacity.eu/center/download.xhtml?conversationContext=1#](https://platform.prisma-capacity.eu/center/download.xhtml?conversationContext=1#)

\(^{21}\) Within-day capacity is effective from the hour+4.
Setting aside capacity
In line with the CAM requirements, all three TSOs will set aside capacity for shorter-term auctions. The minimum amount of 20% of the technical capacity will be reserved as to not overly restrict shipper’s ability to book long term capacity. Of this 20% technical capacity that is set aside at the relevant IPs, 10% will be offered for the annual yearly capacity auctions for Y+1 to Y+5. An amount of 10% will be offered for the annual quarterly capacity auction. These amounts of capacity will be set aside provided that the available capacity is equal to or greater than the proportion of technical capacity to be set aside.

Please note that in case of BBLC, the NC on CAM only applies to the non-exempted part of BBLC’s capacity and not to the total technical capacity of the BBL interconnector, which consists of both exempted and non-exempted capacity. Therefore, the capacity that will be set aside will be calculated for the non-exempted part of the technical capacity.

If additional technical capacity is offered at the IPs, at least 10% of this additional capacity will be set aside and offered for the first time in the annual quarterly capacity auctions.

Amount of capacity to be offered
Because firm capacity products will be offered for IPs Julianadorp and Bacton on a separate basis, i.e. separate BBL entry and BBL exit capacity instead of current practice of BBL capacity being both BBL entry and exit capacity, network users have the flexibility to obtain different amounts of BBL entry and BBL exit capacity. The capacity that BBLC will make available for auction is the available part of its non-exempted capacity up to the BBL technical capacity of 2.11 mcm/h, plus capacity made available by CMP (if any), plus interruptible capacity (if any).

For NTS entry capacity, NGG currently publishes a Long Term Summary Report on the NGG website, showing the amount of entry capacity available at each Aggregated System Entry Point (ASEP).22 Following the outcome of the Bacton Split (via UNC Modification 501 or alternatives), this report will show the amount of available entry capacity for the new ASEPs. Therefore, the exact quantity of NTS Entry capacity for the new ASEPs cannot be provided at this current time.

GTS technical exit capacity as well as additional exit capacity from OBB at Julianadorp is calculated and published according to the Dutch gas codes (Transportvoorwaarden Gas LNB, bijlage II).23 Technical exit capacity is calculated and published on a yearly basis, additional capacity from oversubscription and buy-back (OBB) is calculated daily and monthly. Total available firm capacities, being the sum of available technical and OBB capacity, is published on PRISMA according to the CAM calendar.

Capacity offered on the secondary market
The PRISMA primary auction platform is extended with the PRISMA secondary platform.24 PRISMA secondary supports the transfer of usage rights, on PRISMA known as Transfer of Use, and (anonymous) transfer of capacity rights, on PRISMA known as Assignment. Capacity originally allocated as bundled capacity can only be resold as bundled capacity on the secondary market. PRISMA secondary

22 NGG: http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/capacity/entry-capacity-auction/
23 The Transportvoorwaarden Gas LNB applicable to GTS can be found at: https://www.acm.nl/download/documenten/acm-energie/transportvoorwaarden-gas-lnb-2014-06-07.pdf
24 Detailed information on Prisma secondary can be found at: https://platform.prisma-capacity.eu/secondary/proposal/list.xhtml?conversationContext=1
supports more trading procedures than the Over the Counter (OTC) procedure currently supported by BBLC. The trading procedures supported by PRISMA secondary are:

- OTC; bilateral agreement between two shippers that has to be approved/accepted by the TSO’s
- Call for Order (buy or sell); shipper creates a trade proposal to buy or sell capacity, other shippers can place an offer to sell or buy from which the shipper that placed the Call for Order can then choose
- FcFs (buy or sell); shipper creates a trade proposal to buy or sell capacity, another shipper can respond with an offer to sell or buy capacity containing the necessary information.

At Juliadorp IP, BBLC and GTS will facilitate these three trading procedures. At Bacton IP, BBLC and NGG will facilitate the OTC trading procedure.

Transfer of Use and Assignment of firm and interruptible contracts will be supported for any period by BBLC and GTS. NGG will not allow Assignments of capacity.

With the transition to PRISMA secondary, BBLC will cease to facilitate secondary trade between shippers through its bulletin board as of 1 November 2015. GTS has already replaced its bulletin board with PRISMA secondary. NGG will continue to facilitate a Bulletin Board on Gemini which allows NGG Shipper to advertise or view all posted entry capacity bids or offers on the market.

