











UNC Final Modification Report		At what stage is this document in the process?
<div>UNC 0675S:</div> <div>Enabling changes to the BBL Interconnection Agreement to facilitate physical reverse flow</div>		<div>01Modification</div> <div>02Workgroup Report</div> <div>03Draft Modification Report</div> <div>04Final Modification Report</div>
<div>Purpose of Modification:</div> <div>UNC Modification to enable changes to be made to the BBL Interconnection Agreement to facilitate physical reverse flow and amendment to reference temperature conditions.</div>		
<div></div>	<div>The Panel determined that this self-governance modification be implemented.</div>	
<div></div>	<div>High Impact:</div> <div>BBL</div>	
<div></div>	<div>Medium Impact:</div> <div>National Grid NTS, BBL Shippers</div>	
<div></div>	<div>Low Impact:</div> <div>None</div>	

Contents		 Any questions?
1	Summary	3
2	Governance	3
3	Why Change?	4
4	Code Specific Matters	4
5	Solution	4
6	Impacts & Other Considerations	5
7	Relevant Objectives	6
8	Implementation	7
9	Legal Text	8
10	Consultation	8
11	Supplemental Workgroup Report	12
12	Panel Discussions	22
13	Recommendations	23
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1 Summary

What

The purpose of this Modification is to enable amendments to be made to the Interconnection Agreement between National Grid Gas Plc and BBL Company VOF, which provide for gas to be physically offtaken from the NTS at the BBL Interconnection Point at Bacton. These amendments will facilitate physical reverse flow (GB to the Netherlands) and be mainly made to the Network Exit Provisions in respect of Maintenance, Pressure, Flow Profiles, Notice Periods for Rate Changes and Gas Quality. There will also be updates required to other areas of the agreement to make clauses bi-directional where applicable, including updates to the Local Operating Procedures.

Whilst amending the Interconnection Agreement (IA), National Grid NTS and BBL also propose to update certain provisions associated with reference conditions to reflect operational reality.

Why

BBL have made an application to National Grid NTS for physical reverse flow (GB to the Netherlands) at the BBL Interconnection Point at the Bacton terminal with a start date of 01/10/2019. The current Interconnection Agreement between National Grid Gas Plc and BBL Company VOF includes provision for physical NTS entry flows and commercial reverse flow. Therefore, amendments to the Interconnection Agreement are required to specify provisions for physical reverse flow.

How

As specified in the UNC EID Section A - General, paragraph 4.1.3 "National Grid NTS will not agree with the Adjacent TSO to amend the Relevant Interconnection Provisions in relation to an Interconnection Point except:

- (a) with the approval of each User which for the time being holds Available Interconnection Point Capacity at the Interconnection Point, or
- (b) pursuant to a Code Modification which authorises such agreement; or
- (c) as may (in the reasonable opinion of National Grid NTS) be required to enable National Grid NTS or the Adjacent TSO to comply with any Legal Requirement."

National Grid NTS proposes to use the route specified in (b) above in this case.

2 Governance

Justification for Self-Governance

Panel determined the Modification is unlikely to have a material effect on competition as it is a facilitating Modification and requires no amendments to the Uniform Network Code (UNC).

Modification 0675S will therefore follow self-governance procedures.

Requested Next Steps

This Modification should:

- proceed to Consultation

3 Why Change?

Physical Reverse Flow

The BBL interconnector is a 235-kilometer pipeline which connects Europe's largest trading hubs, TTF and the NBP. The BBL interconnector currently transports gas from Julianadorp in the Netherlands to Bacton in Great Britain. BBL Company VOF has made a connection application to National Grid NTS to enable physical reverse flow on the BBL interconnector (Bacton to Julianadorp). A full connection offer was accepted by BBL in November 2018.

The BBL Interconnection Agreement needs to be amended to facilitate physical reverse flow. The amendments will mainly be to the Network Exit Provisions in respect of Maintenance, Pressure, Flow Profiles, Notice Periods for Rate Changes and Gas Quality. There will also be updates required to other areas of the agreement to make clauses bi-directional where applicable, including updates to the Local Operating Procedures.

