
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

Submission by GDF SUEZ Energy UK-Europe

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I. General comments

GDF Suez understands this Ofgem consultation is a first step. GDF Suez is expecting that key arbitrages could only be tackled within a consultation launched by the 3 NRAs (Ofgem, Fluxys, GTS) for the stakeholders of the UK, Belgium and the Netherlands, where coordinated solutions are proposed.

When reading the open letter, it appears that the two most structuring points for GDF SUEZ have not been tackled in the consultation :

a) the shorthaul tariff :

it is a key subject (especially for the UKCS pipe arriving at Bacton; we are less sensitive to the shorthaul from the BBL). Shorthaul is key to avoid the question of building a flange bypassing NGG, that may orientate all discussions given the importance of the shorthaul for some major arbitrages. GDF SUEZ would like to have the maintaining of the shorthaul tariff confirmed as soon as possible.

b) the treatment of the unmatched capacities :

How our unmatched capacities are going to be dealt with ? How are we going to be able to book matching capacities when we need it and not be forced to book them when there is no need to do so ? Are we going to be able to surrender mismatched capacities ? GDF SUEZ would like that National Grid offer the possibility to market several unbundled capacity products (yearly, quaterly, monthly, day-ahead and within-day) at Bacton along with bundled capacities, at least as long as shippers have Long Term contracts within the 2 interconnectors. If not possible, GDF SUEZ will ask for surrender of capacities in IUK and BBL.

In addition, GDF SUEZ would like to draw your attention of the reduction of flexibility at Bacton with the implementation of CAM. Today, the current model secures a certain flexibility of Bacton usage which guarantees the security of supply for the UK. This flexibility should not be deteriorated and the model should make sure that all capacities at Bacton are used efficiently and as much as they are used currently.

Please find our responses below which are not confidential.

II. Answers to the Consultation Questions

Question 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 we said before, the split of the capacity between ASEPs reduce the flexibility of the product and poses a problem for the overrun charges only being applied at the aggregate rather than the independent ASEPs. But, given the CAM code, there is no other solution than splitting capacity.

In addition, We would like to recall that we were opposed to bundling when discussing the code, and we explicitly quoted Bacton as a problem. Bundled capacities and unbundled capacities (yearly, quarterly, monthly, day-ahead and within-day products) must be marketed simultaneously until 2018.

Question 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?

The proposed paper describes what could be the new bundled capacity. But, it has never been clarified how previously booked unmatched products could be matched, which remains in our view the central question of bundling. Indeed, leaving shippers with unbundled capacities facing only an offer of bundled capacities will not allow the matching of capacity and therefore is not possible. Legally, shippers cannot be forced in buying matching capacities for all the duration of their existing rights, and TSOs do not offer the possibility to surrender unmatched capacities. Therefore, an offer of unbundled capacities must be kept for all the duration of existing capacity rights. A fully anonymous, well organized secondary market would be a plus, but cannot solve the issue especially in Bacton, where for instance all firm IUK capacity is booked till 2018, whereas Bacton entry is far from being fully booked till 2018. The organisation of simultaneous bundled and unbundled products auctions is therefore key in assessing the viability of this option, at least till 2018.

Whatever the case, some matching issues are to be tackled, and shippers must know how it will be solved before being able to choose on or the other case.

Question 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.

GDF SUEZ prefers to put in place an OBA at Bacton between Interconnectors and NGG that allows shippers to be allocated as nominated. In addition, the linepack in IUK could be used for an eventual merger of IUK and Zeeplatform and in no case take the flexibility from the adjacent zones (NBP and ZTP).

Question 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?

IUK and BBL should not be balancing zones. Flexibility should be left to adjacent TSOs. Concerning the opportunity of an eventual merger of IUK and Zeeplatform, the stakes are Belgium centred, the key issue being how to cope with a liquid physical platform and a national hub in Belgium.

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

Probably no impact (if effectively entry capacity at Bacton is sufficient to cope with both interconnector capacities).

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

GDF SUEZ prefers the solution that guarantees the most flexibility, the least costly and the simplest one to implement. But as we said before, the key question for us is how matching of capacities will be possible ? How unbundled capacities are to be offered to allow us to match our capacities in the best conditions ? Will some surrender be allowed ?

For the case of IUK, Belgium situation, and in particular the eventual merger of IUK and Zeeplatform, would probably be key to choose the right option.

Question 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?

It seems that the interconnectors are the best positioned to know what implementation is simplest, the least costly and the best solution in term of flexible utilization. We don't have objection if different options for bundling were chosen by the two interconnectors but our current expectation is that the TSOs adopt a single and coordinated approach with shippers in conjunction with the consultation of April 2014 on their concept documents.

Question 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?

We agree.

Question 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) ;?

We agree.

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

The timescale must be CAM-compliant for the auction at IPs (no choice in the timetable). Regarding the UNC auctions, they could be independent from CAM auctions and at the best timing (as regards to CAM auctions) to favour the flexibility to the new model. Today there are possibilities to arbitrate between UKCS and interconnectors on a DA and WD basis. The new model should enable the same possibilities.

Question 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.

As long as the mechanism concerning the booking of the unmatched capacities is not specified, it is difficult to us to accept the Bacton ASEP split.

Question 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?

See our answer to the question 11.

Question 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.

See our answer to the question 11.

Question 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?

See our answer to the question 11.

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

For historical contracts, shippers should be allowed to choose to allocate their capacity on the point they wish whenever they have the corresponding capacity either in the interconnector or the UKCS. As there should be more long term capacity booked on the interconnectors and UKCS than on current Bacton entry, this process should allow the full allocation of Bacton entry capacity.

Question 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?

The best tool would be to keep some flexibility at least on a day-ahead basis to switch between UKCS Bacton and IP Bacton or to have UIOLI Short Term at overall Bacton.

Question 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.

The Surrender of part or the totality of these contracts between now and 2018 should be allowed.

Question 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.

GDF SUEZ prefers that NGG wait for the NRA opinion on the TSO concept documents before undertaking this licence change process.