### 2.4 – Interruptible capacity

Subject related to Article 21-25 of the Network Code on CAM

Relevant principles:

1. At unidirectional IPs, TSOs shall offer a daily product for interruptible capacity in the other direction. TSOs may offer interruptible capacity products of longer duration as well. In terms of duration, the same standard capacity products as defined for firm products may be offered: yearly, quarterly and / or monthly products.

2. To the extent interruptible capacity is offered, it shall be allocated via an auction process.

3. Interruptible capacities shall have a minimum interruption lead time, the default minimum interruption lead time for a given gas hour shall be 45 minutes after the start of the re-nomination cycle for that gas hour.

4. The TSO initiating the interruption shall notify the relevant adjacent TSO.

5. The order in which interruptions shall be performed shall be determined based on the timestamp.

6. TSOs shall include reasons for interruptions in the interruptible transport contracts or in the general terms and conditions that govern these contracts.

The CAM code applies to the auctioning of firm and interruptible capacity, including interruptible capacity made available for reverse flow services. The three TSOs will offer their interruptible forward flow capacities and interruptible reverse flow capacities on an unbundled basis via auctions on the PRISMA platform according to the timescales detailed within the Network Code CAM auction calendar.
Interruptible forward flow capacity

In the event that BBLC has sold all its firm BBL entry and / or BBL exit capacity it will offer interruptible forward flow capacity products on a day-ahead basis. In addition, BBLC will offer interruptible forward flow capacity products for the product for which firm entry and / or exit capacity has been sold out. For example, if BBLC has sold all its entry and exit capacity on a monthly basis, interruptible forward flow capacity will be offered on this monthly basis. Interruptible BBL entry and interruptible BBL exit capacity will be offered on a separate basis.

The current arrangement which applies in the event of contractual congestion in the BBL-pipeline is that interruptible capacity is sold at a discount to the price of firm forward flow capacity. In the event of an interruption, the shipper will be reimbursed proportionally for the interruption for the total price paid.

The matrix below gives an overview of the interruptible forward flow capacity products offered by BBLC on the PRISMA primary auction platform as of 1 November 2015.

<table>
<thead>
<tr>
<th>BBLC interruptible forward flow capacity products on PRISMA primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>IFF capacity entry BBL bundled</td>
</tr>
<tr>
<td>unbundled</td>
</tr>
<tr>
<td>exit BBL bundled</td>
</tr>
<tr>
<td>unbundled</td>
</tr>
</tbody>
</table>

Once GTS has sold all of its firm exit Julianadorp capacity, including capacity from OBB, in the preceding yearly, quarterly, monthly and daily auctions, it will offer interruptible exit Julianadorp capacity on a day-ahead basis.

For Bacton IP entry capacity, NGG will offer daily interruptible capacity (day-ahead) generated from the Interruptible UIOLI calculation. Firm holders can still utilise their original firm capacity holding and NGG can scale-back any such quantities of any interruptible capacity if it chooses to do so. Where all firm capacity is sold out day-ahead, NGG may also offer, at its sole discretion, additional day-ahead daily interruptible capacity at the Bacton IP. NGG may also offer daily interruptible capacity (day-ahead) at its sole discretion if firm capacity is not sold out. This will be offered via an auction on PRISMA on an unbundled basis according to the timescales detailed within the auction calendar published by ENTSOG.

Interruptible reverse flow capacity

With regard to its non-physical IRF services, BBLC will continue to offer unbundled quarterly, monthly and daily products which will be offered for auction on PRISMA primary.26

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26 For further information on the current IRF services of BBLC, please see: http://www.bblcompany.com/commerce/interruptible-reverse-flow
For Bacton NGG exit capacity, a quantity of interruptible capacity will be made available each day to facilitate the reverse flow service. The quantity available will be equal to the maximum firm forward (entry) flow.

GTS will continue to offer unbundled interruptible entry capacity at Julianadorp on a day-ahead basis if firm entry (backhaul) capacity is sold out or not offered at all.