Common Units

In recognition of the requirements set out in the EU Interoperability Network Code in relation to Common Units¹, National Grid NTS and BBL agreed in 2015 to measure gas flows and quality at the BBL Interconnection Point using normal reference conditions of 0°C for volume and 25°C for calorific value (hereafter referred to in this Modification as "0/25"). Neither party was ready to make this operational change when originally envisaged in the agreement. The parties have since agreed that BBL will provide measurements using both standard and normal conditions and therefore the Interconnection Agreement requires updating to reflect this.

4 Code Specific Matters

Reference Documents

None.

Knowledge/Skills

None.

5 Solution

Amend the National Grid NTS and BBL Interconnection Agreement to remove the commercial reverse flow rules in the Network Exit Provisions and introduce new rules to facilitate physical reverse flow in the areas of Maintenance, Pressure, Flow Profiles, Notice Periods for Rate Changes, and Gas Quality.

Amend additional areas of the Interconnection Agreement to make clauses suitable for the physical bidirectional nature of the BBL Interconnector, including Local Operating Procedures.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0703&from=EN>, chapter III, Units

Insert the relevant provisions to reflect that BBL now send gas flow and quality measurements to National Grid NTS in normal units as well as standard units.

This is an enabling Modification; therefore, no changes to UNC text are required.

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

Workgroup Impact Assessment

Workgroup noted this is an enabling Modification which is the standard process for reviewing changes to such documents as Network Entry Agreements and Interconnection Agreements that may impact upon Users.

Workgroup noted the delay in viewing the draft changes to the Interconnection Agreement; the document was published on the Joint Office website on 09 April 2019.

Workgroup noted that there already exists provision for commercial reverse flow, this has now been deleted from the Interconnections Agreement and has been replaced with more substantial network exit provisions.

Workgroup noted Interconnector UK's request for consideration of a review of the Interconnector UK's Interconnection Agreement. This has been triggered by publication of the draft changes to the BBL Interconnection Agreement. Interconnector UK is of the view that there are changes to its Interconnection Agreement which will necessitate discussion. These include, but are not limited to:

- Pressure services
- Flow rates
- Velocity protocols.

National Grid is of the view that the evaluation of the Interconnector UK is independent of this Modification and as such the Workgroup report for 0675S should be treated separately to the review of the Interconnection Agreement. Workgroup noted that a UNC Modification to enable the review of the Interconnection Agreement for Interconnector UK cannot be initiated by Interconnector UK itself, but must be initiated by National Grid. Bilateral discussions can of course continue offline.

A Workgroup Participant noted that Interconnector UK had sight of the changes to the BBL Interconnection Agreement from 09 April 2019 published on the Joint Office website (it may have been available elsewhere before this).

A Workgroup Participant noted that there does not appear to be any impact on other UNC Users, given the relatively little amount of detail Workgroup has heard about the changes which may be discussed as part of the review of the Interconnector UK Interconnection Agreement.

Consumer Impacts

None.

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	GB consumers are not likely to see an impact from this Modification proposal.
What costs or benefits will pass through to them?	n/a
When will these costs/benefits impact upon consumers?	n/a
Are there any other Consumer Impacts?	n/a

Cross Code Impacts

None.

EU Code Impacts

Article 5 of the revised Gas Security of Supply Regulation (EU 2017/1938) states that “The transmission system operators shall enable permanent physical capacity to transport gas in both directions ('bi-directional capacity') on all interconnections between Member States except:...(b) where an exemption from that obligation has been granted, after detailed assessment and after consulting other Member States and with the Commission in accordance with Annex III”. Annex III goes onto specify that submission for exemption shall take place no later than 01 December 2018. These derogations are for a maximum period of four years.

Therefore, once physical reverse flow of the BBL interconnector is achieved, the current derogation can be terminated.

Central Systems Impacts

None.

Rough Order of Magnitude (ROM) Assessment

There are no system impacts from this Modification.

7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. 	None
c) Efficient discharge of the licensee's obligations.	None

d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

The Workgroup agrees with the Proposer that the Relevant Objectives are furthered, as follows:

- d) Workgroup participants agreed the Modification Proposal gives more options available to shippers in terms of export, providing more flexibility in terms of destination and quantity. This furthers competition for shippers.
- g) Workgroup agreed with the Proposer that this Modification furthers compliance with the Revised EU Security of Supply Regulation² in that it enables physical reverse flow as required by that revised Regulation.

