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Date: 14 August 2024

Dear Ms Koolmees,

Authority's decision on the Access Rules and charging methodology proposed by BBL Company V.O.F. including direction of approval pursuant to Standard Licence Conditions 10 and 11A of the Gas Interconnector Licence.

BBL Company V.O.F. ("BBLC", "Licensee") sent its final version of Access Rules (also known as General Terms and Conditions) and charging methodology on 30 May 2024 to the Authority¹ for approval. These were submitted pursuant to Standard Licence Conditions ("SLC") 10 and 11A of the Gas Interconnector Licence ("the Licence").²

The decision letter and attached directions set out our decisions to:

- Approve BBLC's proposed Access Rules changes under SLC 11A on the basis that they meet the relevant Access Rules objectives (Annex 1);³ and
- Approve BBLC's proposed charging methodology changes under SLC 10 on the basis that they meet the relevant charging methodology objectives (Annex 2).⁴

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² The current version of the Gas Interconnector Licence can be found here <https://www.ofgem.gov.uk/licences-and-licence-conditions>

³ The "relevant Access Rules objectives" are set out in SLC 11A(5) of the Licence

⁴ The "relevant charging methodology objectives" are set out in SLC 10(4) of the Licence.

BBLC's Proposal

The changes proposed by BBLC are modifications to its Access Rules and charging methodology, which it submitted to Ofgem on 30 May 2024 and copies of these documents are available on BBLC's website.⁵ BBLC also provided a Submission Report to Ofgem on 30 May 2024. The proposed changes to the Access Rules are:

- **Drafting changes to Conditional Firm Reverse Flow and Forward Flow product terms** – to clarify to BBLC shippers how reimbursement is calculated where interruption of a nomination has occurred.
- **Clarification to Weekend, Working days next week and Daily product offerings** – this change would highlight that Weekend, Working days next week and Daily products are not made available via Implicit Allocation on Great Britain ("GB") Bank Holidays.
- **Additional minor amendments** – drafting changes to the General Terms and Conditions document ("GT&C").

The proposed changes to the charging methodology are:

- **Changes to the publication of multipliers** – BBLC propose to no longer publish starting multipliers or actual multipliers for non-yearly capacity products.
- **Clarification of the Reserve Price Discount Factor** - clarification to the application of the Reserve Price Discount Factor.
- **Amendments to clarify indexation** – the clause would be updated to clarify how indexation is applied to capacity bookings with a start date in the upcoming Gas Year or any Gas Year thereafter.
- **Change to the Energy Costs formula** – BBLC proposes to modify the definition of the factor 'E' in the formula that is used to determine Energy Costs.
- **Change to the publication of price steps** - BBLC proposes to no longer publish the price steps on its website.
- **Amendments to the notification period for Implicit Allocation products** – the minimum notice period, for the adjustment of reserve prices for products longer than a month, would change from one week to three days. When a price reduction is introduced, the notification period would be one day for all capacity products.

Following conversations with the Authority, BBLC resubmitted its proposed charging methodology document to Ofgem on 14 June 2024 with updates to page 4 and page 11 to correctly reflect the proposed change that BBLC will no longer publish starting multipliers.

⁵ <https://www.bblcompany.com/about-bbl/consultations-implementation-information>

These changes do not alter the proposed modifications that BBLC had previously submitted and has consulted on.

BBLC's Industry Consultation

The proposed changes were subject to a public consultation which took place from 29 March 2024 to 29 April 2024, as required by SLC 10 (11)(a) and SLC 11A (6)(a) of the Licence. There were no responses to the consultation.

Ofgem's View

SCL 10 (4) and SLC 11A (5) of the Licence requires the Access Rules and charging methodology to be objective, transparent, non-discriminatory, and compliant with EC 715/2009 ("Gas Regulation") which continues to apply⁶ as Assimilated Law⁷ and any relevant decision of the European Commission and/or the Agency (collectively the "relevant Access Rule objectives" and "relevant charging methodology objectives"). Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas⁸ ("TAR") and Commission Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanism in gas transmission systems⁹ ("CAM") also continue to apply as Assimilated Law.