**Joint provisions at both IPs regarding interruptible capacity**

The minimum lead time applied by all three TSOs for a given gas hour will be 45 minutes after the start of the re-nomination cycle for that gas hour. The TSO that initiates an interruption shall notify the relevant adjacent TSO as soon as possible. In general, all three TSOs involved will apply a time stamp to determine the interruption order. If an interruption is initiated the initiating TSO will notify its adjacent TSO and apply the interruption based on contractual timestamps. If two or more contracts are ranked in the same priority order and they are not required to be fully interrupted then a pro-rata reduction will apply to these contracts. The reasons for interruption will be detailed in the relevant documents, being the UNC for NGG, as well as in the Edig@s messaging towards shippers from a BBLC perspective.
2.5 – TSO coordination: standardisation of communication

Subject related to Articles 4, 5 and 7 of the Network Code on CAM

Relevant principles:
1. TSOs shall fully cooperate with their adjacent TSOs regarding their respective maintenance plans;
2. TSOs shall coordinate implementation of standard communication procedures, coordinated information systems and compatible electronic online communications;
3. Adjacent TSOs shall exchange nomination, re-nomination, matching and confirmation information at relevant IPs on a regular basis.

In order to minimise the impact on potential gas flows from the Netherlands to the UK, the relevant TSOs will, as they currently do, continue to coordinate their planned maintenance activities at the IPs Julianadorp and Bacton. All three TSOs also consult on and publish on their individual websites maintenance information specific to IPs, consistent with the requirement from European Regulation EC 715/2009.\(^\text{26}\)

Implementation of standard communication procedures will be included in Interconnection Agreements between BBLC and GTS on the one side and BBLC and NGG on the other side. All communications regarding the flow of gas in relation to the transport capacities, being the data exchange of (re)nominations between TSOs and network users, will be based on Edig@e standard messaging formats.

The communication related to the prescribed auctions, e.g. the amount of bundled and/or unbundled capacities offered and capacity allocation following the auction results, will be standardized through the use of the PRISMA platform. Aggregated information on the auction results will be published in a standardized format by each TSO separately.

Each TSO will individually upload their available firm capacity to the PRISMA platform. The capacity products offered on the PRISMA platform will be expressed in kWh/h.\(^\text{27}\) The basis for this expressed capacity unit in kWh/h and kWh/day will be derived from using the calculation of the amount of energy in kWh under normal conditions. These reference conditions for natural gas are embodied in the ISO standard 6976. When expressing kWh under normal conditions a temperature of 0°C for the volumetric reference and a temperature of 25°C for the combustion reference shall be applied.\(^\text{28}\)

With regard to starting and closing of the auctions, all three TSOs involved will operate the same gas day, namely the gas day as defined in Article 3.7 of the Network Code on CAM, being 5:00 to 5:00 UTC the

\(^{26}\) BBLC publication can be found at: http://www.bblcompany.com/news/news

\(^{27}\) NGG will continue to operate in kWh/day in respect of its NTS licence, UNC and UK link system and will convert to kWh/h for PRISMA.

\(^{28}\) NGG and BBL may seek to agree transitional arrangements in respect of reference conditions using 15°C (volume) and 15°C combustion for the period October 2015 to April 2016.
following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied. This means that the gas day on which NGG currently operates will be adjusted and brought in line with the gas day on which both GTS and BBLC are already operating. NGG will make modifications to their contracts in order to comply with this requirement.

2.6 – Operating principles

As already explained, the BBL interconnector operates on an ‘in equals out’ principle. This principle ensures that confirmed BBL entry flows are equal to the confirmed BBL exit flows. When transporting gas through the BBL, before CAM implementation shippers need to nominate their flows on all BBL sides of the BBL interconnection points and the GTS side at interconnection point Julianadorp. After confirmation the confirmed entry flows are communicated to the appropriate exit network point (Bacton), thereby ensuring that the same flow entered at the Dutch side of the BBL interconnector is delivered at the UK side.

After code implementation, shippers need to nominate with BBLC, GTS and NGG. In the new matching procedures between GTS-BBLC and BBLC-NGG is foreseen that, the lesser rule is applied, i.e. when the entry confirmation at BBL does not match the exit confirmation, the lowest common denominator of both is applied. This ensures that confirmed entry and exit flows on either IP of the BBL interconnector always match with each other. This lesser rule should not be confused with the additional Matching Rule at the Bacton IP which will ensure that the BBL processed quantity prevails and the in equals out principle of the BBL is maintained.