Workgroup noted Interconnector UK's view that Relevant Objective b) is negatively impacted by this Modification because it has an impact on Interconnector UK's Interconnection Agreement. For example, Interconnector UK believes that Pressure Services currently agreed within its own Interconnection Agreement could be affected by the BBL Interconnection Agreement and should be thoroughly explored. It is Interconnector UK's view that this should be done in advance of agreement of the BBL Interconnection Agreement to avoid discrimination.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

² Revised EU Security of Supply Regulation

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.280.01.0001.01.ENG&toc=OJ:L:2017:280:TOC

9 Legal Text

This is an enabling Modification; therefore, no changes to UNC text are required. However, to enact these changes, amendments are made to the BBL Interconnection Agreement.

A tracked changed version of that Interconnection Agreement is embedded below and included as a stand-alone document on the Joint Office website as part of this Modification here:
<http://www.gasgovernance.co.uk/0675> .



BBL-NGG Amended
and Restated Interco

10 Consultation

Panel invited representations from interested parties on 18 April 2019. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 5 representations received 3 supported implementation, 1 provided comments and 1 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
BBL Company VOF	Support	d - positive g - positive	<ul style="list-style-type: none"> BBL feels the physical reverse flow of the BBL Interconnector will enhance the level of interconnection between Europe's largest trading hubs: TTF and the NBP. This will facilitate the creation of more liquidity in the GB and Dutch gas market, thereby securing more effective competition. It will also further compliance with the revised Security of Supply Regulation in that it enables physical reverse flow as required by that Regulation. BBL Company agrees that this meets the self-governance criteria. BBL Company commented that if implementation goes ahead on 11 June 2019 the TSO's would have to ability to act in accordance with the amended terms of the Interconnection Agreement. This would facilitate BBL Company VOF's ambition of having the capacity product available from Summer 2019.

Centrica	Support	d - positive g - positive	<ul style="list-style-type: none"> • Feels this Modification will support the future physical reverse flow of gas in the BBL Interconnector and will therefore be consistent with European objectives for promoting gas security of supply. Additionally, providing a new route for the export of gas will help to promote competition in gas supply. • As this is a facilitating Modification, self-governance is justified.
Gazprom	Comments	d - positive g - positive	<ul style="list-style-type: none"> • Has provided comments on the level of transparency provided for this Modification. • Feels the Bacton IP exit will undergo significant operational change to provide further optionality and flexibility to shippers once BBL reverse flow becomes live. • Believes that more transparency is required to ensure that the full benefits of this project are realised with minimal disruption. • Would welcome further information and analysis from National Grid to confirm that there is no discrimination between Shippers at Bacton, i.e. ensuring other Bacton Shippers will not face additional costs or operational issues as a result of the newly proposed provisions within the BBL-NTS interconnection agreement. • Feels that without the information on the above, it is difficult to assess whether there is a potential impact on other Users. • Currently no impacts or costs are anticipated although they seek assurances that Bacton maintenance will continue to be arranged in coordination with all Bacton operators once BBL reverse flow commences. • Feels there is lack of detail in the Workgroup Report on the specific changes within the Interconnection Agreement.
Interconnector UK	Oppose	b -negative d - negative g - negative	<ul style="list-style-type: none"> • Is opposed to this Modification because there is a detrimental and discriminatory impact on services established in the IUK/ National Grid Interconnection Agreement (IA). The impact of the proposed changes to the BBL/NG IA on the IUK/NG IA and the

