Consultation report regarding the proposed BBL interconnector merger with the TTF market area

Report
Consultation report regarding the proposed merger of BBL with the TTF market area

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1 Introduction

To address the key challenges of the coming decades ACER has developed a vision of "a competitive European gas market, comprising entry-exit zones with liquid virtual trading points, where market integration is served by appropriate levels of infrastructure, which is utilised efficiently and enables gas to move freely between market areas to the locations where it is most highly valued by gas market participants." By proposing the merger of the BBL interconnector with the TTF market area, BBL and GTS wish to give substance to this vision.

By removing interconnection point (IP) Julianadorp, BBL and GTS will be able to integrate their transmission systems creating a joint entry-exit system in which they could continue to operate as two independent TSOs with their own respective general terms and conditions, assets and tariff methodologies.

The intended integration creates a direct connection between Europe's two largest gas trading hubs: the Dutch Title Transfer Facility (TTF) and the British National Balancing Point (NBP). The proposed integration will bring various benefits to the market such as more competitive and straightforward transport of gas, increased arbitrage opportunities with an average benefit of €2.5 million per year for the market, increased liquidity of TTF and NBP and increased balancing flexibility resulting in a potential cost reduction of €1.5 million per year for shippers within de enlarged TTF market area.[1] The proposed integration date is 1 January 2018.

To gain insight into the positions and attitudes of market parties towards the proposed merger, both BBL and GTS have organized a consultation. Because of the required modification of the BBL's General Terms & Conditions (GT&C), BBL was obliged to consult the market in accordance with the requirements of Condition 11A of Ofgem's Gas Interconnector Standard License Conditions. Although GTS was not obliged to do so, GTS wanted to give interested parties the opportunity to respond to the proposed integration.

Therefore, GTS and BBL each have organized a consultation regarding the proposed BBL interconnector merger with the TTF market area from 9 May until 9 June 2017. In addition, they held a joint workshop on 23 May in Hoofddorp.

This consultation report contains solely the consultation of GTS. The responses to the BBL consultation are recorded in the BBL conclusions report. Both reports and all non-confidential responses have been shared and discussed with ACM and Ofgem. The final reports including the non-confidential responses of market parties have been published on respectively, the BBL and GTS website.

GTS will take a final go/no go- decision on the merger in August 2017, ACM does not have a formal role in the approval of the project. BBL will submit its conclusions report to Ofgem including a request for approval of the modification of BBL's GT&C. If the proposed merger of the BBL interconnector with the TTF market area is approved by Ofgem, the integration will be implemented as of 1 January 2018. Once implemented, ACM will monitor whether the integration is in line with relevant European and national legislation for both BBL and GTS.

[1] Pöyry Management Consulting: The benefits of integrating the BBL and GTS transmission systems into the TTF market area, 2017.

2 Responses

Twelve market parties have submitted a response to GTS on the consultation:

- six shippers: ENGIE, Shell Energy Europe Ltd. (SEEL), British Gas Trading Ltd. (BGTL), Wingas, Vattenfall and GasTerra;
- two representative organisations: Vereniging Energie, Milieu en Water (VEMW) and the European Federation of Energy Traders (EFET);
- one shipper/storage operator: TAQA.[2]

Three parties have submitted a confidential response which we are allowed to incorporate anonymously in this consultation report.

2.1 General outline

All market parties have articulated a positive attitude towards the concept of market integration. The market parties acknowledge both the contribution to the development of the internal EU energy market and the benefits stemming from the project.

Four market parties, Wingas, BGTL, Vattenfall and one anonymous party state that they are in favour of the market integration with reference to market benefits such as competitive and straightforward transport of gas between TTF and NBP and increased liquidity of both TTF and NBP. In addition, all market parties value the increased arbitrage opportunities; based on the flow against price differentials over the last two till five years, Pöyry Management Consulting has calculated that the benefit for consumers will be on average €2.5 million per year. Moreover, the system support offered by BBL, which allows GTS to offer a 20% increase in flexibility resulting in a potential cost reduction of €1.5 million per year to the market, is also positively received by all market parties but one which have submitted a response.

However, GasTerra, VEMW, Vattenfall, EFET and one anonymous party maintain that although the proposed integration contains positive elements such as the aforementioned benefits, they do not consider the tariff redistribution of IP Julianadorp (1.2% tariff effect), a cost-reflective method. SEEL has merely indicated that more clarity is needed with regard to the impact on other tariffs. In addition, GasTerra and Vattenfall have proposed to replace the redistribution over all entry and exit points by an inter-TSO-compensation (ITC) mechanism which would provide compensation for the costs of losses incurred for hosting cross-border flows, or compensation for costs of losses related to transit flows. Some market parties indicated that the integration might have a negative impact on their individual portfolio's with regard to transporttariffs.