As a result of this ‘in equals out’ principle, imbalances do not occur in the BBL interconnector. The only possible differences between actual entry and actual exit flows are caused by steering differences. However, such differences are currently settled in kind with the individual BBL shippers at the GB side of the BBL interconnector and are resolved for the BBL shippers at the Dutch side through an Operational Balancing Account (OBA) between BBLC and GTS. Following the Network Code on Interoperability, it is expected that BBLC and NGG will also introduce an OBA by the end of 2015. BBLC does not offer an inventory product. The inventory of the BBL interconnector is owned by BBLC. As a result of the ‘in equals out’ principle, BBL shippers have no control over the linepack of the BBL.

Please note that the operating principles of ‘in equals out’ and the lesser rule will be maintained after implementation of the Network Code on CAM.

Nominations

Nominations and confirmations for the day of transport (D) need to be delivered to TSOs by the nomination day, being the day before the day of transport (D-1). The applicable time schedule regarding deadlines for (re-)nominations, sending processed quantities by initiating TSO (call-up) / sending of confirmed quantities by matching TSO (response) and (re-) confirmations is as follows:

29 NGG has raised UNC Mod 461 to align the Gas Day with Continental Europe. Ofgem has directed that this Mod be made with implementation effective from 1 October 2015.
30 Different matching rule applies in a National Grid declared Exceptional Event: National Grid Processed Quantity prevails.
31 The Network Code on Interoperability can be found at: http://www.entsog.eu/publications/interoperability
Nomination and Confirmation deadlines on D-1

Schedule: Nomination and confirmation deadlines at nomination day (D-1)

Re-nominations can be made from 16:00 (CET) D-1 to 03:00 (CET) on D with a lead time of two hours to re-confirm a re-nomination, as is shown in below figure:

Renomination and confirmation deadlines during the Renomination Period

Schedule: Re-nomination and re-confirmation deadlines during the re-nomination period (D)

Single sided nomination procedure
As already explained in section 2.2, for bundled capacity products a single sided nomination procedure will be facilitated by the TSOs. Single sided nominations will also be processed where the same network user has unbundled capacity at both sides of the IP. At Julianadorp IP, GTS will be the initiating TSO in this single sided nomination procedure. At Bacton IP, NGG will be the initiating TSO. BBLC will be the matching TSO on both IPs. Network users who have obtained bundled capacity products can submit their (re-)nominations according to the timelines as presented in the above schedules. When network users make use of the single sided nomination procedure, this must be explicitly mentioned in their nomination message. Network users must declare to the matching TSO the allowed Shipper Pairs, i.e. network users must comply with the
Edig@s rule regarding the identification of a nomination message.

A single sided nomination message must contain, besides the identifier for a single sided nomination message, the information regarding portfolio, gas day, hours and network point. The single sided message must conform to the Edig@s formatting requirements.

Double sided nomination procedure
It will also remain possible for network users to nominate on both sides of both IPs. For network users holding unbundled capacity products at only one side of the IP this will remain the standard procedure. Network users holding bundled capacity products or holding unbundled capacity at both sides of the IP can choose to make use of the single sided nomination procedure or to submit a double sided nomination to both the TSOs at the IP. When making use of the latter option, the double sided nomination, the nomination message must also comply with Edig@s rules regarding the identification of a double sided nomination message and must contain all relevant information regarding the portfolio, gas day, hours, network point and counterparties. Only nominations identified as double sided nomination messages will be accepted as such and processed on both sides of both IPs relevant to the BBL interconnector.
3. Proposed CMP implementation

The Regulation on CMP applies to IPs between adjacent entry-exit systems in so far as the IPs are subject to booking procedures by users. Therefore, for the BBL interconnector the regulation on CMP applies to the Bacton and Juliandorp IPs. Furthermore, as the BBL interconnector initial forward flow capacity is exempted from Article 18 of Directive 2003/55/EC, i.e. regulations on tariffs and access rules, CMP applies to the non-exempted capacity of BBLC.

The prescribed CMP implementation proposals will apply in the event that a TSO has sold all its technical capacity and in the event of contractual congestion and are aimed at resolving those events by bringing unused capacity back to the market. This unused capacity will be reallocated in the course of the regular allocation process where the level of firm demand exceeds the technical capacity of the IP.

The CMP requirements cannot be applied to the IRF-services of BBLC because of the non-physical and interruptible nature of these services. The possibility of utilizing IRF-capacity depends on actual firm forward flows (the counter flow) and, therefore offering additional firm capacity, as prescribed in the Regulation on CMP, is not possible. Total IRF-flow can never exceed the technical firm forward flow capacity.