			<p>interlinkages between the BBL/NG IA and the IUK/NG IA have not been considered despite the proximity of the IUK and BBL connection points at Bacton.</p> <ul style="list-style-type: none"> • Is concerned that the proposed amendments have a negative and discriminatory impact on the pressure, flow, velocity control and gas quality commitments made by National Grid in the IUK/NG IA, the effect of which distorts and hinders cross border flows via the IUK interconnector, adversely affecting Shippers and the GB market and/ or consumers as a whole. • Does not consider it appropriate for this Modification to be subject to self-governance as the proposal will have an adverse effect on competition related to the transportation of gas and on the operation of one or more pipeline systems. • Has written to National Grid requesting a formal review of the IUK/NG Interconnection Agreement. • Feels the Modification does not consider the impact or interaction of the BBL/NG Interconnection Agreement proposals on or with the IUK/NG Interconnection Agreement. • Believes the report erroneously suggests no impact for IUK or its Users. There is a detrimental and discriminatory impact on services agreed in the IUK/NG Interconnection Agreement. • The proposals do not further compliance with relevant EU regulations but, rather, infringe these core obligations as the discriminatory impact on the IUK/NG Interconnection Agreement harms cross border trade. • Notes the Modification report suggest that the proposals further compliance with the EU Security of Supply Regulation (EU) 2017/1938, referring specifically to addressing Article 5 rules on physical reverse flow. However, this Modification report contains no information or links to any assessment against the criteria outlined to justify compliance with Article 5. • The relevant rules in Article 5 require a cost benefit analysis to be undertaken which includes an assessment of market demand, a feasibility study, costs to the system and benefits to security of supply.
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			<ul style="list-style-type: none"> Those rules also require an assessment of the impact on existing infrastructure. Is not aware of any market demand assessment having been made which concludes that the reverse flow satisfies the cost benefit analysis. Therefore, feels the proposal as currently presented is incomplete. Please refer to the Representation provided and published for detailed comments on the following subjects: <ul style="list-style-type: none"> Undue discrimination Inoperability of the Interconnector UK/National Grid IA Gas quality Late notice/ lack of engagement IUK requests that National Grid: <ul style="list-style-type: none"> Engages with Interconnector UK on the points outlined above; Engages with Interconnector UK to modify the existing Interconnector UK/National Grid IA, including raising the necessary UNC Modification proposal seeking to amend the BBL/National Grid Interconnection Agreement proposal as and where necessary taking account of the interaction with the IUK/NG Interconnection Agreement.
National Grid	Support	d - positive g - positive	<ul style="list-style-type: none"> This Modification enables amendments to be made to the Interconnection Agreement between National Grid Gas Plc and BBL Company VOF, as requested by BBL Company VOF. The physical reverse flow of the BBL Interconnector will enhance the level of interconnection between Europe's largest trading hubs: TTF and the NBP. This will facilitate the creation of more liquidity in the GB and Dutch gas market, thereby securing more effective competition. It will also further compliance with the revised Security of Supply Regulation in that it enables physical reverse flow as required by that Regulation. Proposes that this Modification continues to meet the self-governance criteria. Supports the UNC Modification Panel considering this Modification and consultation responses at the May meeting which, if approved, would enable its implementation on 11th June 2019. Following which, the TSO's would have to ability to act in accordance with the amended terms of the Interconnection

			Agreement. This would facilitate BBL Company VOF's ambition of having the capacity product available from Summer 2019.
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Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Supplemental Workgroup Report

Modification Panel met to consider Final Modification Report 0675S on 16 May 2019. Panel Members determined:

- To consider FMR 0675S at Short Notice, by unanimous vote;
- That there were new issues requiring a view from Workgroup, by majority vote;
- That Modification 0675S is returned to Workgroup 0675S with a Report to be presented to the 20 June Panel, by unanimous vote.

At that meeting, Panel Members also noted the following points for consideration by Workgroup:

- A. Consider and respond to each of the points raised in consultation representations;
- B. Consider materiality of the Modification and Self-Governance status.

This Supplemental Report (section 11) will cover the two Panel Questions above.

Workgroup noted that National Grid submitted a paper for Workgroup consideration which was published on the Joint Office website on 30 May 2019 and Interconnector UK submitted a paper for Workgroup consideration which was published late on 05 June 2019. The material in these two papers was presented to Workgroup as a basis for discussion.

A. Points raised in 0675S consultation responses

The following points will be covered individually below:

1. Undue Discrimination
2. Inoperability of the Interconnector UK/National Grid Interconnection Agreement
3. Gas quality
4. Pressure
5. Flow and Ramp Rates
6. Risk of Dust and Liquids
7. Security of Supply Regulation

11.1.1 Undue Discrimination

Interconnector UK appears to be concerned as follows:

- Interconnector UK considers that the Modification will result in a discriminatory impact on services agreed in the National Grid/ Interconnector UK IA and therefore believe that its IA should be amended before the BBL reverse flow provisions are implemented.

