To direct stakeholders

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Our reference

BBL VOF 22.032

Subject
Consultation of the proposed modification to BBLC's General Terms & Conditions (GT&C) and Charging Methodology (CM)

Dear Sir, Madam,

BBL Company (BBLC) is proposing several modifications to its General Terms and Conditions (GT&C) and Charging Methodology (CM). The modifications are proposed for the following reasons:

1. **To respond to changing market circumstances**
2. **To respond to recent geopolitical issues**
3. **Other proposed modifications, mostly for clarification purposes**

We seek your views on these modifications and invite you to submit a written response. You can find the details how to submit your response at the bottom of the letter.

**Introduction**

In 2004 an open season was held to gauge market interest in constructing the BBL pipeline, which would enable gas to be transported from The Netherlands (NL) to Great Britain (GB). Sufficient interest was shown to enable a business case to be made for the construction of a uni-directional pipeline (NL to GB) and ancillary facilities, including a compressor station at Anna Paulowna. First commercial gas was transported in December 2006.

Market developments and customer demand prompted BBLC to investigate the case for providing Physical Reverse Flow (PRF) transportation from GB to NL. In December 2017 BBLC shareholders took the Final Investment decision to approve a project to adapt the existing facilities to enable the pipeline to operate in reverse flow mode. The maximum reverse flow capacity realised by the project was 7 GWh compared to forward flow (FF) capacity of 21GWh. However, the engineering solution to enable PRF did not provide for a change in pipeline flow direction at short notice, primarily because there are no compression facilities at Bacton.

The reverse flow business case was based on historical market behaviour which, at the time, showed demand for forward flow (NL to GB) during the winter and reverse flow during the summer.  It was envisaged that the pipeline would, therefore, change flow direction once in Spring and once in Autumn.  Frequent changes of flow direction were not expected based on this historical market behaviour.

For the first two years of bi-direction flow winters, market behaviour in the GB and NL was in line with the original business case assumptions for the PRF service whereby gas was transported from NL to GB during the winter and from GB to NL during the summer when shippers were able to make use of the significant storage that is available on the continent.

The introduction of PRF capacity means that it is possible for there to be simultaneous capacity bookings for both PRF and FF products and BBLC has previously developed and introduced tools which were designed to enable the company to meet all shipper nominations even when the net shipper nominated flow direction was against the physical flow direction of the pipeline.  However, tools, such as the Net Nomination Tool (NNT) come at a cost which recently has proved to be highly significant and not financially sustainable. The late 2021, and currently continuing, market circumstances are extremely volatile with tremendously high gas price fluctuations and frequent reversal of market price spreads between NBP-TTF. These increases in market prices and volatility are expected to continue for the foreseeable future.

The current turmoil in the GB and EU gas markets has created an unstable and unpredictable situation with market signals in relation to the NBP and TTF spreads suggesting frequent changes of pipeline flow direction.  This is not a situation that the BBL facilities were physically designed to handle and the current commercial tools have proved inadequate in dealing with recent market behaviour.  As a result, to enable the pipeline to operate efficiently and economically, BBLC needs to introduce arrangements whereby the occasions when shipper nominations are against the physical flow direction of the pipeline are reduced to a sustainable level.

In line with the Standard License Condition (SLC) 13 Part B and SLC 19 it is BBLC's intent to offer capacity products to the market wherever possible taking into account system integrity and efficient and economic network operation.  If, because of unforeseen circumstances, BBLC is unable to offer any remaining unsold capacity products to the market BBLC will give as much notice as possible of the withdrawal of such capacity but will continue to honour commitments for any such products previously sold.

The intention, therefore, is to return the BBL pipeline operations as far as possible to the basic design capability of the pipeline which is primarily to transport gas from NL to GB in the winter and from GB to NL during the summer.

The proposed changes to the GT&C, the Charging Methodology and underlying documents reflect these objectives.  The main changes are set out below.

In addition, for clarification purposes, there are a number of textual changes within the documents which are highlighted.