2.2 Discussion per comment

As every market party has touched upon multiple elements regarding the integration, the comments are collected in a comments matrix in the Appendix.

[2] BBL has received nine reactions to their consultation regarding the integration, from Wingas, BGTL, ENGIE, GasTerra, Taqa, VEMW and three confidential reactions. All responses (public and confidential) are identical to the responses submitted to GTS.

3 Conclusion

To address current and future gas market dynamics, ACER aims to realise a competitive, secure European gas market that benefits all consumers. The responses of the market parties indicate not only that all parties have a positive attitude towards the concept of market integration, but they also make clear that market parties believe integration to contribute to the development of the EU internal energy market. In addition, almost all market parties acknowledge the market benefits of the integration as analysed by Pöyry Management Consulting.

Despite the agreement on the positive impact of the proposed integration on the system as a whole, several market parties have stated, as expected by GTS, that they do not consider the tariff redistribution of IP Julianadorp a cost-reflective method. In addition, some market parties have added that the tariff redistribution might have a negative impact on individual portfolio's with regard to transporttariffs.

As five market parties have indicated that they would prefer a more cost-reflective method, therefore GTS has made a reassessment of possibilities for tariff redistribution, more specifically, inter-TSO compensation as proposed by GasTerra and Vattenfall. Unfortunately, it is highly likely that the introduction of an ITC mechanism would not boost liquidity, increase arbitrage opportunities nor would it result in additional gas flows or higher utilization of the BBL and GTS assets as it would not result in increased attractiveness of the transport route from the Netherlands to the UK. Finally, without the above mentioned benefits, there is no incentive for BBL to offer its buffer capacity to GTS in order to provide more flexibility for the Dutch market.

GTS concludes that the overall benefits for the market outweigh the effects following from the redistribution of the allowed revenues of interconnection point Julianadorp. We acknowledge that the redistribution of the allowed revenues and the corresponding increase of the tariffs might have a negative effect on some individual shippers, but we believe that all market parties will benefit from a direct connection between the two most liquid hubs in North West Europe, increased arbitrage opportunities with an average worth of €2.5 million per year, more flexibility made available through the free flexibility transfer resulting in a cost reduction of €1.5 million per year within the enlarged TTF market area and a further increase of liquidity on both TTF and NBP. Overall, Pöyry estimated the Net Present Value (NPV) of the integration at €45 million over twenty years.

To amplify the positive effects of the integration, GTS supports the implementation of reverse flow by BBL which will have a positive impact on arbitrage opportunities. In addition, the closing of the Rough storage facility, the largest storage site in the United Kingdom (UK) with a storage capacity of 33.5 TWh, can be considered a game changer, as it is highly likely that it will increase transport to the UK via amongst others, GTS and the BBL pipeline, which will have a positive impact on the utilization of both networks.[3] This might increase capacity bookings on other GTS entry points, enhance transport revenue recovery and result in relatively lower tariffs.

In August 2017, GTS will take a final go/no go decision on the BBL interconnector merger with the TTF market area.

[3] Centrica: Cessation of storage operations at Rough, 2017: https://www.centrica.com/news/cessation-storage-operations-rough

4 Appendix

Organization	Confidential	Subject	Remark	Response GTS
TAQA	no	Overall	TAQA also appreciates the efforts of BBL and GTS to involve stakeholders in their plans. However, TAQA has doubts whether the specific measures proposed are the right/ only ones that should be taken.	GTS appreciates TAQA's reaction on the consultation of the proposal to integrate the systems. GTS considers the proposed market integration as the first step in the further development of the Dutch gas market.
TAQA	no	Role ACM/EZ	TAQA has also serious concerns about the process and specifically the lack of formal role for the ACM.	GTS would like to respond to the concerns of TAQA. GTS involved ACM in an early phase of the project. We acknowledge TAQA's concern, but it is up to ACM to respond on their formal role within the project.
TAQA	no	Role ACM/EZ	TAQA also wonders if the Ministry was involved and if not, if the Ministry of Economic Affairs should have been involved. 1. TAQA requests a legal opinion on the role of ACM and the Ministry in the process; 2. TAQA would like to know how the inputs by the market will be taken into account.	The Ministry of Economic Affairs is informed about the project. Regarding the request of TAQA on gaining external legal advice, GTS is of the opinion that it is up to the Ministry of Economic Affairs and ACM to respond on their formal role within the project. GTS asked the market to respond on the project proposal. GTS reviewed the project proposal based on the market response.
TAQA	no	Buffer capacity	We would like to point out that if the integration does not occur, a bilateral agreement between the two TSOs may also generate the same benefit.	GTS and BBL agreed on implementing a package of measures as part of the market integration which will lead to various benefits for market parties such as straightforward and competitive gas transport, increased arbitrage opportunities, increased liquidity of TTF and increased flexibility as BBL puts a limited amount of its buffer capacity at the disposal of GTS. The flexibility of BBL has a certain value and is part of that package. Without the integration there is no incentive for BBL to offer part of its buffer capacity to GTS. Moreover, a bilateral agreement (not offering the flexibility for free) between two TSOs would be considered to be a balancing service under article 8 Reg. 312/2012. Due to the fact that there is a liquid short term market, a balancing service is not possible within the Netherlands. The merger of entry and exit systems creates the possibility for GTS to make use of the BBL buffer.
TAQA	no	NC TAR	TAQA would like to have a legal opinion confirming that the proposals do not affect NC TAR implementation in any way.	GTS is currently - together with ACM - consulting the market on the implementation of NC TAR. From a GTS point of view there is no clear way forward regarding the implementation, yet. Therefore it is not possible at this moment in time, to ask for legal advice. Nevertheless we invite TAQA to ask for the effect on NC Tar within the current NC TAR implementation process.

