

David O'Neill  
Head of Energy System Transition  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

**BBL Company V.O.F.**  
P.O. Box 225  
9700 AE Groningen  
The Netherlands  
Concourslaan 17  
T +31631037394  
E R.J.Stevens@gasunie.nl  
Trade register Groningen 02085020  
www.bblcompany.com

Date  
11-02-2021

Our reference  
BBL VOF 21.011

Subject  
**Response to Ofgem's UNC728/A/B/C/D ('Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS'): minded to decision and impact assessment.**

Dear David,

The BBL Company (BBLC) welcomes the opportunity of responding to your 'Minded to' decision document published 22nd January 2021 on the UNC Modification Proposals 0728/A/B/C/D - 'Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS'.

BBLC operates the BBL Interconnector between The Netherlands and Great Britain. This interconnector pipeline is connected to National Grid's NTS network within the compound of its Bacton entry facility and enables gas to both enter and leave the UK. As such it connects the UK energy market with similar trading hubs and storage facilities within mainland Europe.

Until the introduction of UNC Modification 0678A - 'Amendments to Gas Transmission Charging Regime (Postage Stamp)' UK shippers using the BBL Interconnector were able to apply for the Conditional Discount to 'wheel' gas from the Bacton beach terminals to EU markets. This service offset the risk of this gas by-passing the NTS. The National Grid (NG) transmission tariff revenues collected from such flows contributed towards NG's allowed revenue and therefore served to reduce the revenue requirement from other network users. However, the introduction of 0678A removed the short-haul discounts and has led to the possibility that, without the reintroduction of a new short-haul arrangement, steps are likely to be taken to bypass the NTS system. If this happens it is likely to have a negative effect on NG's revenue recovery.

BBLC welcomes Ofgem's 'minded to' position that short-haul discounts should be reintroduced.

As part of its original response to the Joint Office of Gas Transporters' consultation on the 0728 Modification Proposals BBLC stated a preference for Alternative Proposal 0728D based on the understanding that it would:

- Minimise the costs of moving gas between the GB and European markets and therefore maximise the opportunity, and incentives, for cross-border trading and market competition,
- by including both Transmission Services (TS) and Non-TS tariffs it best reflects the investment decision parameters for constructing bypass pipelines, and
- by setting the short haul distance to 5km it limits the application of the new short haul arrangements to a minimum.

If, as part of this consultation, compelling new evidence is submitted in support of 0728D BBLC suggests that further consideration to 0728D should be given, particularly in view of the proposed 5 kilometres cap. If such evidence is not submitted then BBLC agrees that Ofgem's minded decision that 0728B should be confirmed. In either case BBLC is in favour of a new short-haul arrangement being introduced as soon as possible.

BBLC's responses to Ofgem's consultation questions are set out in the appendix attached to this letter.

Yours sincerely,

Jasper Stevens  
Regulatory Affairs

## Appendix

### Response to Ofgem's questions

**Question 1:** Do you agree with our assessment of the modification options against the applicable UNC objectives? If you disagree, please provide a fully reasoned explanation.

Ans:

BBLC agrees that both Alternative Modification Proposals 0728B and 0728D further the applicable relevant objectives.

**Question 2:** What are your views on our conclusion that the proposed modification proposals constitute a 'benchmarking' adjustment to the application of the reference price methodology (Article 6(4) TAR NC)? If you disagree, please provide a fully reasoned explanation.

Ans:

BBLC agrees that the various Modification Proposals do constitute a reasonable 'benchmarking' adjustment to the application of the reference price methodology (Article 6(4) TAR NC).

**Question 3:** Do you agree with our assessment of the quantitative analysis? If you disagree, please provide a fully reasoned explanation.

Ans:

BBLC notes and appreciates the comprehensive quantitative analysis completed by CEPA. BBLC also recognises the need to consider both quantitative and qualitative assessments of by-pass risk. BBLC considers that this analysis provides a reasonable representation of the costs and benefits of the various short-haul proposals.

**Question 4:** Do you agree with our assessment that UNC728C is discriminatory because of the risk that the discount may be used for a route other than a qualifying nominated route? If you disagree, please provide a fully reasoned explanation.

Ans:

No comment

**Question 5:** Do you agree with our assessment of the modification options against our statutory duties? If you disagree, please provide a fully reasoned explanation.

Ans:

BBLC agrees that both Alternatives B and D would result in lower tariffs for non-eligible short-haul users compared to the status quo and will also deliver consumer welfare benefits.

**Question 6:** Do you agree with our minded to decision to approve UNC728B?

Ans:

Yes

**Question 7:** What are your views on our minded-to decision that implementation of UNC728B should take place from 1 October 2021?

Ans:

BBLC supports the reintroduction of short-haul arrangements as soon as possible and no later than 1<sup>st</sup> October 2021.

The Interconnector pipelines at Bacton support GB markets and end consumers by facilitating the export of excess GB Summer gas supplies to continental Europe. The GB energy market and end consumers benefit from such arrangements by gaining access to continental storage, which improves GB security of supply, and through the smoothing effect on GB energy market price volatility. As highlighted in CEPA's analysis, GB end consumers also benefit from the transportation revenue recovered by National Grid from such flows.

The current lack of short-haul arrangements is adversely impacting these arrangements.

BBLC would therefore support Ofgem and National Grid giving consideration as to what options there may be to introduce the new short-haul arrangements prior to 1<sup>st</sup> October 2021 so that the benefits for GB end consumers, as identified in the CEPA analysis, can be realised for the 2021 gas year as opposed to delaying such benefits until the start of the 2022 gas year if implementation date is 1<sup>st</sup> October 2021.

**Question 8:** Are there any other matters, whether or not addressed in our analysis or minded-to findings, which you think we should take into account in reaching our final determination?

Ans:

No comment