

The Office of Gas and Electricity Markets
Mr. Tom Corcut
Deputy Director of Wholesale Markets
Wholesale Markets Systems & Networks
10 South Colonnade
Canary Wharf
London E14 4PU

Your message dated

Your reference

Our reference

Date

LFA/NBA/
2019-045

13 September 2019

Appendix(es) /

Subject

Call for Evidence: Change to Existing Arrangement for Accessing Licence Baseline Exit Capacity on the National Transmission System at Bacton Interconnection Point

Dear Mr Corcut,

As you know, Fluxys Belgium is the Belgian national gas TSO which links to the GB market via Interconnector UK at the Zeebrugge Interconnection Point. Connecting the GB (via Interconnector UK) and continental markets, Fluxys Belgium infrastructure and transmission capacity facilitate trade and safeguard security of supply for the mutual benefit of consumers of both GB and Belgium and further downstream. Given that Interconnector UK is a single pipeline TSO, operating on an "in equals out" basis, any changes to the technical or commercial arrangements at Bacton, in particular when reducing the technical or commercial capacity would have a direct and equivalent effect on Fluxys Belgium at the Zeebrugge Interconnection Point, hence on trading facilitation and security of supply for Belgium.

Firstly, from the Call for Evidence it remains unclear to us why you are seeking stakeholder views on whether and how exit arrangements on the National Grid at the Bacton Interconnection Point would need modification. The CAM network code¹ and EU security of supply regulation² have clear processes outlined for TSOs to coordinate capacity increases at interconnection points. We note that a market demand assessment across interconnection points took place in July/August - which National Grid recently confirmed provided no positive market demand signal for new capacity at the Bacton interconnection points³. It is important to us that these rules are applied consistently across all gas TSOs subject to the CAM network code.

We also note that the technical capacity of National Grid Bacton (Interconnector UK) Exit point, Interconnector UK Entry, Interconnector UK Exit and Fluxys Belgium (IZT) Entry are fully matched. Likewise, in the other direction, from Belgium to GB, the technical capacity is fully matched at either side of the Bacton and Zeebrugge IPs. This is a harmonized, coordinated maximization of technical capacity and consistent with the obligations outlined in the CAM (Article 6) and Security of Supply Regulation rules, protecting the interests of both the GB and

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¹ Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013

² Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply

³ <https://www.nationalgridgas.com/document/128231/download>

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Belgian consumers. Any deviation from this arrangement would lead to a technical capacity mismatch and would be detrimental to the TSOs and markets involved as well as further downstream.

In terms of capacity utilization, the pattern of gas flows via Interconnector UK into the Belgian market remains similar to past years. Indeed we do not see any structural change in flows with the expiry of IUK initial long-term contracts. Given the short time period since the expiry of IUK's initial long-term contracts it is, in any case, too early to identify a trend. Other items, like the National Grid charging review (currently still outstanding), the global LNG dynamics, or the UK and Norwegian shelf summer maintenance programs might have significant impact on the booking and utilization patterns. For the longer term, we agree with the indication in National Grid's Future Energy Scenarios forecasting significant interconnector export flows from Bacton.

For the reasons outlined above, we ask Ofgem to consider Fluxys Belgium as a directly concerned party to be consulted before reallocating capacities at the Bacton Interconnection Point and to keep us informed of the conclusions of your Call for Evidence.

A copy of this letter is sent to the Belgian Regulator (CREG) and to the Belgian Federal Public Service of Economy having the security of gas supply in Belgium in its attributions.

 Yours faithfully,



Arno Blix
Member of the Executive Board
Chief Commercial Officer



Pascal De Buck
Chairman of the Executive Board
Chief Executive Officer