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TAQA	no	Integra-tion of storages	TAQA would like GTS to consider also integrating gas storages into its network, like the systems in Spain in Denmark. Although summer-winter spreads are historically low, they are still between 0.7 – 1.5 €/MWh. Removing entry and exit fees would considerably lower the cost of using gas storages and therefore further lower gas price volatility and improve market functioning.	The proposed integration of the BBL Interconnector into the TTF market area is a logical step in accordance with the gas target model, this is not the case with integration of transport customers such as storages or feeding points or industrial end users into the TTF market area. GTS will keep looking for opportunities to improve market functioning in ways that are beneficial for the whole market.
GasTerra	no	Overall	GasTerra generally supports the idea of a more integrated infrastructure supporting the TTF market area as it could improve trading possibilities for network users. GasTerra does recognize benefits for all shippers in the simplification of the operational procedures, as a consequence of which hurdles for flowing to the UK will be removed.	GTS is pleased to hear that Gasterra supports the integration of the TTF market area and we believe indeed that the integration will have a positive effect on liquidity. We furthermore welcome the positive feedback on the removal of operational hurdles.
GasTerra		Contract and IP JD	In the current proposal GTS allows all current bookings on exitpoint Julianadorp (JD) to be cancelled without additional costs, while the availability of the capacity remains unchanged.	GTS would like to make clear that the interconnection point Julianadorp will cease to exist as a bookable network point. That means that no services as described in chapter 2 of the Transmission code gas will be offered and can be booked on this point. Furthermore no nominations or other obligations regarding the usage of capacity are applicable anymore. With regard to existing capacity bookings on interconnection point Julianadorp GTS agrees on a mutual termination of the transportation contract with her customers who have booked entry and or exit capacity at Julianadorp. To be fully clear, there will be no new capacity bookings on interconnection point Julianadorp and existing capacity bookings will be terminated. Therefore there will be no 100% discount, due to the fact that there is no transportation contract anymore.
GasTerra	no	Costs of market merger/ Socializa-tion	The proposed socialization of the JD tariffs creates a cross-subsidisation between all network users and parties using the BBL. The socialization will on the one hand result in higher tariffs on all the remaining network points, causing higher costs for all shippers and users in The Netherlands, while on the other hand it will lower the costs for current and future BBL -users. This method of socialization of tariffs is the least cost reflective (user pays) option as there is no direct transportation fee covering the GTS costs for flows towards UK anymore.	GTS would like to respond to Gasterra's point of view. GTS is aiming to remove barriers to trading between NBP and TTF. Direct benefits of the integration are straightforward and competitive transport, increased arbitrage opportunities averaging €2.5 million per year, increased liquidity of TTF and a potential cost reduction of €1.5 million per year for the Dutch market due to increased flexibility. A potential positive effect of the removal of trade barriers is that market parties are able to directly enter the Dutch market on the TTF and leave it at Bacton. This will lead to a more attractive transit route from NL to the UK, which then will lead to a higher utilization of the GTS grid as it attracts more gas flows through the Netherlands resulting in additional sales and lower tariffs. Without higher utilization, we agree that there will be increased tariffs for some market parties, but we believe that a higher utilization will lead to a more liquid

