

## **Appendix**

### **BBLC's response to the questions raised in the Consultation Document**

**Question One:** What are your thoughts on the service concept outlined in section 3 of the document?

BBLC notes NGG's proposal to offer the blending service on a interruptible basis only and that its provision is dependent on the actions of other parties delivering sufficient higher quality gas to its facilities to enable NGG to use this gas to blend with the 'out of specification' gas to achieve a GS(M)R compliant mix. The commercial value of this service is therefore heavily dependent of the frequency of interruption. Where the forecast interruption frequency is low it gives the upstream party the confidence to invest in the delivery of the 'out of specification' gas and also avoids the cost of providing upstream gas processing ! blending. Therefore, in this scenario, the gas supplier avoids costs and is able to deliver its gas to market and NGG is able to recover additional revenues.

However, according to the service concept, this is only possible due to the deliveries of other upstream parties who may have already incurred costs to process ! blend their supplies to a GS(M)R specification prior to delivering their gas to NGG's entry facility. This service could also be potentially competing with other upstream gas blending service providers. BBLC therefore suggests that there is a risk that the service concept described within Section 3 could be viewed as providing a cross-subsidy to the party(ies) seeking to deliver non-GS(M)R compliant gas unless the market value of this service is allowed to be determined and the party(ies) providing the GS(M)R compliant supplies also receive a benefit from enabling this service to be provided.

**Question Two:** Do you foresee any positive or negative impacts of NGG offering such a service on your business? If so, please explain.

Potential for a positive impact on BBLC - The gas supplies delivered via the BBL pipeline to the GB network meet the requirements of GS(M)R and therefore BBLC does not require NGG to provide a blending service. Where the provision of a blending service results in a greater quantity of gas being made available to the NBP this may reduce market prices and this in turn may lead to more arbitrage opportunities between the GB and European markets. This in turn may lead to greater utilisation of the interconnectors at Bacton. However, without further detail on the take up of any such services it is impossible to quantify the extent of any such benefit to BBLC. Indeed, it could also be the case that the impact on NBP prices could also reduce arbitrage opportunities and therefore reduce cross border trading and utilisation of the interconnectors at Bacton.

Potential for negative impact on BBLC – Due to its location within the NGG facility at Bacton the BBLC connection is one of the first offtakes that would experience 'out of specification' gas if NGG were unable to successfully blend it into a GS(M)R compliant mix. Currently this risk is mitigated by the obligation on all entry parties to ensure that they deliver GS(M)R compliant gas into NGG's facility.

In line with the above obligations placed on 'beach' entry parties at Bacton the Interconnection Agreement between NGG and BBLC stipulates the gas quality parameters for both deliveries from NGG's network to the BBL pipeline and vice versa. These gas quality parameters comply with those contained with the Gas Safety (Management) Regulations (GS(M)R), are replicated within the network agreement with Gasunie Transport Services B.V. (GTS) in the Netherlands and are aligned with the requirements set out in the EU Interoperability Network Code. This close alignment of gas quality arrangements across borders facilitates unfettered trading and transportation of gas between the NBP and TTF trading hubs and is the basis for such liquid trading hubs.

Should NGG wish to change the obligations set out in this Interconnector Agreement then such changes would need the approval of both parties to the agreement and this approval would necessarily require BBLC to consult with the other adjacent TSO – GTS.

BBLC's response to the consultation on UNC Modification Proposal 0714 'Amendment to Network Entry Provision at Perenco Bacton terminal' high-lights the increased risks associated with allowing non-GS(M)R gas to enter NGG's Bacton facility. The BBL pipeline facility has no means to process or blend 'out of specification' gas, therefore any increase in the level of risk of non-GS(M)R gas being delivered to the BBL offtake increases the risk of BBLC incurring additional costs.

BBLC reiterates the point raised in its response to 0714 that allowing non-GS(M)R gas into National Grid's Bacton facility should only be done once the safety and commercial risks have been suitably identified and the roles, responsibilities and accountabilities for managing these risks is clearly documented and understood by all parties that are involved in, and or impacted by, the management of these risks.

In providing this service NGG recognises that it is effectively reducing the operational risk of an upstream party and introducing a new risk to the operation of NGG's pipeline system. This is demonstrated by NGG seeking a change to its Safety Case to facilitate UNC proposal 0714. Failure by NGG to manage / mitigate this risk has the potential to result in significant costs being incurred by downstream parties and the liability for these costs would to an extent sit with NGG. Assuming that this service is provided via the UNC to UNC signatories, and given the potential impacts and costs that could be incurred by other parties, including downstream Transporters and consumers, as a result of a failure of this service, BBLC considers that it would also be appropriate to review the current "Limitation of liability" clauses set out in UNC TPD Section V paragraph 8 to ensure that the single 'User' and 'aggregate' transporter limits remain appropriate prior to introducing this service.

