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OPENBAAR

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Subject	

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

Dear Sir/Madam,

GasTerra B.V. (hereinafter "GasTerra") appreciates the opportunity to comment on Ofgem's consultation on options for Great Britain's implementation of the European Union Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems at the Bacton entry point. Below you will find the questions of the consultation (in italics) and our answers thereto.

- 1. 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?*

GasTerra does not have the necessary experience in order to comment on all the mentioned advantages and disadvantages of the 2 and 3 TSO bundle options. We can acknowledge the potential risk that shippers having bought one product (eg GTS-BBL) may be unable to obtain the second product (eg BBL-NGG). We also share Ofgem's concern with the possible creation of contractual congestion in the case of a 3 TSO bundle option.

Furthermore, we would like to point out a disadvantage which both options have. Currently it is possible to buy only exit capacity, without the respective entry capacity. This allows market participants to deliver gas at Bacton, from where the gas can be transported to any of the three surrounding hubs: NBP, TTF or Zeebrugge, which allows market participants to make the most sensible economic decisions and improves the connectivity and price-convergence between these hubs. If market participants are forced to buy bundled capacity, they lose this flexibility.

- 2. 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.*

GasTerra doubts whether it would be possible for a 3 TSO approach to accommodate a linepack service.

3. *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?*

At this moment GasTerra does not see any particular opportunities related to the classification of the interconnectors as balancing zones.

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

Please, see our answer to Question 1, where we explain that both options significantly decrease shippers' flexibility in that regard. Between these two options, the 2 TSO bundle option allows for more flexibility.

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

The 2 TSO bundle option has GasTerra's preference, because it allows for more flexibility than the 3 TSO bundle option. Moreover, we would like to note that Ofgem bases its argumentation for the option of a 3 TSO bundle on the Gas Target Model, which is not binding and not even fully developed yet. The economic considerations for implementation are still under discussion. Therefore the Gas Target Model cannot be a decisive factor by the implementation of the Network code CAM.

6. *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?*

The two interconnectors are important stakeholders in the bundling process, but so are the TSOs connected with these interconnectors, as well as the shippers, which are the actual users of the interconnectors. All relevant decisions shall be made on the basis of a consultation with all the stakeholders. We do not foresee any particular problems in the case that the two interconnectors choose for different bundling options.

7. *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?*

Please, refer to our answer to Question 1, where we name an important disadvantage which has to be considered.

8. *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, GasTerra agrees that CAM auctions should only be implemented in respect of capacity at IPs.

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

GasTerra does not have a particular opinion on this issue.

10. *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.*

GasTerra finds the splitting of the Bacton capacity acceptable if particular conditions are met. Please, see our answer to Question 11.

11. *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?*

GasTerra considers it of utmost importance that if the Bacton ASEP is split, there is enough capacity available on the IP Auction. Therefore we agree with Ofgem that it is appropriate to allocate NTS entry capacity at Bacton to meet the maximum BBL and IUK technical capacities.

Furthermore we would like to point out that after the bundling of the available free capacity, the auctions for this bundled capacity and the remaining unbundled capacity shall take place simultaneously. If a shipper has already contacted exit interconnector capacity, the shipper must have the possibility to buy the missing entry Bacton capacity and shall not be forced by auction rules into first buying the bundled product. This will not only be uneconomical, but it would also lead to stranding capacity.

12. *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.*

GasTerra deems a single European IP ASEP sufficient.

13. *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?*

If the maximum BBL and IUK technical capacity is made available on the European IP Bacton, GasTerra does not consider fungible capacity between UKCS and the European IP necessary.

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

Existing contracts must always be respected!

15. *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*

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Bacton entry capacity following splitting of the Bacton entry capacity into two ASEPs and capacity bundling under CAM?

At this moment GasTerra does not have an answer to this question.

16. 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.

GasTerra is not a holder of Bacton-IUK Interconnector exit capacity.

17. 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.

GasTerra believes that it is of utmost importance to properly implement the new rules, on the basis of broad engagement of all relevant stakeholders and enough time for the market participants to adjust their own systems and procedures.

Thank you for your consideration. If you have any questions, please do not hesitate to contact Ivelina Boneva via ivelina.boneva@gasterra.nl or 0031 (50) 364 83 89.

Kind regards,



Herbert van Zijl de Jong

Manager Legal And Regulatory Affairs,

GasTerra B.V.