The changes put forward for Ofgem's consideration are as follows:

Drafting changes to Conditional Firm Reverse Flow and Forward Flow product terms

BBLC is proposing drafting changes to clarify the Conditional Firm Reverse Flow and Forward Flow product terms. This change has been proposed to clarify to BBLC shippers how to calculate a reimbursement of their capacity bookings where an interruption of a nomination has occurred. If interrupted, BBLC shippers will receive a pro rata reimbursement of their capacity bookings based on their interrupted nominations.

It is the Authority's view that the proposed changes bring clarity to the terms for Conditional Firm Reverse Flow and Forward Flow products and are transparent. We consider this change will be beneficial to shippers should they need to calculate a reimbursement of their capacity bookings as a result of an interruption. We agree that this change is objective, affects all shippers equally, and meets the requirements of the Licence.

⁶ EC 715/2009 as amended by Electricity and Gas (Powers to Make Subordinate Legislation) (Amendment) (EU Exit) Regulations 2018 SI no. 1286.

⁷ <https://www.legislation.gov.uk/ukpga/2023/28/section/5>

⁸ As amended by Schedule 5 of UKSI 2019/531.

⁹ As amended by Schedule 4 of UKSI 2019/531.

Clarification to Weekend, Working days next week and Daily product offerings

BBLC is proposing this change as it would highlight that the Weekend, Working days next week, and Daily products are offered via Implicit Allocation on business days only. This would clarify that these products are not offered via Implicit Allocation on GB bank holidays.

It is the view of the Authority that this change provides clarity to when products are offered via Implicit allocation. We view this proposed change as objective, transparent and non-discriminatory.

Additional minor amendments to the GT&C document

BBLC has proposed various minor clarificatory drafting changes to the GT&C document. These include minor changes to update and improve current wording, new and amended definitions, and updating references from 'National Grid' to 'National Gas' to reflect the recent change in ownership.

It is Ofgem's view that these changes provide clarity to the GT&C document and ensure the documents remain clear for users.

Changes to the publication of multipliers

BBLC proposes to no longer publish the starting multipliers for capacity products, which are currently published three days in advance of the annual yearly capacity auction. In addition to this, BBLC proposes to no longer publish the actual multipliers for capacity products, which are currently published ahead of the annual yearly capacity auction on the BBLC website. BBLC would continue to publish the range of multipliers which include upper and lower limits of the multiplier, which can then be used to calculate the tariff applied to the product on offer. BBLC informed Ofgem that it is proposing this change as shippers are able to infer the starting multiplier from the range of multipliers and final tariffs published by BBLC. BBLC considers this proposed change to be compliant with the TAR Network Code.

It is Ofgem's view that this change is objective and sufficiently transparent as the upper and lower limits of the starting and actual multipliers will remain within the charging methodology, and signatories will therefore know that the starting and actual multipliers will fall within this range. We note that BBLC has a relevant Authority-granted derogation from Article 29(a) of the TAR Network Code as it is a merchant asset that competes with alternative providers of gas flexibility and should not be forced to reveal commercially

sensitive information that would distort competition with other infrastructure operators that offer services of a similar nature, such as the starting and actual multipliers.¹⁰

Clarification of the Reserve Price Discount Factor

BBLC has proposed clarificatory drafting changes to the application of the Reserve Price Discount Factor. The purpose of the Reserve Price Discount Factor is to encourage network users to book annual capacity products on a long-term basis. Shippers are able to book capacity for individual years and it is not necessary for shippers to book consecutive years of capacity. BBLC proposes to clarify that this applies to all annual capacity products, unless capacity products are explicitly offered as consecutive years of capacity.

It is Ofgem's view that this change is objective and should be approved as it aids understanding of which capacity products the Reserve Price Discount Factor applies to. This will provide clarity to all shippers and may encourage use of the Reserve Price Discount Factor, aiding in efficient and economical use of the BBL pipeline.

Amendments to clarify indexation

BBLC has proposed drafting changes to clarify how indexation is applied to capacity bookings with start dates in the upcoming Gas Year or any Gas Year thereafter. The proposed drafting changes clarify that if a capacity booking is not for the current gas year, BBLC will apply indexation using the formula which is published within the charging methodology.