Organization	Confidential	Subject	Remark	Response GTS
				market.
GasTerra	no	Pöyry	First, the (real) additional costs for shippers resulting from socializing the JD tariffs are not taken into consideration in the study, while the (estimated) perceived advantages, such as avoided balancing actions, are. This does not reflect the full cost/benefit picture.	The cost benefit analysis as performed by Pöyry Management Consulting is based on a system level. For the aggregation of all shippers the tariff redistribution is neutral as there are no additional costs for shippers, except part of the IT costs. The benefits for the market as a whole outweigh the IT costs, hence the analysis is positive. Despite the positive impact on the gas system as a whole, the proposed integration might have a negative impact on individual market parties.
GasTerra	no	Pöyry	In addition, one of the advantages suggested in the Pöyry study is that lowering the transportation costs towards UK could contribute to better arbitrage possibilities between NBP and TTF. While this could be true, it should not be a reason to apply a non-cost reflective discount on the transportation cost on JD. These benefits do not contribute to the TTF market area, but are benefits that potentially can be realized by individual companies. This also applies to the benefits of avoided balancing actions.	GTS believes that the integration will bring various benefits such as more competitive and straightforward transport of gas, increased arbitrage opportunities, increased liquidity of TTF and NBP, and increased balancing flexibility for the Dutch market, which will contribute to the attractiveness of the TTF market area.
GasTerra	no	Inter-TSO compen-sation	The TSOs GTS and BBLC can divide and settle the costs and revenues amongst each other if desired. In this way the same advantages of the merge will be realized, while avoiding unnecessary cross-subsidization.	Indeed article 11 of the NC Tariffs leaves the choice to implement an inter-TSO mechanism (ICT) the TSOs. GTS and BBL after having received the consultation responses considered introducing an ITC mechanism, but came to the following conclusion. Within the inter-TSO mechanism the allowed revenues on interconnection point Julianadorp of GTS would be redistributed to Bacton and put on top of the BBL tariff. We believe that benefits such as straightforward and competitive transport, increased arbitrage opportunities averaging €2.5 million per year and increased liquidity of TTF will disappear, with the introduction of an ITC mechanism. This leads to a negative cost-benefit analysis. Taking this into account there would be no incentive for BBL and GTS to continue the market integration.
Vattenfall	no	Costs of market merger/ Socializati on	However, if proposed market integration mainly leads to the discrimination against some shippers and network users, the costs of such a merger have to burdened by those whereas the benefits are not applicable to them, we are not necessarily in favour of a market area merger.	The intended market merger does not lead to discrimination of network users. By merging BBL into the TTF market area, the TTF and the wholesale markets become more liquid, efficient and competitive. In a more competitive and more liquid market, there will be enhanced competition between commodity suppliers resulting in more efficient price formation, which will be beneficial to all network users. Furthermore the allowed revenues are not considered costs, because from a market perspective these are neutral. It is right that the allowed revenues will be redistributed over all other points and due to that the tariffs will increase by 1,2%, but shippers who want to ship gas from and to the UK benefit. Therefore €8,8

Organization	Confidential	Subject	Remark	Response GTS
				million (current GTS JD revenues) are benefits on the one side and costs on the other side, but overall they are neutral. However, despite the positive impact on the gas system as a whole, the proposed integration might have a negative impact on individual market parties. Please see the conclusion for the reassessment of other tariff redistribution options by GTS.
Vattenfall	no	Costs of market merger/ Socializati on	Hence, Dutch grid users are charged for the merging of BBL into the TTF market area but they do not benefit from this market integration.	The analysis by Pöyry Management Consulting shows that the integration of the BBL interconnector into the TTF market area will bring various benefits to the market such as straightforward and competitive transport, increased arbitrage opportunities for the market averaging €2.5 million per year, increased liquidity of TTF and a potential cost reduction of €1.5 million per year for the Dutch market due to increased flexibility. We believe the direct benefits outweigh the impact on tariffs. In addition, the direct connection between TTF and NBP increases the attractiveness of the transit route from the Netherlands to the UK (and vice versa) which might lead to additional gas flows and thereby, an increase of the utilization of the GTS and BBL assets. When accompanied by additional capacity bookings, this might result in overall lower GTS transport tariffs benefiting Dutch grid users. Despite the positive impact on the gas system as a whole, the proposed integration might have a negative impact on individual market parties.
Vattenfall	no	Inter TSO compen-sation	Vattenfall prefers a more cost-reflective method and therefore suggests to add the current Julianadorp tariff to the remaining Bacton IP or to decrease the tariff costs on the entry/exits of BBL on both sides. The European Network Code Tariffs enables an inter TSO compensation of TSOs active in more than one Member State.	Indeed article 11 of the NC Tariffs leaves the choice to implement an inter-TSO mechanism ITC) the TSOs. GTS and BBL after having received the consultation responses considered introducing an ITC mechanism, but came to the following conclusion. Within the inter-TSO mechanism the GTS allowed revenues of interconnection point Julianadorp would be redistributed to Bacton and put on top of the BBL tariff. We believe that benefits such as straightforward and competitive transport, increased arbitrage opportunities averaging €2.5 million per year and increased liquidity of TTF will disappear, with the introduction of an ITC mechanism. This leads to a negative cost-benefit analysis. Taking this into account there would be no incentive for BBL and GTS to continue the market integration.

