

Office of Gas And Electricity  
Markets  
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For the attention of Steve Smith –  
Managing Director, Markets

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Our Ref.

Your Ref.

02 February 2005

Dear Steve,

**Re: Application by BBL Company for an interconnector licence to participate in the operation of the Balgzand-Bacton Line**

Thank you for the opportunity to comment on the recent application by BBL for a licence for the proposed Balgzand-Bacton Line. Centrica supports the development of additional infrastructure to promote security of supply and competitive choice in the source of gas for the GB market. As such we welcome the BBL Company initiative and support the Ofgem preliminary view in respect of the granting of a Licence with exemptions to the project.

We offer the following specific comments:

- a) final GB licensing regime - we note that the GB licensing regime is not yet finalised by DTI and Ofgem. As such we recognise that any decision by Ofgem at this time must be subject to a further review when the final form of the licensing regime is agreed. However, we believe that any change from the current consultation version of the regime warrants a further consultation with the market. In addition we would welcome clarification as to how the sequence of such decisions affects the approval process allocated to the Commission for approval of any Ofgem decision. Finally we would request clarification as to how Ofgem are ensuring consistency in licensing requirements from competing interconnectors.
- b) release of unused capacity to the market – the rules that allow optimisation of the use of capacity in infrastructure are a key element in the contribution of that capacity to the GB security of supply. As such we would welcome further details on the BBL Company proposals for UIOLI capacity reaching the market. In particular the differentiation between activities in the primary market (presumably carried out by BBLCompany) and that in the secondary market (presumably carried out by initial capacity holders, but facilitated by BBLCompany)
- c) impact on infrastructure – we note the reference to additional investment being carried out by Gts in the Netherlands as a consequence of the proposed investment by BBLCompany. We would welcome any information as to any necessary additional investment by Transco (or any other GB transporter) as a consequence of BBL being developed.

In conclusion, on the basis of the tests to be passed before an exemption can be granted, we agree with Ofgem's view that these are all likely to be met and therefore BBL Company should be granted an exemption within an Interconnector Licence. We would also note that this project appears to meet the Commission's stated wishes in respect of the "integration of national energy

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supply into a wider European market” as outlined in the latest Benchmarking study (Annual Report on the Implementation of the Gas and Electricity Internal Market) issued this month and as such should be supported in that forum.

Yours sincerely,

Simon Goldring  
Head of Transportation

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Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy  
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