



Making a positive difference
for energy consumers

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Dear Rudi & Belinda,

Approval of the proposed revised Pressure Service Charges Agreement between BBL Company V.O.F. and National Gas Transmission

On 27 June 2023, a revised Pressure Service Charges Agreement ("PSCA") between BBL Company V.O.F. ("BBL") and National Gas Transmission ("NGT") was submitted to the Authority for approval in accordance with Standard Licence Condition ("SLC") 3 of the Gas Interconnector Licence¹ ("the Licence") – 'Compliance with bilateral agreements'. This condition states that the licensee shall enter into such bilateral agreements as may be reasonably required by any relevant gas transporter. NGT also confirmed agreement to this text.

This letter sets out our decision to approve the revised PSCA on the basis that its contents have been agreed by both parties.

¹ <https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions>

Background

BBL is the operator of a bi-directional interconnector pipeline that connects the Netherlands gas market with Great Britain. BBL is a Transmission System Operator and holder of a gas interconnector licence.

BBL first entered into an Interconnector Agreement ("IA") with NGT on 21 April 2009. The IA relates to the connection between BBL and NGT's National Transmission System at Bacton interconnection point ("Bacton"). BBL entered into a PSCA with NGT on 17 June 2022. The PSCA between BBL and NGT states the charging mechanism for the pressure service contained within the IA.

On 22 July 2022, NGT proposed Uniform Network Code ("UNC") 814 'Temporary access to the Enhanced Pressure Service and increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector'.² UNC814 is an enabling modification which provides the governance to amend the IA and PSCA between NGT and BBL to temporarily provide an enhanced pressure service for BBL at Bacton permitting BBL to request enhanced pressures between 55 bar and 68 bar when exporting gas at Bacton and to increase its Maximum Network Exit Point Offtake Rate to 252,000,000 kWh/d. The increased pressure service is temporary, applying up to and including Gas Day 30 September 2023. UNC814 does not modify the UNC document. On 6 March 2023, Ofgem approved UNC814.³

On 24 March 2023,⁴ Ofgem approved a revised IA and PSCA between BBL and NGT to add terms of the enhanced pressure service that were described within the Final Modification Report ("FMR") for UNC814 and that were time limited up to and including Gas Day 30 September 2023. The revised IA and PSCA approved on 24 March 2023 have not yet come into force.

Both the BBL and Interconnector Limited ("INT") interconnectors connect to NGT's National Transmission System at Bacton. INT also has an IA and PSCA with NGT for the connection between INT and NGT's National Transmission System at Bacton. The PSCA that BBL and INT have with NGT, include charging methodologies that divide the cost of NGT providing a pressure service at Bacton to BBL and INT for each Gas Day, depending on the pressure services being requested by BBL and INT.

² <https://www.gasgovernance.co.uk/0814>

³ <https://www.ofgem.gov.uk/publications/unc814-temporary-access-enhanced-pressure-service-and-increase-maximum-nts-exit-point-offtake-rate-bbl-interconnector-decision>

⁴ <https://www.ofgem.gov.uk/publications/decision-proposed-interconnection-agreement-between-bbl-company-and-national-gas-transmission#:~:text=On%2016%20March%202023%2C%20an,%27Compliance%20with%20bilateral%20agreements%27.>

On 27 June 2023, BBL submitted a new revised PSCA to Ofgem for approval, that they intend to implement instead of the PSCA that we approved on 24 March 2023, which has not come into force. The revised PSCA includes amendments that add the charging mechanism for the enhanced pressure service described within the FMR for UNC814. BBL further stated that they have agreed with INT and NGT to a new pro-rata cost allocation approach for the pressure services that NGT provides to INT and BBL at Bacton. The new methodology is intended to ensure equitable cost allocation between INT and BBL for pressure services at Bacton. The revised PSCA amends charging methodologies within the PSCA and includes other minor amendments. No changes have been made to the IA, approved by Ofgem on 24 March 2023. BBL intend to implement the PSCA alongside this IA. The revised PSCA mirrors a revised PSCA between INT and NGT also submitted to the Authority on 27 June 2023 and approved alongside this decision on 5 July 2023.⁵

Authority Decision

SLC 3.1 requires that bilateral agreements, and any amendments to these agreements, must be submitted to the Authority for approval. We have received a request to approve the proposed revised PSCA, as well as confirmation from both parties that all components have been agreed.

The Authority has decided to approve the revised PSCA in accordance with the provisions of SLC 3 of the Licence, on the basis that its contents have been agreed by both parties. These are commercial terms between two market participants, and we have not identified any change in terms that would be detrimental to the market or to consumers.

If you have any questions relating to this decision, please contact Jonathan Balls at energy.securityofsupply@ofgem.gov.uk.

Dr Adrian Richardson

Head of Energy Security of Supply, ESMS

Signed on behalf of the Authority and authorised for that purpose

⁵ Decision letter published alongside this decision on the Ofgem website.