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Vattenfall	no	Balancing costs and arbitrage oppor-tunities	Vattenfall feels that these two arguments however do not result in the benefits as presented by GTS. The trading activities in the UK are (currently) not depending on capacities or tariffs of the BBL. Furthermore, Vattenfall – as well as other existing shippers – does not struggle within the current balancing regime of GTS and therefore does not see any potential upside with regards to the increase of line pack and cheaper balancing costs.	Due to the removal of Julianadorp the route through GTS and BBL and the TTF hub will become more attractive thereby potentially attracting more gas flows and creating a higher utilization of the transport assets which is positive for all network users in the end. Regarding the balancing regime GTS and BBL do not propose to change the current regime, but to enlarge the dark green zone. This will lead to more flexibility for shippers within the TTF market area. Pöyry expects a cost saving of €1.5 million per year for the shippers. Of course the benefits of increased flexibility will not be evenly spread over the market. Major shippers with a lot of flexibility might benefit less than relatively small shippers which do not have readily access to flexibility.
Wingas	no	Easier trading and transpor-tation	WINGAS supports the proposals as we think the new arrangements will simplify trading and transporting natural gas between TTF and NBP. Network users in both market areas would benefit from the integration.	GTS is pleased to hear that the simplification of the process is appreciated by Wingas.
Wingas	no	Liquidity TTF and NBP	WINGAS agrees that the integration of the BBL pipeline into the GTS market area may enhance liquidity both, at the TTF and the NBP.	We believe indeed that the integration will have a positive effect on liquidity at both TTF and NBP.
Wingas	no	Arbitrage oppor-tunities	The integration may also lead to improved arbitrage opportunities diminishing price differences and fluctuations between the two trading hubs. Therefore, we support the proposal to redistribute the exit Julianadorp tariff of GTS across the other entry and exit points.	GTS appreciates that Wingas adopts a system perspective on market integration focusing on the added value for the market as a whole.
Wingas	no	Buffer capacity	We also welcome that the increased system linepack reduces required balancing actions by GTS and thus leads to cost savings for shippers.	GTS is pleased to hear that their joint effort to reduce the required balancing actions of GTS is valued.
Wingas	no	Seasonal factors	WINGAS would suggest that GTS reconsiders their current use of seasonal factors, which can deter shippers from buying capacities and reduce flows through the GTS system.	Thank you for your suggestion. Currently GTS, together with ACM, is preparing the implementation of NC TAR of which seasonal factors are a part. Therefore, we encourage Wingas to participate in the market discussions and bring forward their opinion on the use of seasonal factors.
Wingas	no	EU internal energy market	Finally, we can agree that within the aims of the Gas Target Model the integration of BBL into the GTS market area would contribute to the further development of the EU internal energy market.	GTS indeed intends the proposed integration as a step toward further development of the EU internal energy market.
XX	yes	EU internal energy market	This integration will contribute to the further development of the EU internal market.	GTS indeed intends the proposed integration as a step toward further development of the EU internal energy market.

