



To:

Gas transportation licensees, gas interconnector licensees, gas shipper licensees, the Uniform Network Code Modification Panel, IUK and BBL shippers and the Dutch and Belgian TSOs and all other interested stakeholders

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Date: 4 March 2014

Dear colleague

Summary of responses from options for implementation of the European Union Network Code on Congestion Management Procedures (CMP) on BBL Company

On 4 February ACM and Ofgem issued a joint letter seeking stakeholders' feedback on options relating to the implementation of the CMP Guidelines on BBL, the gas interconnector between GB and the Netherlands. It focused solely on whether oversubscription and buy back (OSBB) or firm day-ahead use it or lose it (FDA UIOLI) should be the primary CMP mechanism implemented. In the interests of finding the optimum solution which delivers flexibility and encourages efficient flows of gas between NBP and TTF (the two most liquid hubs in Europe) we sought stakeholder input on the relative merits of each option. We received responses from eight stakeholders. This short note outlines the major themes and the responses and the next steps that we propose to take. The full list of responses can be found on Ofgem and ACM websites.

1. Which of the potential options – OSBB or FDA UIOLI – do you prefer? Why?

There is a clear preference for an OSBB solution to be implemented on BBL, with seven of the eight respondents preferring this mechanism and at the same time rejecting FDA UIOLI. Respondents noted that both GTS and NGG had implemented OSBB solutions, and that having a common mechanism across the route from NL to GB would provide the most efficient market conditions for cross border trade.

2. Which of the potential options discussed in this document would provide the greatest level of flexibility that you are seeking in flowing gas from the Netherlands to GB, subject to the requirements of the CMP Guidelines?

Respondents indicate that an OSBB solution provides the greatest level of flexibility for shippers, while FDA UIOLI in its very nature takes away flexibility. One respondent indicates that the greatest level of flexibility will be created by the use of the surrender mechanism for capacity.

3. Do you agree with the advantages and disadvantages of each option as presented? Are there any further advantages or disadvantages to be considered?

Some respondents agree to the mentioned advantages and disadvantages set out in the joint letter. Most respondents provide some additional advantages and disadvantages to those identified by the NRAs. A respondent notes that he does not see any advantages to FDA UIOLI. Another respondent remarks that he does not share the view that FDA UIOLI has provided more accurate profiling in Germany.

4. How would you value the potential threat of curtailment under an OSBB mechanism with a pot, relative to the potential loss of flexibility due to restriction of renomination rights under the FDA UIOLI mechanism?

Most respondents express concerns about the exact structure of the 'pot' to limit the downside risk of BBL. A respondent mentions that the OSBB mechanism cannot be properly evaluated because at the moment there are still too many uncertainties. It is noted that a situation where BBL were 'forced' to buy back (due to having reached this exposure limit) is undesirable and therefore the OSBB mechanism should be constructed to minimise these situations. Some respondents add that the forced buy back should therefore only be applied to the oversubscribed capacity. Overall there is a clear preference that any forced buy back should not apply to exempt capacity under long term contracts

Whilst the existence of curtailment raises concerns, most respondents feel that OSBB is still preferable to the FDA UIOLI regime.

Next Steps

ACM and Ofgem thank those who responded to the open letter. After taking into consideration the responses we now invite BBL Company to develop the details of an oversubscription and buyback model alongside the Surrender of Capacity and Long Term Use It or Lose It mechanisms as required under the CMP Guidelines. ACM and Ofgem will require BBL Company to consult on the details of these proposals with market participants before submitting these for formal approval.

Should you wish to discuss any aspect of these responses please contact Clement Perry or Meinoud Hehenkamp.

Yours sincerely,

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