The CMP annex introduces four mechanisms aimed at resolving events of contractual congestion by bringing unused capacity back to the market:

- capacity increase through an oversubscription and buy-back (OBB) scheme;
- surrender of capacity (SOC);
- long-term (LT) use-it-or-lose-it (UIOLI) mechanism;
- firm day-ahead UIOLI mechanism.

This last mechanism, the firm day-ahead UIOLI mechanism, may apply at the discretion of the NRAs as of 1 July 2016 and has not been taken into account in the proposed implementation.

In line with the above, this section on the proposed CMP implementation covers the following:

3.1 - OBB
3.2 – SOC
3.3 – LT UIOLI

32 The CMP guidelines can be found at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012D0490&rid=1
3.1 Oversubscription capacity and buy-back

Subject related to Articles of Annex I to Regulation (EC) No 715/2009

Relevant principles:
1. In determining the additional capacity, the TSO shall take into account statistical scenarios for the likely amount of physically unused capacity, a risk profile that does not lead to excessive buy-back obligation and the likelihood and costs of buying back capacity;
2. Surrendered capacity as well as UIOLI capacity shall be allocated prior to any additional capacity;
3. The OSBB scheme shall be based on an incentive regime reflecting the risks of TSOs in offering additional capacity;
4. NRAs shall decide on the distribution of revenues and costs between the TSO and the network user;
5. Where necessary to maintain system integrity, TSOs shall apply a market-based buy-back procedure in which network users can offer capacity;

In developing the proposed CMP implementation for the oversubscription and buy-back scheme, the objective has been to maintain the current level of flexibility for existing shippers, whilst ensuring that a genuinely firm oversubscription capacity (OSC) product can be offered without creating a disproportionate risk of having to initiate the buy-back procedure.

Oversubscription Capacity

BBLC, GTS and NGG will independently apply their criteria to determine how much OSC will be made available at any time.

In determining the amount of additional firm capacity to be offered, BBLC will take into account statistical scenarios, risk profiles and operational and technical conditions. BBLC will determine on a daily basis the amount of OSC to be made available to the market and will start to offer OSC for the day-ahead capacity product. Based on experience with offering OSC on this day-ahead basis, BBLC will consider to offer additional firm capacity to capacity products with a longer duration, starting with the monthly capacity product.

If OSC can be made available it will be added to the other day-ahead firm forward flow capacity available for auction on PRISMA primary. The reserve price and the general terms and conditions of the OSC will be the same as the reserve price and the general terms and conditions for the other day-ahead firm forward flow capacity. Therefore, a shipper will not be able to see the difference between regular day-ahead forward flow capacity and OSC. Where possible, the capacity will be bundled with entry capacity of NGG at the Bacton IP and exit capacity of GTS at the Julianadorp IP.

NGG will retain sole discretion as to whether to release any additional non-obligated capacity above obligated levels in accordance with its existing incentives and obligations. The quantity of additional capacity (if any) will be included in the amount of available firm capacity on PRISMA.
GTS will offer OSC based on the principles outlined in the Dutch gas codes with regard to oversubscription and buy-back (Transportvoorwaarden Gas LNB, bijlage II).

As indicated above a precondition for network users to be able to book any capacity via PRISMA is that network users are registered as such at PRISMA and have accepted the general terms and conditions of all three TSOs. Shippers will then be able to submit their bids, specifying price and quantity of capacity, within the bidding window. BBLC, GTS and NGG will offer their capacities via auction on the PRISMA platform according to the timescales detailed within the auction calendar.

**Buy-back**

BBLC, GTS and NGG will independently apply their criteria to determine if a buy-back process is required if nominations exceed or are predicted to exceed physical capability and capacity on their side of the IP. When a requirement for buy-back is announced by any TSO it only applies to the relevant TSO’s capacity, including capacity that is sold as a bundled product, and does not necessarily cause a buy-back of the other TSO’s capacity.

For BBLC, the primary buy-back mechanism will be an auction to buy-back capacity usage rights (nomination rights) via the PRISMA platform. This also applies to GTS.

For NGG the buy-back will utilise the existing process on Gemini, and can result in NGG revising the nomination to a value equal to the residual capacity level.

From a BBLC perspective if, based on statistical analysis of the results of past buy-back auctions, another commercial measure to resolve congestion, like a flow commitment, is expected to be more efficient, BBLC may arrange and call upon an upfront agreed flow commitment.

