

Gasunie Transport Services B.V.  
Board  
Attn. mr. R. Oudejans  
Postbus 181  
9700 AD GRONINGEN

Woerden : 9 June 2017  
our ref. : E17b09/HG-tr  
direct nr. : 0348 48 43 58  
e-mail : jvdw@vemw.nl

Subject : View on the BBL Interconnector merger with the TTF Market Area

Dear Mr. Oudejans,

Please find enclosed VEMW's view on the proposed BBL Interconnector merger with the TTF Market Area. Our view is based on your consultation documents<sup>1</sup> issued 9 May 2017.

### **General remarks**

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<sup>2</sup>.

### **Market benefits**

In the consultation documents, it is stated that the integration creates a direct connection between NBP and TTF, leading to market benefits. However, that connection is already there. 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.

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<sup>1</sup> *Information document 'BBL Interconnector merger with the TTF market area' Pöyry-report on 'The benefits of Integrating the BBL and GTS Transmission Systems into the TTF Market Area'*

<sup>2</sup> *Article 14.1 Regulation 714/2009/EG J<sup>o</sup> Article 37.3 Directive 2009/72/EG*

**Balancing costs benefit**

In the consultation documents it is stated that one interconnector exit point (Julianadorp) will be eliminated, improving the booking opportunities for shippers on the BBL. 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.

**Transportation costs**

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.

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.

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. Of course we are open to further explain our view and discuss possible alternatives.

Kind regards,

sgd

dr. H. Grünfeld  
General Manager

c.c. mr. R. Schutte, Manager Projects Industry & Markets GTS  
c.c. mr. L. Feenstra, Managing Director BBL Company