Ofgem acknowledges that BBLC is not proposing to alter the formula used to calculate how indexation will be applied to these bookings, and that this change is for clarification of arrangements for specific capacity bookings. This change transparently communicates to shippers how indexation is applied to capacity bookings in the next Gas Year or any Gas Year thenceforth and affects all shippers equally.

Change to the Energy Costs formula

BBLC proposes to amend the definition of the factor 'E' (Energy Costs) in the formula that determines the Energy Costs. If the outcome of the formula that determines the Energy Costs is a negative number, then under the proposed change, the result will default to zero. BBLC consider that this change is required because there is a growing risk that periods of

¹⁰ [Authority decision to derogate BBL Company \(BBL\) from certain Articles of Commission Regulation \(EU\) 2017/460 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consult/condocs/bbl/bbl_2017/460/bbl_2017_460.pdf)

negative energy prices could incentivise nominations that are detrimental to the efficient and economic operation of the pipeline.

It is Ofgem's view that this change should be approved, as negative energy prices could trigger nominations that disrupt BBLC from economically and efficiently operating the pipeline, which could create a potential risk to security of supply. This change is accurately reflected in the charging methodology and will apply to all signatories.

Change to the publication of price steps

BBLC is proposing to no longer publish the large and small price steps in the ascending clock auction on the BBLC website. BBLC states that the level of the price steps is already published on PRISMA¹¹ and proposes to remove this duplication.

It is Ofgem's view that this change should be approved. We consider this will remain objective and transparent as shippers are able to locate the price steps on PRISMA, and is non-discriminatory as it applies to all shippers.

Amendments to the notification period for Implicit Allocation products

BBLC has proposed changes to the notification period for Implicit Allocation products. BBLC is proposing to amend the minimum notice period for adjustment of reserve price for products longer than a month from one week to three days. BBLC is also proposing for the notification period to be one day for all capacity products when a price reduction is introduced. BBLC has stated that changing the notification period to one day for all capacity products will give shippers the opportunity to react as quickly as possible when a price reduction is introduced.

As BBLC operates as a merchant interconnector with no captive customer base, competing with another interconnector and other methods of gas supply (e.g., piped gas, LNG), it is the Authority's view that BBLC should be allowed to make this change in order to operate in a competitive market. We note that Interconnector Limited publish the price of Implicit Allocation products longer than one month in duration at least 3 days in advance of the relevant sales offering, as stated in its charging methodology.¹² BBLC's proposal would match this. Furthermore, the notification period is three days for capacity products offered via PRISMA, and so this will align timelines.¹³ We are of the view that shippers being able to

¹¹ <https://app.prisma-capacity.eu/reporting/auctions/short-and-long-term-auctions>

¹² Interconnector Limited charging methodology: https://www.fluxys.com/en/natural-gas-and-biomethane/empowering-you/terms-conditions/tandc_interconnector

¹³ <https://bblcompany.com/news/bblc-prisma-auctions-notification-period-cam-capacity-products>

book capacity at a lower price is beneficial for GB's security of supply. The Authority considers the proposed change to be objective, transparent, and non-discriminatory.

The Authority's decision

The Authority considers the proposed changes to Access Rules and charging methodology referred to above to be objective, transparent, non-discriminatory, and compliant with Assimilated Law. We expect BBLC to keep its Access Rules and charging methodology under review.

Directions issued in accordance with SLC 10 (14) and SLC 11A (14) of the Licence to this effect can be found in Annex 1 and Annex 2.

Publication

In accordance with SLC 10 (15) and SLC 11A (15) of the Licence, BBLC is required to publish (at least on its website) the approved charging methodology statement and Access Rules 28 days prior to them coming into effect (the Publication Period), unless the Authority directs otherwise.

If you have any questions relating to the decision, please contact energy.securityofsupply@ofgem.gov.uk.

