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Behandeld door Hein-Bert Schurink
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Datum 24 februari 2014
Onderwerp Questionnaire: 'Options for implementation of the European Union Network Code on Congestion Management Procedures on BBL Company'

Dear Mister Hehenkamp,

With this letter we would like to respond to the questionnaire: 'Options for implementation of the European Union Network Code on Congestion Management Procedures on BBL Company'.

Our reaction is not confidential.

Answers to the questions:

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

We have a strong preference for OSBB, because:

a)) Oversubscription and buy-back (OSBB) is identified within CMP as a preferred mechanism over restriction of renomination rights (FDA UIOLI), with the latter only considered if contractual congestion still exists (following OSBB, surrender of capacity and LT UIOLI). OSBB already applies in the dutch and british gas market. To our knowledge, neither National Grid nor GTS has any plans to apply restrictions to renomination rights. As such, when bundling of capacity is mandatory following the Capacity Allocation Mechanisms (CAM) network code, products with different CMP measures will be forced to be bundled together, which is very impractical and risks stranded assets. Experience of restriction of renomination rights applied at the German borders has shown that it does not aid cross-border trade or liquidity.

Therefore we think, choosing for another mechanism than OSBB for the BBL is not logical from a harmonisation point of view¹.

¹ Also, we have been informed that the other interconnecting pipeline between UK and continental Europe, Interconnector UK (IUK) have laid out their plans to implement OSBB as a part of their implementation of CMP, demonstrating that it can be applied in a robust manner to a pipeline TSO.

b)) FDA UIOLI restricts shipper renomination rights. Shippers need the flexibility to renominate the amount of gas, which they shall flow. We see the need for flexibility is becoming more and more important, due to the current market dynamics. Gas fired power plants are required to back up the intermitted power production of renewables.

c)) Also we think the amount of extra capacity via the FDA UIOLI mechanism is smaller as there will be a limit in the capacity to be offered (10% of the capacity and not even for the capacity held by network users holding less than 10% of the technical capacity). In the OSBB mechanism there is no limit, because the TSO can optimize the additional capacity it will offer Day Ahead via trial and error.

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?

OSBB, see our answer at question 1.

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

In our opinion, the OSBB mechanism described on page 3 favors too much the BBL:

- In the consultation is mentioned: "*BBL would decide on the quantities of OS capacity to be offered;*" It is unclear to us if / when / what the BBL will decide to offer as additional capacity.
- The forced curtailment at a NBP-TTF spread + an annual cap on the downside "pot" limits the TSO's risk without knowing the share of the benefits of additional bookings that will be kept by the TSO. *Any costs / revenues at the end of each gas year would be split between BBL and shippers (with the distribution being decided by NRAs) on a rolling basis;*

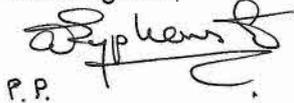
4.. How would you value the potential threat of curtailment under an OSBB mechanism with a pot, relative to the potential loss of flexibility due to restriction of renomination rights under the FDA UIOLI mechanism?

If we have to choose between a 'risk of curtailment' under an OSBB mechanism with a pot and a 'certainly occurring' loss of flexibility due to restriction of renomination rights under the FDA UIOLI mechanism, we still choose the OSBB.

This choice is further strengthened by the fact that there is currently no contractual congestion on BBL (there is still firm capacity on offer), so the 'risk of curtailment' is rather small, at the moment.

If you have any questions to our answers, please contact Mr Schurink.

Best regards,

A handwritten signature in black ink, appearing to read 'Hans Alders', with a large flourish at the end.

P. P.
Hans Alders
president

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