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CC. Jan de Maa, Team Manager, Energy  
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CC. Chris Logue, EU Policy Manager, National  
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Date: 23 September 2015

Dear Rudi,

**Approval of the amended Interconnection Agreement (IA) between BBL Company V.O.F. (BBL) and National Grid Gas plc (NGG) proposed by BBL Company V.O.F. pursuant to Standard Licence Condition (SLC) 3 of the gas interconnector licence.**

BBL<sup>1</sup> submitted proposed amendments to the IA on 25 August 2015 to the Authority<sup>2</sup> for approval pursuant to Standard Licence Condition (SLC) 3 of the gas interconnector licence the licence).<sup>3</sup>

This letter sets out our decision approving the proposed modified IA on the basis that amendments to the IA are necessary to ensure compliance with relevant legally binding decisions of the European Commission and/or Agency for the Cooperation of Energy Regulators (ACER).

The amendments are proposed in order to comply with the following legally binding network codes required to be established pursuant to the Gas Regulation:<sup>4</sup>

- Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (INT);
- Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (BAL); and
- 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 (CAM).

## Background

BBL entered into an IA with National Grid Gas plc (NGG) on 21 April 2009. The IA relates to the connection between BBL's and NGG's transmission systems at Bacton.

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<sup>1</sup> BBL is a certified Transmission System Operator (TSO) and holder of a gas interconnector licence. It operates a uni-directional gas interconnector that links the UK and continental European energy markets.

<sup>2</sup> Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we' and 'us' are used interchangeably in this letter.

<sup>3</sup> The current version of the gas interconnector licence and SLCs can be found at <https://epr.ofgem.gov.uk>

<sup>4</sup> Regulation 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005

SLC3 of BBL's gas interconnector licence requires that BBL enters into such bilateral agreements as may be reasonably required by any relevant gas transporter. Such agreements, and any amendments to these agreements, must be provided by the licensee to the Authority for its approval. It further requires the licensee to take all steps within its power to make such changes to those agreements as may be necessary from time to time to comply with the Gas Regulation and to give full and timely effect to any relevant legally binding decision of ACER or the European Commission.

BBL and NGG have indicated that they wish to amend and restate the IA. The proposed changes have been prompted primarily by the new obligations described above.

When submitting the proposed modifications to the IA for approval, BBL furnished the Authority with a report summarising how the proposed modifications to the IA ensure compliance with the relevant network codes.

BBL proposes that the amended and restated IA will take effect on and from 1 October 2015 (although some of its provisions will not take effect until 1 November 2015).

### **Proposed Modifications**

BBL proposes to make amendments to the IA to ensure compliance with the INT and with certain provisions of CAM and BAL. This follows consultation with network users on the relevant aspects of the proposed amended and restated IA.<sup>5</sup> One response was received to BBL's consultation which supported the proposed changes.

The proposed changes are summarised as follows:

- Changes throughout the IA to ensure compliance with new rules on flow control required by INT.
- Changes to the Measurement provisions and Local Operating Procedures concerning the measurement of gas quantity and quality required by INT.
- Introduction of new rules for the matching of nominations as required by BAL.
- Introduction of new rules for allocation of gas quantities including management of an Operational Balancing Account between BBL and NGG.
- Changes to Definitions and Local Operating Procedures in respect of communication procedures in exceptional events.
- Changes to the settlement of disputes and future amendment of the IA.
- Confirmation of a common set of units and reference conditions to be used.

These amendments are being made pursuant to the requirement in SLC 3 paragraph 3 which requires BBL to "take all steps within its power to make such changes to agreements which fall within the scope of paragraph 1 [*of SLC 3 of the gas interconnector licence*] as may be necessary from time to time to comply with the [Gas] Regulation and to give full and timely effect to any relevant legally binding decision of the Agency [ACER] or the European Commission."

INT, CAM and BAL are established pursuant to the Gas Regulation and are legally binding decisions of ACER and/or of the European Commission. BBL is therefore required to take all steps within its power to make such amendments to the IA as may be necessary to ensure compliance with those network codes.

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<sup>5</sup> BBL's consultation can be found at [www.bblcompany.com/about-bbl/consultations](http://www.bblcompany.com/about-bbl/consultations).

## **Decision on the proposed modified IA**

Upon review of the documents submitted on 25 August 2015 to Ofgem for approval, with the main features as summarised above, the Authority considers the proposed modified IA to be compliant with relevant legally binding decisions of the European Commission and/or ACER.

The Authority has therefore decided to approve the proposed modified IA on the basis that the amendments are necessary to ensure compliance with relevant legally binding decisions of the European Commission and/or ACER.

Yours sincerely,



Rob Mills

**Head of Gas Transmission, Gas Networks**

Duly authorised on behalf of the Authority