

FAO - Lisa Charlesworth

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Subject

**Consultation on the implementation of energy code reform**

Dear Lisa,

Thank you for providing the opportunity to respond to your consultation on the approach to implementing the industry code governance reforms set out in the Energy Act 2023.

BBL Company (BBLC) owns and operates the BBL gas Interconnector pipeline between The Netherlands and Great Britain. This pipeline provides a significant source of gas to the GB market. It also enables trading between the NBP gas market and the main gas trading hub in Europe (TTF) and contributes towards the security of energy supply to GB consumers.

The commercial and regulatory framework in GB directly impacts on the operation of the BBL Pipeline and the gas shippers that use it. It is therefore important that the energy code reforms support efficient administration of the Network Code regime and enable appropriate changes to be made in a timely fashion where such changes can demonstrate benefits to competition and end consumers.

BBLC's view on specific aspects of the consultation are set out below:

**Code Governance arrangements**

BBLC notes that Ofgem's consultation document primarily focusses on delivering 'strategic' priorities within the governance process. BBLC considers that it is important that Ofgem's proposed reforms also recognise the need to accommodate 'business as usual' requests to change Network Codes in response to changing commercial market conditions.

Over recent years, BBLC has identified a number of changes to its operations that would promote competition, support cross-border trading, improve security of supply and increase the utilisation of

National Gas Transmission's (NGT) network by enabling more efficient and competitive access, for BBLC and its shippers, to the gas transmission network services provided by NGT. However, BBLC has not been able to promote the necessary beneficial Network Code changes due to the current Network Code Governance limitations regarding which industry stakeholders can raise Uniform Network Code (UNC) Modification Proposals.

For example, in the case of changes to the access arrangements to Exit Capacity at Bacton, BBLC first approached the UNC Joint Office with a request for a relatively straight forward change to the prevailing UNC arrangements in 2018. The proposed reform was, according to Ofgem's subsequent decision letter, in line with GB and EU legislation and served to promote competition, yet the necessary change to the UNC was not approved until March 2022 thus delaying the realisation of these consumer and market benefits for four years. The majority of this delay can be attributed to the fact that only 'signatories to the UNC' may raise change proposals. Since BBLC is not a signatory to the UNC, it was prevented from formally raising the proposed change.

BBLC considers that this limitation, on who can and cannot propose changes to the UNC, creates unnecessary and inefficient barriers to innovation, prevents code changes from reflecting the commercial interests of the parties directly and indirectly impacted by the codes, and serves to block or delay appropriate changes.

BBLC notes that one of the 'Design Principles' of the energy code reforms is – '*Making it easier for market participants to engage with and understand the codes*'. If non-code parties, who have a legitimate interest in the Network Code regime, such as BBLC, are to engage with the code change process, either through the proposed Stakeholder Advisory Forums (SAFs) or otherwise, then they must have the ability to directly affect, and contribute to the debate on, changes. BBLC believes that this can be best achieved by amending the current limitation on which stakeholders can raise change proposals.

BBLC suggests that the current definition of stakeholders who can formally raise proposals for changes to the UNC should be extended to include all network connected parties (e.g. Interconnector Operators, Terminal Operators, and Owners/Operators of gas consuming plant). This would ensure that UNC changes which enable these parties to respond to competitive forces are developed in a timely and efficient way and are not delayed by an unnecessarily restrictive governance process.

### **Code objectives**

BBLC considers that it is important for GB and EU energy markets to remain closely connected in order to maintain and strengthen mutual security of supply. As both UK and EU countries progress with developing a number of initiatives, such as a hydrogen 'backbone' network,<sup>1</sup> BBLC considers that it is important for the network code objectives to recognise the importance of maintaining efficient cross border trade and interconnection.

### **Stakeholder Advisory Forum Options**

BBLC's view on the initial Options set out in this section of the consultation document:

Option 1: BBLC considers that this option may prove to be unwieldy and inefficient as attendance fluctuates depending on the changes being discussed.

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<sup>1</sup> The European Hydrogen Backbone (EHB) initiative

Option 2: BBLC considers that this appears to be a 'status quo' option for the UNC and would therefore have the same representative issues as noted above.

Option 3: This option appears preferable as it seeks to balance the need for retaining governance expertise with the need to facilitate, and accommodate, a wider range of stakeholder and industry expert views and engagement.

In conclusion, irrespective of the nature of Network Code governance structure or procedures taken forward, BBLC believes that any future UNC governance regime would benefit by enabling all network connected parties such, as BBLC, to raise proposals for change.

Yours sincerely,

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a series of loops and a final flourish.

Rudi Streuper

Commercial Manager