

7 August 2014



BG GROUP

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Dear Mr McCrone,

**Facilitating the implementation of aspects of the Capacity Allocation Mechanisms Network Code in Great Britain**

BG Group plc (BG) thanks Ofgem for the opportunity to respond to the consultation on facilitating the implementation of aspects of the Capacity Allocation Mechanisms Network Code in Great Britain. BG recognises Ofgem's requirement to implement the Capacity Allocation Mechanism (CAM) network code by 1<sup>st</sup> November 2015. However BG regards that gas flows at Bacton are efficient and we are not convinced there are any problems with the current mechanisms for capacity allocation.

*Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document. We would especially welcome responses to the specific questions which are replicated below.*

Please see the responses to the questions below.

- 1. Do you agree with our proposal to only implement the CAM network code in respect of the allocation of entry and exit capacity on the NTS at IPs?*

Whilst consistency is attractive we do not see this as critical and BG recognises that the proposal is a sensible solution to comply with CAM.

- 2. Do you agree with our proposal to split the Bacton ASEP into a UKCS ASEP and IP ASEP?*

BG recognises the practical need to split the Bacton ASEP, but does not welcome the reduced flexibility for existing long term bookings. Furthermore BG believes that given there is no fungibility that holders of long term capacity should have the right to terminate all or some of their contracts without penalty since the product is in effect abolished and replaced by two quite separate products. As such BG supports Mod 501(A).

In addition there should be a process in place to periodically re-set the baselines if circumstances change. Capacity holders should have annual rights (in advance of the annual auctions) to switch retained (and/or new) capacity between the Bacton points.

3. *Do you agree with our proposal to create one single IP ASEP, with the baseline capacity set at the sum of the maximum technical capacity for the IUK and BBL interconnectors?*

BG agrees that setting the IP ASEP entry capacity to allow for maximum BBL and IUK technical capacities is a sensible approach. One single IP ASEP is appropriate providing capacity is useable for both BBL and IUK but we see no reason why it should not be split into two, especially as exit capacity is currently separated.

4. *If you are a holder of entry capacity at Bacton after November 2015, please provide details of entry capacity holdings after this date. Please also provide details of how you would choose to assign these capacity rights following any split of the Bacton ASEP (ie, into a UKCS ASEP and IP ASEP)?*
5. *Do you agree that no change is required to the existing licence obligations relating to NTS exit capacity in order to facilitate the implementation of the CAM network code?*

No opinion.

6. *Do you agree that there is a need to amend the definition of Off-peak Exit Capacity in NGG's NTS licence?*

No opinion.

7. *Do you agree with the proposed changes to NGG's NTS licence that we have set out in appendix 3?*

No opinion.

8. *Do you consider that some form of transitional arrangement is required? If so, do you consider that our proposals, as set out in this document, meet these requirements?*

Transitional arrangements will be required. The concept of having 2 tables (6A & 6B) do help the process however BG would like more clarity on future reserve pricing for UKCS ASEP versus IP ASEP capacity. This is key given holders need to assign their rights.

9. *Are there any other changes to NGG's NTS licence (or any other licence) that you consider are required to facilitate the implementation of CAM?*

Amendments should be made so that any shipper with Bacton entry capacity beyond 1<sup>st</sup> November 2015 should have the right to terminate any such capacity. Precedent exists for such terminations with regards to Network Code implementation as Gasunie Transport Services has granted shippers the right to terminate any interruptible capacity they hold beyond January 2014 as part of CMP implementation.

Yours sincerely,

Andrea Webster

Origination Manager

