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Dear Clement / Meinoud

Re: Options for implementation of the European Union Network Code on Congestion Management Procedures on BBL Company

1. Which of the potential options – OSBB or FDA UIOLI – do you prefer? Why?

Our preference is Oversubscription and Buy-Back (OSBB). Of the two, this is the more market-based option and broadly speaking, an established model which GB Shippers are familiar with. Under this model, Shippers with long-term capacity have the opportunity up until gate closure to utilise their capacity instead of being limited to the Day Ahead stage, which should maximise the efficient use of the BBL interconnector. The funding seems straightforward; however the compensation for Shippers after a scale back and the distribution of the “pot” between the BBL and Shippers is something that needs to be considered and discussed in further detail.

Application of a Firm Day Ahead Use It or Lose It (FDA UIOLI) model, would limit the flexibility for BBL Shippers as they have to commit at Day Ahead stage to their gas flows, which is well before the actual gate closure. Other importers of gas (and/or providers of flexibility) would not face the same Day Ahead restriction, and as such could utilise and exploit arbitration opportunities between the UK and the Continent. This may have a distortionary impact on the use of the interconnectors and could present a

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gaming risk for market participants. Furthermore, we are aware of examples in other European markets where the existing UIOLI model does not function effectively.

2. Which of the potential options discussed in this document would provide the greatest level of flexibility that you are seeking in flowing gas from the Netherlands to GB, subject to the requirements of the CMP Guidelines?

In our view, OSBB with no intraday / re-nomination restrictions would provide the best solution. Cross border flows should only be restricted by the technical capacity of the interconnectors.

3. Do you agree with the advantages and disadvantages of each option as presented? Are there any further advantages or disadvantages to be considered?

Broadly, yes, subject to our comments in this response.

4. How would you value the potential threat of curtailment under an OSBB mechanism with a pot, relative to the potential loss of flexibility due to restriction of re-nomination rights under the FDA UIOLI mechanism?

It is reasonable to expect FDA UIOLI, if implemented, to contribute to intraday market price volatility as it removes flexibility from the system. With an increased tendency of TSOs to source their balancing gas in the market, a reduction in re-nomination rights would limit access to sources of flexibility and thus be expected to increase price volatility. With OSBB arrangements in place, Shippers would still have the opportunity to balance their portfolios using the most efficient combination of flexibility sources.

Yours sincerely

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