

To:
David McCrone
Manager European Wholesale Markets
The Office of Gas and Electricity Markets
(Ofgem)
107 West Regent Street
Glasgow G2 2BA

BBL Company V.O.F.
P.O. Box 225
9700 AE Groningen
The Netherlands
Concourslaan 17
T +31 (0)50 521 35 41
F +31 (0)50 521 35 45
E management@bblcompany.com
Trade register Groningen 02085020
www.bblcompany.com

Date 8 August 2014 Telephone +31(0)6 31 03 72 10

Our reference BBL V.O.F. 14.033 Your reference

Subject
Response to Ofgem Consultation Document 'Facilitating the
implementation of aspects of the CAM NC in GB'

Dear Mr McCrone,

BBL Company (BBLC) welcomes the opportunity of responding to your Consultation Document published 13th June 2014 on the implementation of the Capacity Allocation Mechanisms Network Code (CAM NC).

BBLC's answers to the questions that you have posed in your document are as follows:

- Q1 Agreed.
- Q2 Please see the answer to Q3.
- Q3 BBLC supports the proposal that the baseline capacity of the IP ASEP should be set at the sum of the maximum declared technical capacities of both interconnectors.

Also, BBLC agrees with Ofgem's proposal to split the Bacton ASEP into a UKCS ASEP and IP ASEP. However, it might be necessary to consider a further split of the IP ASEP since one single IP ASEP might lead to artificial scarcity of entry capacity for both interconnectors.

Example

Suppose total capacity (import to UK) of IUK is 60, total forward flow capacity of BBLC is 40. Entry capacity of the IP ASEP would be set at 100. Assuming that IUK has sold all its 60 capacity units on a bundled basis and BBLC has sold 30 of its capacity units on a bundled basis, available NGG entry capacity at the IP ASEP would be 10 units.

In this case BBLC has still 10 capacity units available and will offer these units on PRISMA. In the event IUK decides to offer additional capacity (on top of their maximum technical capacity based on an OSBB mechanism) on PRISMA, e.g. 10 units, it is BBLC's understanding that this would result in a competing capacity auction at Bacton. In this example 10 bundled capacity units IUK-NGG will compete against 10 bundled capacity units BBLC-NGG in an auction.

If, in this specific example, a shipper offers a higher premium for the bundled capacity units IUK-NGG when compared to the premium offered for the bundled capacity units BBLC-NGG it would result in allocation of the IUK-NGG bundled capacities and, although a bid has been placed for the BBLC-NGG bundled capacities

BBL Company V.O.F.

Date: 8 August 2014

Our reference: BBL V.O.F. 14.033

Subject: Response to Ofgem Consultation Document 'Facilitating the implementation of aspects of the CAM NC in GB'

and it is physically possible to utilise it, the bundled BBLC-NGG capacities are not allocated to the interested shipper(s).

As a result only 90 out of 100 units of interconnector capacity can be nominated and, thus, the undesirable situation occurs that, although there is sufficient demand, not all available capacity has been sold and thus maximum flows towards the UK cannot be realised.

If this is a correct interpretation then it is suggested a solution needs to be found to prevent the situation where shipper demand is not met despite physical capacity being available. One possibility would be for NGG, in the example given, to allocate 10 units to both IUK and BBL since they know that in practice flows cannot exceed the maximum technical capacity. An alternative would be to consider a further split of the IP ASEP into a IUK IP ASEP and a BBLC IP ASEP.

BBLC assumes that Ofgem and NGG will ensure that maximum flows into the UK are facilitated at all times and that the proposed split into a UKCS ASEP and one single IP ASEP will contain appropriate conditions to ensure this.

Q4 Not applicable to BBLC.

Q5-Q9 No comment.

Reference is made in the document, including footnote 51, to the fact that Ofgem considers that the CAM NC is applicable to existing contracts. We would like to point out that following recital (6) of the relevant Regulation¹ the CAM NC does not apply to exempted contracts. Moreover, exempted contracts shall not be undermined by implementation of requirements set out in the CAM NC for non-exempted capacity and when implementing the CAM NC the specific nature of interconnectors shall be taken into account.

Furthermore, with regard to the proposal set out in 'Appendix 5 – Maintaining flexibility at the Bacton ASEP', BBLC kindly asks Ofgem to take into consideration how such a mechanism would interact with additional capacity offered by one or both interconnectors under an OSBB mechanism and ensure that it will not lead to commercial limitations for both interconnector operators.

If you would like any amplification on the comments we have made, please let me know.

Yours sincerely,

David Bakker
Manager Regulatory Affairs BBL Company

¹ Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council