

Graham Craig
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

BBL Company V.O.F.
P.O. Box 225
9700 AE Groningen
The Netherlands
Concourslaan 17
T +31 (0)50 521 35 41
F +31 (0)50 521 35 45
E management@bblcompany.com
Trade register Groningen 02085020
www.bblcompany.com

Date
12 July 2023

Telephone
+31 6 1100 5087

Our reference
BBL VOF 23.034

Your reference

Subject

Ref: King's Lynn Compressor Emissions – Final Preferred Option Consultation

Dear Graham,

Thank you for the opportunity of responding to the proposals for updating the compression facilities at King's Lynn. BBLC operates the BBL Interconnector between The Netherlands and Great Britain. This interconnector enables gas to be physically transported to and from the GB NBP gas market and the TTF market in The Netherlands. In order to provide a service to export gas via the Bacton Interconnection Point BBLC is reliant on National Gas Transmission (NGT) providing sufficient gas pressure at the Bacton Interconnection Point (IP) offtake. The King's Lynn compressor facility forms an important element in the provision of this pressure.

The BBL Pipeline was initially constructed as a single direction pipeline flowing gas from the Netherlands to the GB market. In the summer of 2019 BBLC introduced a 'Reverse Flow' capability allowing gas to flow from GB to Europe. This Reverse Flow capability was expected to be used predominantly during the summer months to allow GB shippers access to European gas storage facilities and then the flows would be expected to revert back to 'Forward Flow' in Winter to allow the stored gas to flow back into the GB market.

Throughout 2022, and continuing in 2023, BBLC has seen Reverse Flow become the principal flow direction. Whilst the 2022 flows were indeed influenced by the situation in the Ukraine it is also clear that the European gas market has more generally moved towards a West to East flow direction as Europe curtails the use of Russian gas, which is expected to be a permanent feature. As a result, increased volumes of LNG, from the USA etc., have been arriving at LNG reception terminals such as Milford Avon and Isle of Grain and being moved East into mainland Europe via the Bacton IPs. It is,

therefore, clear to BBLC that West to East gas flows have become, and will continue to be, the predominant direction of flow for the foreseeable future and that this flow is reliant on the continued provision of robust and reliable compression at King's Lynn.

BBLC's response to the questions raised in the consultation document:

Question 1 - *Do respondents agree with our assessment of the evidence presented in the Final Option Selection Report?*

BBLC broadly agrees with Ofgem's assessment of the evidence presented by NGT. BBLC agrees that the events of 2022 can be considered exceptional when assessed against historic market behaviour but disagrees that they are necessarily atypical when assessing the future operation of the Bacton IPs given the growth in global LNG shipments and GB's role as a LNG transit country. BBLC suggests that, whilst the 2022 price spreads were exceptional, the actual flow direction and gas volumes are less atypical of future flow expectations. As referred to above, BBLC notes that the global and European gas markets have moved to a more West to East flow direction and BBLC considers that this direction of physical flow is likely to be an enduring change; regardless of the future events in the Ukraine.

BBLC would also point out that the successful response of the market to the events in 2022 relied heavily on the King's Lynn site's capabilities and the actions of NGT. These actions resulted in significant additional revenues flowing to NGT through its capacity sales which in turn offset the revenue requirement from other GB consumers.

BBLC, as operator of the BBL Interconnector, expects NGT to maintain the maximum availability of King's Lynn in support of cross border trading, European energy market integration and wider security of supply. BBLC therefore also agrees with NGT that FES scenarios are not a robust tool for forecasting future imports and exports through the Bacton Interconnectors as such flows are predominantly market led. Therefore, any assessment of the options at King's Lynn should ensure that NGT is able to meet its License Baseline capacities under all reasonable scenarios. BBLC believes that such reasonable scenarios should include a scenario of enduring and increasing future West to East transit flows via the Bacton Interconnectors.

Question 2 - *Do respondents agree with our proposed Final Preferred Option?, and*

Question 3 - *Do respondents agree with our proposals approach to potentially removing restrictions on the operation of the retained Avon (Unit B)?*

As stated above, BBLC expects NGT to meet its Gas Transporter Licence, Uniform Network Code and Interconnector Agreement obligations. This includes the expectation that NGT will maintain the maximum availability of King's Lynn compression. BBLC notes that Ofgem's proposed Final Preferred Option includes consideration of the "case for a re-wheel of the existing SGT-400s" and an expectation that NG should continue to seek to identify effective retrofit options to allow the existing Avon unit to be operated without restriction on its hours. If NGT were able to remove the restrictions on the operation of the Avon unit at reasonable cost then BBLC agrees that this option would provide a pragmatic solution. However, BBLC notes that NGT's Final Preferred Option would ensure unrestricted availability of standby compression at King's Lynn and, therefore, it offers an immediately acceptable solution that is not reliant on future developments in order to maintain unrestricted availability.

For the reasons stated above BBLC prefers NGT's proposal as it does not rely on future events transpiring in favour of retaining the Avon unit. NGT's proposal also maintains the current capability of maximizing cross border trading and wider security of supply. NGT's option is also aligned with BBLC's expectations in respect of future West to East gas flows.

Yours sincerely

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

Rudi Streuper
Commercial Manager