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Subject
Response to Forecasted Contracted Capacity (FCC)
Methodology Consultation Document

Dear Colin,

BBLC operates the BBL Interconnector between The Netherlands and Great Britain. This interconnector pipeline is connected to National Grid's NTS network within the compound of its Bacton entry facility and enables gas to both enter and leave the UK. As such it connects the UK energy market with similar trading hubs and storage facilities within mainland Europe. Shippers seeking to use the BBL Interconnector also need to secure and pay for National Grid Gas Transmission Network Entry and/or Exit Capacity and pay the tariff charges associated with acquiring and using this Capacity. In order to maximise the benefit of cross-border trading it is important that that these tariffs are cost reflective, non-discriminatory and stable / predictable. BBLC also considers it important to bear in mind that higher entry and exit tariffs inevitably lead to higher end consumer prices and also potentially have a negative impact on GB's security of supply as shippers will be less likely to export gas to continental Europe storage during the summer and then return it during the winter when demand is high.

The commercial and market trading impact of the recent introduction of very significant Revenue Recovery Charges (RRCs) following the introduction of the new 0678A "Postage Stamp" tariff regime have demonstrated the importance of a robust FCC Methodology in setting these tariffs and achieving the objectives detailed above.

BBLC welcomes National Grid's current review of the FCC Methodology and its commitment to keeping the FCC Methodology under review as more data and experience of the new tariff regime is gained over the coming months and years.

BBLC provides the following responses to the questions raised in the consultation document:

Question One - Do you support the use of the principles within the FCC Methodology?

BBLC understands and supports the need to revise the current FCC Methodology prior to using it as part of Postage Stamp tariff setting process for the 2021/2022 gas Year. BBLC hopes that by modifying the Methodology National Grid will avoid the need to introduce significant Revenue Recovery Charges again in the midst of a Gas Year.

BBLC also understands that the current Methodology was developed prior to the introduction of the new Postage Stamp tariff regime and, from the data and analysis provided, National Grid has demonstrated that the current methodology is flawed and has resulted in an over-forecast of the amount of both and Entry and Exit Capacity that would be contracted under the revised tariff regime for the Gas Year 2020/2021. BBLC therefore agrees that changes to the Methodology are needed.

BBLC notes the 'principles' referred to in the question and recognises that they have been developed at pace with input from industry stakeholders. However, many of these 'principles' are reliant on the availability and accuracy of the data that sits behind them and, given the limited data available to National Grid on the behavioural impacts of the new tariff regime, BBLC considers that it is too soon to determine whether application of these "principles" will lead to improvement in the accuracy of the output of the FCC Methodology.

Question Two - Do you agree that this FCC Methodology is an improvement on existing FCC Methodology which is in place currently?

As described above, BBLC consider that it is not possible at this time to judge whether the proposed revised Methodology is an improvement over the current Methodology. Nevertheless, BBLC does recognise the need for change and supports National Grid's efforts to this effect.

Yours sincerely,

Jasper Stevens
Regulatory Affairs