Organization	Confidential	Subject	Remark	Response GTS
XX	yes	Buffer capacity	I hope the EU internal market in its final form does not mean we will have one single Balancing Zone with one virtual trading point as than the one and only market area manager will have to solve a lot of internal congestion. In solving these it would have to seek the cheapest solution via market mechanisms to be developed. I therefore appreciate this becoming part of the TTF is combined with BBLC and GTS sticking to 'their own balancing rules'.	GTS and BBL have consciously decided to maintain the 'in equals out' system of BBL and the market-based balancing system of GTS as each set of balancing rules is an integral part of respectively BBL's and GTS' gas transport system. We agree that parties considering an integration should opt for the most efficient solution.
BGTL	no	Liquidity TTF and NBP	GTS & BBL expect an increase in liquidity at both the UK & Dutch hubs – we support their assertion;	We believe indeed that the integration will have a positive effect on liquidity at both TTF and NBP.
BGTL	no	Benefits increased utilization	Expectation of increased volume through the hubs should ultimately benefit end-users;	A potential positive side effect of the integration is an increase in utilization. When accompanied by additional capacity bookings, this might result in overall lower GTS transport tariffs amongst others, benefiting end users.
BGTL	no	Buffer capacity	Market-wide benefits with regards to the balancing costs as a result of GTS access to increased line pack;	GTS is pleased to hear that their joint effort to reduce the required balancing actions of GTS is valued.
BGTL	no	Compli-ance	The proposal appears compliant with European Codes and contractually should be straightforward to bring into effect;	GTS has studied the compatibility of the proposal with the European codes and found, as has BGTL, that the proposal is compliant. Contractual obligations between BBL and GTS, and both BBL and GTS with their shippers are straightforward and can be implemented with ease.
BGTL	no	Imple-menta-tion costs	The implementation costs of such a project have been described as 'minor';	The implementation costs are estimated at €1,5 million and will be borne on a 50/50 basis by BBL and GTS.
BGTL	no	Position Ofgem and ACM	The development is in the spirit of removing barriers to cross-border trading and we would expect such a development to be welcomed by both Ofgem & the ACM.	GTS indeed intends the proposed integration as a step toward further development of the EU internal energy market and hope this is recognized by ACM and Ofgem.
Shell	no	EU internal energy market	As an overriding comment, however, the proposal is to be welcomed as, in several respects, it could be expected to enhance further market integration. Yes, the proposed integration of BBL into the GTS market area would enhance the development of the EU internal energy market.	GTS indeed intends the proposed integration as a step toward further development of the EU internal energy market.
Shell	no	Liquidity TTF and NBP	SEEL agrees that the merger could be expected to enhance both TTF and NBP liquidity levels, which would likely lead to greater hub convergence.	We believe indeed that the integration will have a positive effect on liquidity at both TTF and NBP.
Shell	no	Buffer capacity	Increasing the GTS Buffer will also require fewer TSO balancing actions; the average reduction of €1.5 million per year in balancing costs should be welcomed.	GTS is pleased to hear that their joint effort to reduce the required balancing actions of GTS is valued.
Shell	no	Compli-ance	SEEL has been unable to identify any areas of non-compliance.	GTS has extensively studied the compatibility of the proposal with the European codes and found, as has BGTL, that the proposal is compliant.

Organization	Confidential	Subject	Remark	Response GTS
Shell	no	Costs of market merger/ Socializati on	We would make two further related points regarding the proposed merger: a) While the proposal will help simplify the flows of gas between NBP and TTF, more clarity is needed with regards to the impact on other tariffs due to the consequential socialization of costs (due to the removal of the Julianadorp IP).	GTS will invite Shell to discuss the proposed tariff redistribution in detail.
ENGIE	no	Market efficiency/ direct connectio n/arbitrag e opportunit ies/buffer capacity	ENGIE agrees that the intended integration will contribute to improved market efficiency between TTF and NBP. The expansion of the TTF market area will most certainly bring benefits for the market such as a direct connection between TTF and NBP, improved arbitrage opportunities and increased flexibility for the Dutch market.	GTS is pleased to hear that ENGIE appreciates the benefits stemming from the proposed integration.
ENGIE	no	Effect German and Belgian markets	However, it is to be noted that this integration favours the connection of the Dutch market with the UK market, to the detriment of the connection with the German and/or Belgian markets.	Pöyry Management Consulting has analyzed the impact of the tariff effect on the trade between TTF and Germany and Belgium and concluded that the current price differential between the TTF and the other non-NBP hubs is such that the spread is unlikely to cover the capacity costs, therefore it is not economic to try and arbitrage between the markets. So while an increase in the capacity costs may make the decision to arbitrage less likely, it should not impact on the shippers to arbitrage or not. Nevertheless, GTS supports the development of the EU internal energy market and is thus actively working on the implementation of VIPs and NC TAR, and is considering further opportunities to increase market efficiency.
ENGIE	no	Long term contracts	The shippers with long-term gas transport subscriptions cannot effectively compete on a level playing field basis with the short-term shippers, which is not conform with the requirements of European regulations to enhance competition. On the basis of the above, ENGIE suggests that BBLC and GTS seize this opportunity to review the terms and conditions of their long-term gas transport contracts in order to propose a fair and equitable system for all the shippers.	Thank you for your suggestion, however, the remark is not relevant for this project or the consultation.
ENGIE	no	Shorthaul	Finally, ENGIE asks that the shorthaul between production fields (GTS entry point Balgzand) and the BBL remain possible.	The shorthaul service as such will remain unaltered as is established in article 2.1.6. of the Transmission code gas. But due to the fact that interconnectionpoint Julianadorp wil cease to exist as a bookable network point no shorthaul service including Julianadorp will be offered. That means that shorthaul between e.g. Balgzand en BBL will no longer be possible.
XX	yes	EU internal energy market	In general we appreciate the pro-active approach of GTS and BBLC to push for further market integration and to try to attract shippers in order to increase utilization in the BBL pipeline and to bring	GTS indeed intends the proposed integration as a step toward further development of the EU internal energy market and to bring benefits to the NWEs markets.