In case of a BBLC buy-back of capacity usage rights, the auction details will be made available via BBLC’s website and PRISMA three hours in advance of the hour (T) where the nominations exceed the technical capacity of the BBL, i.e. T-3. Shippers can place their offers for the buy-back auction between T-2¾ and T-2¼. The received offers will be automatically accepted in their merit order: price ranked, starting with the lowest priced offer and if equal the offers are taken in time stamp order until required quantity is met. The auction will start at T-2¼ according to the uniform price algorithm with some adjustments: the auction can start at any hour of the gas day, the auction period is equal to the consecutive hours of the congestion and the minimum offer price is 0. Immediately after the auction shippers with a successful bid will be informed about the auction details and are required to renominate before T-2.

Given that the buy-back procedure is likely to be required at times of system stress in the UK, there is a risk that very significant buy-back costs could be incurred by BBLC. This financial risk is significantly higher for an interconnector operator when compared to a national grid operator which, for example, can optimise flows within its meshed network. If the risk is deemed too high, BBLC would make less OSC available to the market or even none at all. Therefore, a methodology will be introduced to balance the buy-back risk and the additional OSC.

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33 The Transportvoorwaarden Gas LNB applicable to GTS can be found at: https://www.acm.nl/download/documenten/acm-energie/transportvoorwaarden-gas-lnb-2014-06-07.pdf

34 In relation to NGG, network users will need a Licence from Ofgem and they must accede to the Uniform Network Code (UNC).
This methodology is based on a maximum buy-back price which is set in advance of the buy-back auction. This price will be published on the BBLC website. Offers with a price higher than this maximum buy-back price will be rejected by the PRISMA platform. The maximum buy-back price will be determined daily based on the NBP-TTF spread. The spread will be calculated from the latest TTF and NBP price information available to BBLC, which are the TTF and NBP OTC day-ahead indices as published daily by ICIS.

BBLC will keep an account of the cumulative revenues from OSC sales minus the buy-back costs. At the end of the calendar year the OSC revenues minus the buy-back costs will be split between the network users and BBLC up to a maximum deficit of €100,000. If the cost of the next the buy-back auction is likely to exceed the maximum yearly deficit, the maximum buy-back price will be adjusted accordingly with as a minimum the clearing price of the OSC that has been sold and now has to be bought back.

If insufficient capacity is offered to maintain system integrity, the required capacity will be bought back on a pro rata basis based on booked capacity. The reimbursement is still under consideration, but will be at least the clearing price of the OSC that has to be bought back.

NGG will conduct the buy-back process in accordance with its Licence obligation, UNC Section B and incentive scheme and its System Management Principles Statement.

GTS will conduct the buy-back process in accordance with the Transportvoorwaarden Gas LNB article 2.1.15.

3.2 Surrender of Capacity

Subject related to Articles of Annex I to Regulation (EC) No 715/2009

Relevant principles:
1. TSOs shall accept any SOC of firm capacity with the exception of capacity products with a duration of a day or shorter;

2. The network user shall retain its rights and obligations under the capacity contract until the capacity is reallocated by the TSO and to the extent the capacity is not reallocated by the TSO;

3. Surrendered capacity shall be considered to be reallocated only after all the available capacity has been reallocated.

A shipper can offer to surrender a standard capacity product via PRISMA in accordance with individual CMP rules on each side of the IP. Following closure of the auction, PRISMA will inform BBLC, GTS and NGG separately how much capacity has been sold in each of their systems. BBLC, GTS and NGG will each individually apply the priority rules in their systems to determine which surrendered capacity has been reallocated.

The first capacity to be sold will be any unsold technical capacity then, following this, any voluntary surrendered capacity will be reallocated. Application of this rule when surrendering bundled capacity can result in unbundling of these bundled capacity contracts. If for instance a shipper surrenders bundled capacity where BBLC still has capacity available but the adjacent TSO does not, then BBLC will sell its own capacity while the adjacent TSO sells the surrendered capacity. This results in (partial) unbundling of a bundled capacity contract.
For cases where several shippers surrender their capacity, the priority rule will be the ‘first surrendered first reallocated’ rule (timestamp). The amount of the surrender offer reallocated could be different on either side of the IP. BBLC will introduce a SOC mechanism through which BBL-shippers can surrender their firm forward flow capacity, with the exception of capacity products with a duration of a day or less. The price for surrendered capacity will be equal to the reserve price of a firm forward capacity product (annual, quarterly, monthly). All contractual rights and obligations will remain with the shipper who surrenders capacity until the surrendered capacity is reallocated by BBLC. Since surrendered capacity will be offered prior to OSC and in order to avoid the two processes conflicting with each other, BBLC will only accept surrendered capacity until one business day before the amount publication date on PRISMA.