Yours sincerely

Helen Seaton

Head of Gas Security & Flexibility, ESMS

Signed on behalf of the Authority and authorised for that purpose

ANNEX 1 - Ofgem Direction

Direction issued to BBL Company pursuant to Standard Licence Condition 11A (Approval of terms for access to the Licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Condition 11A ("SLC 11A") paragraph 14 of the Gas Interconnector Licence ("the Licence") granted or treated as granted under section 7ZA of the Gas Act 1986 ("the Act") to BBL Company ("BBLC" or "the Licensee").
2. SLC 11A paragraph 9 requires the Licensee to review its Access Rules at least once each calendar year and make such modifications to the Access Rules as may be needed for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.
3. SLC 11A paragraph 5 require that the Access Rules be transparent, objective, non-discriminatory, and compliant with the Regulation (EC) 715/2009, which continues to apply as Assimilated law (on conditions for access to the national gas transmission networks) and any relevant decision of the European Commission and/or the Agency (collectively the "relevant Access Rules objectives").
4. Having regard to the relevant Access Rules objectives set out in SLC 11A paragraph 5, the Authority considers that BBLC's proposed Access Rules meet the relevant Access Rules objectives.
5. SLC 11A paragraph 11 requires the Licensee to take all reasonable steps to ensure that all persons, including those in any other relevant neighbouring State who shares the interconnection with the United Kingdom and who may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish the Authority with a report setting out the terms originally proposed in the Access Rules, the representations, if any, made by interested persons and any change in the terms of the Access Rules intended as a consequence of such representations.
6. In accordance with SLC 11A paragraph 9, on 30 May 2024 the Licensee submitted its Access Rules to the Authority for approval.
7. The Authority hereby directs, pursuant to SLC 11A paragraph 14, that the Licensee's proposed Access Rules are approved.

8. Pursuant to SLC 11A paragraph 15, the Authority directs that the Access Rules be published 28 days prior to coming into effect.

9. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

10. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 14 August 2024

Helen Seaton

Head of Gas Security & Flexibility, ESMS

Signed on behalf of the Authority

ANNEX 2 - Ofgem Direction

Direction issued to BBL Company pursuant to Standard Licence Conditions 10 (Approval of charging methodology to the Licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Condition 10 ("SLC 10") paragraph 14 of the Gas Interconnector Licence ("the Licence") granted or treated as granted under section 7ZA of the Gas Act 1986 ("the Act") to BBL Company ("BBLC" or "the Licensee").
2. SLC 10 paragraph 9 requires the Licensee to review its charging methodology at least once each calendar year and make such modifications to the charging methodology as may be needed for the purpose of ensuring that the charging methodology better achieve the relevant charging methodology objectives.
3. SLC 10 paragraph 4 requires that the charging methodology be objective, transparent, non-discriminatory, and compliant with the Regulation (EC) 715/2009, which continues to apply as Assimilated law (on conditions for access to the national gas transmission networks) and any relevant decision of the European Commission and/or the Agency (collectively the "relevant charging methodology objectives").
4. Having regard to the relevant charging methodology objectives set out in SLC 10 paragraph 4, the Authority considers that BBLC's proposed charging methodology meet the relevant charging methodology objectives.
5. SLC 10 paragraph 11 requires the Licensee to take all reasonable steps to ensure that all persons, including those in any other relevant neighbouring State who shares the interconnection with the United Kingdom and who may have a direct interest in the charging methodology, are consulted and allow them a period of not less than 28 days within which to make written representations. The Licensee must also furnish the Authority with a report setting out the terms originally proposed in the charging methodology, the representations, if any, made by interested persons and any change in the terms of the charging methodology intended as a consequence of such representations.
6. In accordance with SLC 10 paragraph 9 on 30 May 2024 the Licensee submitted its charging methodology to the Authority for approval.
7. The Authority hereby directs, pursuant to SLC 10 paragraph 14, that the Licensee's proposed charging methodology is approved.

8. Pursuant to SLC 10 paragraph 15, the Authority directs that the charging methodology be published 28 days prior to coming into effect.

9. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

10. This Direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 14 August 2024

Helen Seaton

Head of Gas Security & Flexibility, ESMS

Signed on behalf of the Authority