



Ofgem's Consultation - Options for Great Britain's implementation of the European Union Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (Regulation 984/2013) at the Bacton entry point

Eni S.p.A. (hereinafter **eni**) thanks for the possibility to participate to this consultation and provides its answers hereunder.

1. We would welcome the views of shippers regarding which of the potential options discussed in this document will provide the greatest level of the flexibility that you are seeking, subject to the requirements of the CAM network code.

As detailed in the answers below, the splitting of Bacton ASEP into a European and a UKCS one and the application of the 2 TSO model for the European ASEP is the solution that best combines compliance with the requirements of the CAM network code and flexibility for shippers.

2. Do you agree with the advantages and disadvantages of the 2 and 3 TSO bundle options as presented? Are there any further advantages or disadvantages to be considered?

Yes. we agree.

3. Do you consider that it would be possible for a 3 TSO approach to accommodate a linepack service (as currently offered by IUK)? If so, please provide details as to how this could be facilitated.

No, we do not.

4. To what extent do you consider the classification of interconnectors as balancing zones as an opportunity, rather than a disadvantage, of the 2 TSO model?

Eni cannot see any opportunities in classifying IUK as a balancing zone before 1st November 2018 when the current IUK STA contract expires. It will be costly and unnecessary to develop changes associated with this before the expiration of the existing contract.



5. *Which of the bundle options (2 or 3 TSO bundle) would best enable shippers to react to price differentials between hubs?*

We do not see any substantial difference between the two proposed options in this respect.

6. *Do you have a preference for a 2 TSO or 3 TSO bundle? If so, please provide the reasons for your preference.*

eni prefers 2 TSO bundle option because it provides more flexibility, it allows IUK and BBL to use linepack in a more optimal way. We deem that this benefit offsets the disadvantages associated with the 2 TSO bundle option. Furthermore we favour this option because it is easier and cheaper to implement than the 3 TSO bundle option which requires specific IT solution.

Furthermore, **eni** believes that putting in place an Operation Balancing Agreement (OBA) between NG and IUK/BBL will aid the implementation of CAM.

7. *Do you agree with our current view that interconnectors should choose the bundling model subject to meeting the requirements of CAM and the objectives of their access rules? Would you have any concerns if different options for bundling were chosen by the two interconnectors?*

Yes, we agree that the choice of the interconnectors on the bundling model should be subject to the CAM compliance and their business model.

However, we would prefer if both interconnectors chose the same bundle option, as both TSOs and users would benefit from the adoption of similar capacity products at both interconnectors.

8. *Do you agree with the advantages and disadvantages of the various options in respect of the future mechanism for selling entry capacity at Bacton? Are there any further advantages or disadvantages to be considered?*

Yes, we agree.

9. *Do you agree that, for the time being, CAM auctions should only be implemented in respect of capacity at IPs (and not extended beyond the scope of CAM)?*

Yes, we agree that CAM auctions should be implemented only in respect of capacity at IPs.



10. Do you agree that it would be impractical to seek to change the timings of UNC auctions within the CAM implementation timescales?

Yes, we do.

11. Do you therefore agree that there is a need to split the Bacton ASEP? If not, please provide details of how you consider CAM can be implemented without the Bacton ASEP being split.

eni supports the split of Bacton ASEP between a European ASEP and a UKCS ASEP, on condition that before the split into two ASEPs an option to return Bacton long term capacity holdings is given to existing shippers who contracted those capacity rights under substantially different terms.

By November 2015 when CAM are to be implemented, existing shippers who booked long term entry capacity at Bacton, will see radical changes in terms and conditions of their contract resulting not only from the Bacton ASEP split and the CAM implementation but also from the changes resulting from the GB transmission charges review.

Therefore, the only right and legal way to proceed would be to provide these shippers with an option to:

1. return their existing long term capacity bookings that they acquired under the terms of the old contract if they see the value of their capacity contract being undermined by changes in regime; or
2. retain their long term capacity booking under the old contract and accept material changes that will apply from November 2015.

eni would like to observe that, under the existing Exit Capacity Regime, shippers are allowed to reduce to zero their Exit capacity bookings.

12. If your view is that there is a need to split the Bacton ASEP, do you agree that it is appropriate to allocate NTS entry capacity at Bacton to meet the maximum BBL and IUK technical capacities and leave the remainder to be sold as UKCS entry under the UNC auction? If not, what do you consider should be the allocation?

eni shares Ofgem's proposal to split Bacton capacity based on the maximum BBL and IUK technical capacity. As for the answer to Q.11, we believe that before splitting Bacton ASEP, the current Bacton capacity holders should be given an option to return their existing capacity bookings and apply for a different capacity contract under the new terms and requirements, consistently with their capacity needs under the new regimes.



13. Do you agree that a single European IP ASEP approach is appropriate (ie, no further division of capacity between the two interconnectors)? If not, please explain why you consider that there should be two European IP ASEPs.

eni agrees that a single European IP ASEP is sufficient to meet CAM requirements.

14. Do you agree that capacity should not be fungible between UKCS ASEP entry and European IP entry? If not, how do you consider such fungibility should be accommodated given CAM network code requirements?

We recognize that it would be hardly possible to maintain the fungibility currently granted at Bacton ASEP and contemporarily meet CAM requirements.

This is one of the provisions that would substantially impact on the value of capacity already contracted, reducing the flexibility for existing capacity holders. In this respect, we reiterate our belief that it will be therefore legitimate to provide existing shippers with the right to return their materially changed long-term bookings.

15. How should long-term (historical) entry capacity contracts at Bacton be dealt with?

- 1. Determine the new Baseline level for the two new Bacton ASEPs:** Split Existing Bacton Baseline capacity on a general level between UKCS ASEP and European ASEP by deducting the maximum technical capability of IUK + BBL from the existing baseline capacity.
- 2. Allow existing long-term capacity holders to return their long term Bacton ASEP bookings.**
- 3. Allow shippers who wish to retain their existing Long Term Bacton capacity bookings to allocate them to the new Bacton ASEPs:** Bacton Capacity bookings are removed from Gemini and users can only see their bookings against new ASEPs: UKCS, IUK or BBL.
- 4. Calculate Available Capacity after the split at two new ASEPs:** NG Capacity Summary Report to show unsold capacity per each new ASEP, European (BBL+IUK) and UKCS.



16. What tools (either through the development of existing products or the introduction of new products) could be used to maximize the flexible use of overall Bacton entry capacity following splitting of the Bacton entry capacity into two ASEPs and capacity bundling under CAM?

A revision of the over-run regime might be considered in order to enable a flexible use of overall Bacton entry capacity.

17. If you are a current holder of Bacton-IUK Interconnector exit capacity, we would welcome your as to whether you will choose to maintain your existing enduring Bacton-IUK Interconnector exit rights post 2018, and if not the process you would like to see regarding end dating of these contracts.

eni has not yet reached a decision on this issue.

18. Please provide your views on your preferred timetable for taking forward the changes to the baseline capacity as set out in NGG's Gas Transporter Licence.

eni believes that compliance with EU law should be met in time.