1. **Modifications to General Terms & Conditions Forward Flow and Reverse Flow (GT&C)**
   - Page 24. Article 11.1 BBLC proposes to introduce daily flexible commodity charges for the forward flow and reverse flow products. The commodity charge is a variable fee related to the costs of electricity for gas compression and the costs of gas for heating. The actual commodity charge will be determined and be applicable (based on allocations) separately for each Gas Day D. BBL Company has the option to determine the commodity charge to be applicable for a longer period in time (i.e. Month(s) ahead or Quarter(s) ahead). The applicable commodity charge will be derived in line with BBL Company's charging methodology as mentioned in paragraph 4. This commodity charge component will be invoiced after the month based on the Shipper's daily allocations (pay as used).
   - Page 36. BBLC has added a sanctions clause (Article 20) to the GT&C.

2. **Modifications to Charging Methodology (CM)**
   - Page 6. Paragraph 4. BBLC proposes to introduce a daily commodity charge for forward and reverse flow capacity products. The commodity charge for each product will be calculated on a daily basis, using the daily NL baseload price via EPEX day ahead auctions. BBL Company may also vary the gas price component of the commodity charge to take into account market circumstances and will publish the appropriate index.
   - Page 6. BBLC proposes to add 'either for forward or reverse flow' in the formula to determine the Energy Costs (E) for factors A and B.
   - Page 10. Multipliers and seasonal factors. BBLC has a derogation from Article 15 of TAR NC. Therefore, BBLC will delete the reference to this Article.
   - Page 11. Notification period CAM products. BBLC proposes to change the minimum notice period of the reserve prices from two weeks to three days for the yearly, quarterly and monthly auctions.

3. **Modifications to Exhibit B Credit Protocol**
   - BBLC proposes to add 'within 5 business days'. This is the period within which the BBL-Shipper has to provide an additional security if the credit limit is not sufficient to cover the exposure under its contract(s).
   - BBLC proposes to increase the creditworthiness period from 3 to 4 months. Last year BBLC decreased this period from 6 months to 3 months, but changing market circumstances including higher commodity charges justify an increase to 4 months.

4. **Modifications to Exhibit G CAM and CMP implementation and other arrangements General provisions**
   - Page 2. Paragraph A5. Allocation, products and amount of capacity to be offered. BBLC proposes to introduce the option to decide whether or not to offer yearly, quarterly, monthly, daily and within-day standard capacity products.

- Page 2.  Notification period table. BBLC proposes to change the minimum notice period of available capacity from two weeks to three days for the yearly, quarterly and monthly auctions.
- Page 4. Paragraph A10 and A11. The sentence referring to an exposed reimbursement is deleted since BBLC already provides for an ex-ante discount of the reserved price. BBLC only provides for day-ahead interruptible products.
- Page 6. Paragraph A15. Conditional Firm Forward Flow products. BBL Company proposes to introduce Conditional Firm Forward Flow standard capacity products meaning that from 1st of April through to 30th of September of every Gas Year, these products will be treated as interruptible products when certain criteria are met. The principles for both Conditional Firm Reverse and Conditional Firm Forward capacity products are the same and further details can be found in Exhibit G.

**5. Modifications to Exhibit H Reprofiling service**

- BBLC proposes to offer an additional Reprofiling service. Further details can be found in Exhibit H.

**6. Modifications to BBLC Implicit Allocation Guidance Document**

- Page 3. BBLC proposes to increase the maximum percentage of the available technical capacity via Implicit Allocation to 90%. The table has been updated to reflect this proposal.

**Access Rules objectives**

The proposed changes are described and marked in the attached tracked-change documents. All newly introduced products are transparent, objective and non-discriminatory and available for all BBL shippers. The changes meet the requirements of applicable legislation and, therefore, are in line with the Access Rules objectives (SLC 11A(5)).

**Process**

The consultation period will run from Thursday 14 April 2022  through to Friday 13 May 2022. Please send your response to consultations@bblcompany.com by Friday 13 May 2022. Any response not marked confidential will be published on the BBLC website. Confidential responses will be published without any references to your company name.

Following consideration of any responses received BBLC will prepare a conclusions report in accordance with SLC 11A(11)(b) and SLC 10(11)(b) and submit it to Ofgem for approval.

Yours sincerely,

Kirsten Koolmees
Manager Regulatory Affairs