Organization	Confidential	Subject	Remark	Response GTS
			additional benefit to North West Europe's largest gas markets.	
XX	yes	Costs of market merger/ Socializa-tion	XX is concerned about the intention that GTS will redistribute its missing IP Julianadorp tariff revenue to all its other entry and exit points. Current long term capacity holders on the GTS grid, such as XX, would be disadvantaged by the envisaged socialization of tariffs in the amount of +1,2% across all other Entry/Exit points in the GTS grid. The socialization of tariffs in the amount of 1,2% would result in a negative economic impact to XX transport portfolio in the Netherlands. While a slightly positive economic effect is set in the years 2018 until the end of the contracted BBL capacity, the overall effect on our portfolio is clearly negative considering the long remaining contract term of several GTS contracts.	The analysis by Pöyry Management Consulting shows that the integration of the BBL interconnector into the TTF market area will bring various benefits to the market such as straightforward and competitive transport, increased arbitrage opportunities for the market averaging €2.5 million per year, increased liquidity of TTF and a potential cost reduction of €1.5 million per year for the Dutch market due to increased flexibility. From a system perspective, the direct benefits outweigh the impact on tariffs. In addition, the direct connection between TTF and NBP increases the attractiveness of the transit route from the Netherlands to the UK (and vice versa) which might lead to additional gas flows and thereby, an increase of the utilization of the GTS and BBL assets When accompanied by additional capacity bookings, this might result in overall lower GTS transport tariffs amongst others, benefiting XX. Despite the positive impact on the gas system as a whole, the proposed integration might have a negative impact on individual market parties. Please see the conclusion for the reassessment of other tariff redistribution options by GTS.
XX	yes	Reduction of transact-tion costs and activities	Yes. Integrating BBL into the TTF market area will deliver a positive effect by reducing transaction costs in both the NBP and TTF market areas. With the removal of Julianadorp IP network users will benefit from a reduction of transactional activities when transporting gas from TTF to NBP and vice versa and lower the threshold of transporting between the two markets. In that respect, we believe that the integration is a positive step forward which would, however, need to be accompanied by further measures to address the persisting market problems.	GTS strives to increase the attractiveness of transport from the Netherlands to the UK through overall lower costs of transporting gas combined with having only one bundled capacity product between TTF and NBP.
EFET	no	Liquidity TTF and NBP	EFET agrees that the integration of the BBL pipeline into the GTS market area may contribute to further liquidity at the TTF as well as the NBP.	We believe indeed that the integration will have a positive effect on liquidity at both TTF and NBP.
EFET	no	Arbitrage opportu-nities	The integration may also lead to improved arbitrage opportunities leading to fewer price differences and fluctuations between the two trading hubs.	GTS appreciates that EFET adopts a system perspective on market integration focusing on the added value for the market as a whole.
EFET	no	Buffer capacity	Increasing the GTS Buffer leading to fewer balancing actions from GTS should be welcomed, especially if it will lead to an average reduction of €1.5 million per year in balancing cost across all shippers.	BBL and GTS are pleased to hear that their joint effort to reduce the required balancing actions of GTS is valued.

Organization	Confidential	Subject	Remark	Response GTS
EFET	no	EU internal energy market	EFET agrees that within the aims of the Gas Target Model the integration of BBL into the GTS market area would contribute to the further development of the EU internal energy market.	BBL and GTS indeed intend the proposed integration as a step toward further development of the EU internal energy market.
EFET	no	Costs of market merger/ Socializati on	However, in the proposal, the GTS charges for the network point Julianadorp will be set to zero. The resulting revenue shortfall is to be recovered from an increased charge at all entry and exit points, including the newly added BBL points. This leads to a level of cross subsidization and a transfer of value from one group of network users to another. The creation of windfall winners and losers is not helpful to efficient market decisions. The details of the size of the revenue shortfall and how it would be recovered are therefore critical, and careful thought should be given to them.	BBL and GTS will remain independent TSOs, therefore, both parties will keep their own entry and exit points with the exception of IP Julianadorp which will be removed. Hence, there is no such thing as 'newly added BBL points'. The analysis by Pöyry Management Consulting shows that the integration of the BBL interconnector into the TTF market area will bring various benefits for the market such as straightforward and competitive transport, increased arbitrage opportunities for the market averaging €2.5 million per year, increased liquidity of TTF and a potential cost reduction of €1.5 million per year for the Dutch market due to increased flexibility. From a system perspective, the direct benefits outweigh the impact on tariffs. In addition, the direct connection between TTF and NBP increases the attractiveness of the transit route from the Netherlands to the UK (and vice versa) which might lead to additional gas flows and thereby, an increase of the utilization of the GTS and BBL assets. When accompanied by additional capacity bookings, this might result in overall lower GTS transport tariffs. Despite the positive impact on the gas system as a whole, the proposed integration might have a negative impact on individual market parties. Please see the conclusion for the reassessment of other tariff redistribution options by GTS.
VEMW	no	Overall	In general, VEMW supports measures that improve market functioning, resulting in more efficient market outcomes reflecting supply and demand. An important measure could be an improvement of the access to gas markets through interconnectors and the access to transport capacity. The tariffs for transport must be efficient and reflect the real underlying costs. These tariffs should be transparent and non-discriminatory, in line with European regulation[2].	GTS appreciates VEMW's support of measures which improve market functioning.