For NGG, Shippers may offer to surrender annual, quarterly or monthly capacity in accordance with the UNC (EID Section B).\(^{35}\)

For GTS, Shippers may offer to surrender annual, quarterly or monthly capacity in accordance with Transport-voorwaarden Gas LNB article 2.1.14.

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\(^{35}\) EID still subject to Ofgem approval; http://www.gasgovernance.co.uk/0500
3.3 Long-term Use-It-Or-Lose-It

Subject related to Articles of Annex I to Regulation(EC) No 715/2009

Relevant principles:
1. NRAs shall require TSOs to partially or fully withdraw systematically underutilised contracted capacity on an IP by a network user where that user has not sold or offered under reasonable conditions its unused capacity and where other network users request firm capacity;

2. Contracted capacity is considered to be underutilised in particular if the network user uses less than on average 80% of its contracted capacity from 1 April until 30 September and from 1 October until 31 March with an effective contract duration of more than one year for which no proper justification could be provided;

3. The network user shall retain its rights and obligations under the capacity contract until the capacity is reallocated by the TSO and to the extent the capacity is not reallocated by the TSO;

4. The TSO shall regularly provide NRAs with all the data necessary to monitor the extent to which contracted capacities with effective contract duration of more than one year or recurring quarters covering at least two years are used.

The rules for the CMP measure of long-term use-it-or-lose-it are under development in cooperation with ACM and Ofgem and are expected shortly. More information will be published on the BBLC website and the websites of ACM and Ofgem.

NGG rules for monitoring utilisation of capacity are in accordance with its LT-UIOLI guidance document. The monitored information will be passed to Ofgem and to the relevant Shippers. If a Shipper is underutilising they may be asked to provide justification to Ofgem, and Ofgem will decide whether any capacity will be withdrawn.

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36 Latest draft found here http://www.gasgovernance.co.uk/0500/160914
Appendix
## Appendix I: Glossary of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACM</td>
<td>Authority for Consumers and Markets – the National Regulatory Authority for the Netherlands</td>
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<tr>
<td>ASEP</td>
<td>Aggregated System Entry Point of National Grid’s National Transmission System</td>
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<td>BBL</td>
<td>Balgzand to Bacton Line</td>
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<td>BBLC</td>
<td>BBL Company V.O.F.</td>
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<tr>
<td>CAM</td>
<td>Capacity Allocation Mechanisms</td>
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<td>CMP</td>
<td>Congestion Management Procedures</td>
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<tr>
<td>Edig@s</td>
<td>Electronic Data Interface standard for the exchange of data via electronic means between parties involved in the gas industry</td>
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<td>GTS</td>
<td>Gasunie Transport Services B.V. – the national Transmission System Operator in the Netherlands</td>
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<td>IP</td>
<td>Interconnection Point</td>
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<tr>
<td>IUK</td>
<td>Interconnector UK Limited</td>
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<tr>
<td>NC</td>
<td>Network Code</td>
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<tr>
<td>NGG</td>
<td>National Grid Gas – the national Transmission System Operator in Great Britain</td>
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<td>NTS</td>
<td>National Transmission System of NGG</td>
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<tr>
<td>OBB</td>
<td>Oversubscription and buy-back</td>
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<tr>
<td>Ofgem</td>
<td>Office of Gas and Electricity Markets – the National Regulatory Authority for the UK</td>
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<tr>
<td>OSC</td>
<td>Oversubscription Capacity</td>
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<tr>
<td>PRISMA</td>
<td>PRImary and Secondary MArket – the joint capacity booking platform of major European Transmission System Operators</td>
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<tr>
<td>SOC</td>
<td>Surrender Of Capacity</td>
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<tr>
<td>TSO</td>
<td>Transmission System Operator</td>
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<tr>
<td>UKCS</td>
<td>United Kingdom Continental Shelf</td>
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<tr>
<td>UIOLI</td>
<td>Use It Or Lose It</td>
</tr>
<tr>
<td>UNC</td>
<td>Uniform Network Code – NGG’s legal and contractual framework to supply and transport gas</td>
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</tbody>
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