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To
NRAs within GRI NW

From
BBL Company

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Subject
Position paper for consultation: exploring the feasibility of implicit allocation in the (North West) European gas market

RESPONSE

Introduction

BBL Company (BBLC) would like to make use of the opportunity to respond to your position paper which explores the feasibility of implicit allocation in the North West European gas market. BBLC was established on 9 July 2004 to design, construct and operate an interconnector for the transportation of gas from Balgzand (in the Netherlands) to Bacton (in the UK). The BBL interconnector provides services to flow gas physically from the Netherlands to the UK and non physical interruptible reverse flow services from the UK to the Netherlands.

Opinion

In general, BBLC is supporting the ENTSOG view as presented during the public workshop on 19 October 2012. One of the main messages of ENTSOG is that the gas and electricity market are very different with regard to the physics and the market environment and therefore it is questioned whether experience gained in the electricity market should be translated to the gas market. BBLC recognizes that experiences gained in the electricity market are not necessary applicable to the gas market.

Another main message of the ENTSOG presentation was that current European initiatives (eventually resulting in Network Codes) will already address the challenges which the NRAs within GRI NW seek to address through market coupling and implicit allocation. Therefore, devoting further resources to explore the feasibility of implicit allocation in the North West European gas market would be unhelpful at this stage. BBLC has been granted an exemption based on Article 22 of Directive 2003/55/EC. Being an exempted project, Network Codes are legally not applicable to BBLC. Moreover, because Network Codes are and most probably will continue to be written for meshed networks without taking into account the specific characteristics of interconnector operators, there will also be the issue of practical applicability of Network Codes to interconnector operators.

Conclusion

Despite the exempted status of BBLC and the practical applicability issue, BBLC acknowledges that significant changes in the European gas market are expected and that these changes are aimed to resolve the issues that implicit allocations seek to address. Therefore, BBLC believes that the NRAs within GRI NW should await the outcomes and effects of the Network Codes once implemented the coming years before considering exploring the feasibility of implicit allocations again.