**Question Three:** Do you consider there to be any risks that may arise from such a service?

See response to question two above. The risk to BBLC is that allowing non-compliant gas to enter NGG's network increases the risk of such gas being delivered to customers' offtakes before it has been successfully blended. This is particularly the case at the Bacton entry point as there are a number of customer offtakes connected directly within the boundaries of the NGG terminal. This means that there is a very short distance between where the noncompliant gas would enter NGG's network and it being made available for offtake by customers, i.e. BBLC. This short distance also means that there is also a very short time period available for parties to react if such a situation materialises. BBLC considers that it is incumbent on NGG to ensure that any such increase in risk is suitably mitigated to ensure it will continue to meet its current contractual obligations. BBLC notes that, as part of its response to the 0714 Modification Proposal, NGG has confirmed that it is seeking an amendment to its Safety Case by demonstrating how it will mitigate these increased risks and that this consultation recognises that, before an enduring service is introduced, NGG will need to give further consideration to these issues.

**Question Four:** Wobbe Index and Incomplete Combustion Factor are the parameters that stakeholders have so far indicated to us could be useful to have a relaxation on as a blending service. Do you see a need for this service to cover any other parameters and if so, which parameter(s) would you like to be considered and why?

No comment

**Question Five:** Do you consider that the GS(M)R Review negates the need for a gas quality blending service or should the topic continue to be explored?

No comment

**Question Six:** Do you agree with our initial views on the categorisation of NTS entry points contained in section 4?

BBLC has no comment on the suitability or otherwise of the various entry facilities for offering a gas blending service as it does not have the necessary information to make such an assessment. Diagram 4.1 shows the BBL connection as uni-directional (entry only) connection. This is not the case. Since 2019 the BBL pipeline has been capable of flowing in both directions.

**Question Seven:** Teesside and Easington would require additional infrastructure and components to be able to offer a gas quality blending service, which would mean additional time and costs to implement. Would you support NGG further exploring this?

No comment.

**Question Eight:** Response removed as per consultation

**Question Nine:** Do you think that the service is more suited to UKCS terminals rather than interconnectors?

Yes. The gas delivered to GB via the BBL pipeline has already met the entry specification of the GTS network and is therefore GS(M)R compliant before entering the BBL pipeline.

**Question Ten:** In your view, which regulatory mechanism should NGG pursue to obtain regulatory approval for this service and why?

No comment.

**Question Eleven:** The DFO contract may need to be amended to offer the service; do you believe this should be done within the NEA or a different contract put in place?

No comment.

**Question Twelve:** What are your views on the suitability of UNC TPD Section I3.5 'Special Delivery Arrangements' to serve as UNC basis for NGG to offer the service? Are there additional changes you believe will be required within UNC?

No comment.

**Question Thirteen:** Who should NGG's customers be – UNC shippers or DFOs, or potentially both?

No comment.

**Question Fourteen:** If the DFO, this would create a commercial relationship that is currently purely operational. Do you envisage any problems with this?

No comment.

**Question Fifteen:** Do you agree that NGG should charge for this service?

Yes. BBLC agrees that the provision of a blending service should be chargeable. Provision of such a service will result in additional costs and risks to NGG and, as a minimum, such costs and risk premiums should be recovered from those parties causing the costs/risks to be incurred.

**Question Sixteen:** What minimum and maximum service durations would be appropriate? No comment

**Question Seventeen:** Please share your thoughts on whether DFOs / shippers delivering on-specification gas at a terminal where a blending service is in place should receive a share of the revenue that NGG receives from the DFO delivering off-spec gas for providing the service.

The service concept outlined in Section 3 of the consultation relies on the delivery of GS(M)R compliant gas by other parties to NGG's network at the relevant entry facility in order for NGG to provide the gas blending service to parties wishing to deliver non-compliant gas. BBLC considers that it is therefore reasonable for the providers of 'on-specification' gas at the terminal to receive a share of any revenue that NGG receives from the provision of the gas blending service at that terminal.

**Question Eighteen:** What is the maximum lead-time that would be acceptable to you between signing up for the service and it becoming available?

No comment.

**Question Nineteen:** How should we make the service available?

To some extent this is dependent on whether the service is being offered for the first time at the terminal or if the service is already being provided to other parties at the terminal and also on the duration of the service being requested. Initial provision of a long-term service could be via a 'PARCA style' application window as described in the consultation document. Whereas, if a shorter-term service at an existing 'blending point' were to be requested (e.g. similar to UNC Proposal 0714) then these could potentially be made available via a more flexible route.

**Question Twenty:** How do you anticipate the structure of the charging to work? No comment.

**Question Twenty One:** Do you consider that the service would be useful to terminal operators if it is only offered with NGG reserving the right to interrupt at short notice?

No comment.

**Question Twenty Two:** Do you believe that an NGG gas quality blending service would be likely to result in a benefit or detriment to security of GB gas supply? Please explain your answer.

BBLC considers that the provision of gas blending services is, in general, beneficial to security of supply as it enables a greater volume of gas to access the Transporter's network whilst maintaining safe deliveries to the end consumer. It is also likely that such blending services will become ever more important and valuable as historic sources of supply are depleted and replaced with supplies of greater gas quality variation.

**Question Twenty Three:** If you wish to provide any other feedback on the issues raised in this consultation, please do so here.

No comment.