Organization	Confidential	Subject	Remark	Response GTS
VEMW	no	Market opportuni-ties	BBL is one-directional towards the UK and - administrative – backflow will only be available if there is sufficient – physical – flow to the UK. VEMW questions whether the proposal will present extra market opportunities. And if, to what extent these opportunities are limited to the existing BBL capacity holders.	The analysis by Pöyry Management Consulting shows that the integration of the BBL interconnector into the TTF market area will bring various benefits to the market such as straightforward and competitive transport, increased arbitrage opportunities for the market averaging €2.5 million per year, increased liquidity of TTF and a potential cost reduction of €1.5 million per year for the Dutch market due to increased flexibility. In addition, the possible implementation of physical reverse flow by BBL and the cessation of the Rough storage will further strengthen market opportunities. These market opportunities are not only open to existing BBL capacity holders, but to all parties who wish to transport gas from NL to UK (or vice versa). Benefits such as increased liquidity on TTF and increased flexibility are also or entirely of interest to the Dutch market.
VEMW	no	Buffer capacity	With an additional 5 GW linepack, the green balancing zone is extended, which might lower the balancing costs. VEMW questions to what extent all grid users benefit from this proposed measure.	The GTS buffer capacity is extended with 10 GWh (5 GWh long and 5 GWh short) resulting in a potential cost reduction of €1.5 million per year. The increased flexibility will only benefit GTS grid users. BBL will not extend its current buffer capacity.
VEMW	no		From the merger documents we understand that BBL Company and GTS will remain separate companies in the future, with separated asset bases and no transfer of costs between the two. For VEMW, this is an important aspect, since long-term BBL transport contracts end in the near future, and possible stranded costs on the BBL should not be charged to Dutch gas grid users.	As was also expressed during the workshop by Luuk Feenstra, Managing Director BBL: at present, GTS and BBL do not intend to merge but aim to stay independent TSOs with separate asset bases each with their business model.
VEMW	no	Costs of market merger/ Socializa-tion	In our view, the proposal to eliminate the Julianadorp exit point is a non-cost reflective measure, creating a discount on transportation costs for a limited group of grid users, while increasing transport costs for all other points in the Netherlands with 1,2 percent through cost socialisation. According to the proposal, British grid users will benefit without being charged for the transport services through the BBL. In our view, these costs should be beared on both sides of the BBL-interconnector.	GTS would like to make clear that there is no such thing as a discount: interconnection point Julianadorp will cease to exist as a bookable network point. That means that no services as described in chapter 2 of the Transmission code gas will be offered and can be booked on this point. With regard to existing capacity bookings on interconnection point Julianadorp GTS agrees on a mutual termination of the transportation contract with her customers who have booked entry and or exit capacity at Julianadorp. There will be no new capacity bookings on interconnection point Julianadorp and existing capacity bookings will be terminated. Therefore there will be no discount, due to the fact that there is no transportation contract anymore. Please see the GTS response to the following comment for our thoughts on cost-reflectiveness.

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VEMW	no		We request GTS to review the current consulted proposal. If market integration and improvement is the goal, there must be better alternatives to realise this goal without undesirable cross subsidisation of costs.	GTS and BBL after having received the consultation responses considered introducing a cost-reflective ITC mechanism, but came to the following conclusion. Within the inter-TSO mechanism the GTS allowed revenues of interconnection point Julianadorp would be redistributed to Bacton and put on top of the BBL tariff. We believe that benefits such as straightforward and competitive transport, increased arbitrage opportunities averaging €2.5 million per year and increased liquidity of TTF will disappear, with the introduction of an ITC mechanism. This leads to a negative cost-benefit analysis. Taking this into account there would be no incentive for BBL and GTS to continue the market integration.