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Our reference  
BBL VOF 23.031

Your reference

Subject

**Subject:**  
**BBL Company's (BBLC) response to NTS Gas Charging Discussion Document (NTS GCD 13)**

Dear Colin,

BBLC operates the BBL Interconnector between The Netherlands and Great Britain. This interconnector enables gas to be physically transported to and from the GB NBP gas market and the TTF market in The Netherlands. To enable BBL Shippers to take full advantage of this capability they need to be able to access commercial rights to National Gas Transmission's (NGT) Entry and Exit Capacity at Bacton. BBLC's customers (shippers) are therefore directly impacted by the arrangements set out in NGT's Charging Methodology. Likewise, BBLC's operations are impacted by the transportation charges applied by NGT since the magnitude of these charges have an effect on the commercial incentives for shippers to move gas between the two largest gas markets in Europe i.e., NBP and TTF.

Since the introduction of the revised charging arrangements in October 2020, and the retention of the legacy "Existing Contracts" for NTS Entry Capacity, we understand that there is a significant difference between the NGT transportation charges applied to Existing Contract holders and those purchasing NTS Entry Capacity since April 2017. BBLC notes that NGT's GCD13 document identifies that the difference in the Entry Capacity tariffs paid by Existing Contract holders is "*on average, 23 times*" lower than the tariff applied to new purchases of NTS Entry Capacity. There is, therefore, potential for such differences to distort market behaviour, and, as such BBLC recognises the driver for the discussion document.

BBLC provides the following answers to the questions raised in the discussion document:

**Question One - Do you agree that Existing Contracts are having a significant impact to Transmission Services Entry Reserve Prices?**

The discussion document states that shippers purchasing new NTS Entry Capacity today are “on average” paying “23 times the unit price paid for the equivalent product under an Existing Contract”. The document explains that this difference is, at least in part, a result of the lower amount of transportation revenue being recovered from Existing Capacity holders following the introduction of the new charging arrangements in October 2020. Due to the nature of the funding of NGT’s activities, this loss of revenue is then recovered from the sale of ‘new’ NTS Entry Capacity (that sold after April 2017). Given that the amount of new capacity sold each year is relatively stable, the charge per unit of such capacity must be increased to recover this loss of revenue and therefore the NTS Entry Capacity reserve prices are higher than they would otherwise be if there were no Existing Capacity holdings.

BBLC agrees that Existing Contracts are having an impact on NTS Entry Capacity reserve prices.

**Question Two - Do you believe there should be some remedy to limit/reduce/remove their influence?**

Markets work most efficiently where all participant are exposed to the same opportunities and are competing on a level playing field. It is clear that the aggregate transportation tariffs currently applied to Existing Contract holders are less than those which applied prior to 1<sup>st</sup> October 2020 and significantly less than those applied to new capacity holders. This disparity has the potential to distort market behaviour and therefore BBLC agrees that the situation should be addressed where possible.

**Question Three - Should there be any specific treatment of any ECs when considering impacts of changing how overall they are charged?**

No Comment

**Question Four - Do you think any of these options provide a more suitable approach to Transmission Services Charging achieving an objective of more ‘fair’ TS Entry charges?**

BBLC is broadly neutral to the various active options put forward in GCD13. As stated above, BBLC considers that there is merit in seeking to address the issues raised and therefore does not believe that “Do Nothing” is an apposite option other than one against which the other options can be measured.

BBLC also recognises the significant complexity and market interplay inherent in any changes to tariff structures and therefore considers that the assessment of, and justification for, any option(s) taken forward should be based solely on a careful consideration of how each potential option better facilitates NGT’s Relevant Objectives (both ‘general’ and specific ‘charging’ objectives) as this is ultimately the basis upon which any proposed changes to the UNC will be measured. GCD13 does not make an assessment of the various options on the basis of these Relevant Objectives and therefore it is difficult to judge the merits of any one option over those of another.

In terms of such Relevant Objectives BBLC would like to stress the importance of maintaining or enhancing the attractiveness, and liquidity, of the GB market, the efficient use of the NTS system, in terms of its role as a transit system for international gas supplies into the European market, and also for GB's access to European gas storage facilities. Each of these elements provide significant benefits to GB end consumers. Any proposed changes to NGT's tariff structures should consequently carefully assess the impacts on these areas.

Question Five - Are there any other options or refinements / amendments / specific treatment within these options that should be considered and why?

No Comment

Question Six - Should there be any additional things to consider (e.g., capacity hand-backs)

No Comment

Question Seven - Are there merits in reviewing Transmission Services Charging on a broader perspective, recognising that this would encompass Entry and Exit?

BBLC considers that there is merit in NGT taking a broader approach when exploring options to resolve the issues detailed in GCD13. BBLC feels that adopting a broader perspective would maximise the possibility of better facilitating NGT's Relevant Objectives.

Question Eight - What, if any, objective could this aim to achieve?

See comment above.

Question Nine - Should a discussion and review of, for example, a change to the 50/50 split be a deliverable for any such review?

BBLC is neutral in respect of the proposed changes to the Entry/Exit split.

Question 10 - Assuming an initial conclusion that something should be done (subject to views) do Stakeholders agree that we should explore: c) TS Entry only? d) A wider scope i.e., Transmission Services as a whole?

The GCD13 document states that a combined approach with a wider scope "*could provide a more efficient result than any [TS Entry only] option alone*". This statement would appear to point to a wider scope being the route with the greatest potential. The statement also reflects a prerequisite to complete a consistent assessment of all proposed options against each relevant element of the Relevant Objectives so that all options can be assessed on a coherent basis prior to any option being dismissed.

BBLC, therefore, considers that NGT should consider adopting a wider scope provided there is evidence that a solution may be found that best meets its Relevant Objectives.

Question 11 - Is there anything not covered in this initial review that would be beneficial to take into consideration to facilitate advancing discussions on optioneering selection / direction / development for 2024 and beyond?

No Comment.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Rudi Streuper', written in a cursive style.

Rudi Streuper

Commercial Manager