

0646R OAD Review Group Proposal for Shared Sites

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Background

An offtake is defined under OAD as one or more Individual Offtake Points, located on the same site, at each of which gas can flow between one network operator and another. These Individual Offtake Points are the physical connection(s) comprising of a single pipe that enables gas to flow from network to network.

For NTS/LDZ offtakes, the definition goes further to state that gas can only flow from the NTS into an LDZ. For LDZ/LDZ offtakes, there are three sub-categories a site could align to. These are the conventional type similar to an NTS/LDZ arrangement, a 'closed' type, or 'bi-directional' type.


If site qualifies under the criteria set out under OAD Section A2 then all the other arrangements concerning the roles and responsibilities of the upstream and downstream parties then apply.

As part of Cadent's sale from National Grid in 2017, a number of sites were identified where the parties had assets within the same common boundary. These sites fall into a number of categories as described below:

- A 'Closed' Offtake. This is where two operators have assets within the same site boundary where a network connection exists and demarcation is via one or more closed valves. The connection has the potential to flow gas between the upstream and downstream operators. These sites should be covered by a Supplemental Agreement similar to the arrangements for LDZ/LDZ offtakes.
- A shared site. This is where two operators have assets within the same site boundary but the network systems are not connected and gas cannot pass between the upstream and downstream operators. However, temporary connections are required every 10-15 years to enable the downstream distribution operator to inspect its pipelines in line with its obligations under PSSR.
- A separate enclosed site within another operator's site compound.

The shared sites identified are currently not covered by OAD. This presents a number risks for both operators as there are no other legal agreement in place between the parties covering key provisions such as access rights, liabilities, cost recovery or other vital requirements.

Where shared sites exist due to in-line inspection requirements, additional indemnity agreements have been needed in order to support the required activity. This results in additional effort being incurred by both parties to



implement the requirements but often board approval is required by the DNO due to the significant amounts stated.

Objective

OAD provides a reasonably sound framework and principles for parties to comply with where an offtake exists.

Rather than having to initiate a separate legal agreement between the respective parties to cater for these additional sites, it is proposed to review and widen the scope of OAD to cover shared sites as well as the established offtakes.

Proposal

In order to incorporate shared sites within the remit of OAD it is proposed to amend the definitions in Section A so that NTS/LDZ offtakes can either be:

- A site that flow gas from the NTS to an LDZ
- A 'Closed' offtake similar to that of the LDZ/LDZ definition; and
- A 'Bi-directional' site but only to facilitate in-line inspection activity for the DNO

There can be two ways to approach and implement the required changes. Either:

- the definitions are redrafted so that they apply universally to both types of offtake; or
- individual definitions are retained for both types of offtake and bespoke caveats can be applied for their application. For example, a bi-directional NTS/LDZ can only exist to support in line inspection activities for the respective DNO.

If the first option is chosen, other clauses may also need amending given that there are some specific requirements in existence surrounding LDZ/LDZ closed offtakes.

Action

Operators are asked to review:

- a) their estate portfolio to ensure that they do not have any other sites that may fall into the revised definition of 'shared site';
- b) the proposal above taking into account the background information and the objective set; and
- c) the proposed OAD changes as put forward by Cadent via the spreadsheet submitted to the industry group 0646R earlier this year.

The intent is this document will set out the principles for addressing the issues concerning shared sites with the intent to codify the necessary amendments under UNC OAD at a later date.