National Grid's views are as follows:

- National Grid does not consider that making the proposed amendments to the BBL IA before appropriate amendments are made to the Interconnector UK IA will unduly discriminate against Interconnector UK for the reasons set out below.
- National Grid agrees that the Interconnector UK IA requires amendment and has commenced discussions with Interconnector UK to achieve this.

Interconnector UK appears to be concerned as follows:

- The BBL reverse flow project will affect the operation of Kings Lynn compressors and hence increase the costs that Interconnector UK will be required to pay. Interconnector UK asserts that National Grid has confirmed to Interconnector UK that BBL would benefit from a higher pressure if this was requested, yet Interconnector UK would be the only party paying for this service.

National Grid's views are as follows:

- The Interconnector UK pressure service was agreed many years ago between Interconnector UK and National Grid NTS. Should another party request such a service National Grid would seek to satisfy that request on a non-discriminatory basis given what is already in place for Interconnector UK. However, National Grid is not able to compel any party (in this case BBL) to do so.
- If Interconnector UK requests a higher pressure for their exit point, National Grid would expect BBL to be able to offtake more gas than would otherwise be the case. However, BBL would have no knowledge about when the service had been requested and therefore may experience more variable pressures, resulting in greater uncertainty about the quantity of gas that BBL may be able to offtake. Furthermore, Interconnector UK shippers have access to firm NTS exit capacity whereas as things stand, National Grid expects that - initially at least - BBL shippers NTS exit flows will be interruptible, hence National Grid would prioritise NTS offtake capability at Bacton to meet Interconnector UK requirements over BBL's.
- Whenever Interconnector UK triggers the pressure service, other offtakes in the south-east may also experience higher pressures than would otherwise have been the case. This may, similarly, either be to their benefit or detriment. National Grid does not believe it would be appropriate to delay first gas for any new exit connection pending amendment of terms with another party who claims to be adversely impacted until and unless that party's concerns have been resolved to its satisfaction.

Interconnector UK appears to be concerned as follows:

- National Grid proposes to provide a 45 bar ANOP for BBL whereas Interconnector UK is liable to contribute to costs of achieving a 45 bar ANOP and any higher pressures.

National Grid's views are as follows:

- National Grid does accept that an ANOP of 45 bar should be provided to both parties without charge and National Grid has offered to amend the Interconnector UK IA in due course to reflect this and to operate on this basis from the BBL first gas date. Although Interconnector UK have been charged to meet this pressure historically, this has been relatively infrequently.

Interconnector UK would remain able to request a higher pressure but National Grid does not expect any other party to pay for a service that only Interconnector UK requires.

Interconnector UK appears to be concerned as follows:

- Interconnector UK considers that there has been a lack of transparency from National Grid on proposals.

National Grid's views are as follows:

- National Grid has co-operated with Interconnector UK to the fullest extent possible, whilst respecting the confidential nature of the BBL/ National Grid IA throughout its negotiation. National Grid met Interconnector UK three days after the proposed amendments to the BBL IA were published to discuss its impact.

Gazprom Marketing and Trading appears to be concerned as follows:

- Gazprom Marketing and Trading sought assurance from National Grid that there will be no discrimination between shippers at Bacton, i.e. ensuring other Bacton shippers will not face additional costs or operational issues as a result of the newly proposed provisions within the BBL IA.

National Grid's views are as follows:

- For the reasons stated earlier, National Grid does not believe that that making the proposed amendments to the BBL IA before appropriate amendments are made to the Interconnector UK IA will unduly discriminate against Interconnector UK, nor that it will increase the potential for operational issues at Bacton. The extent to which Interconnector UK may wish to submit requests for pressures above 45 bar – and the extent to which the costs of doing so may be passed on to Interconnector UK shippers – is a matter for Interconnector UK.

Gazprom Marketing and Trading appears to be concerned as follows:

- Gazprom Marketing and Trading sought assurances from NG that Bacton maintenance will continued to be arranged in coordination with all Bacton operators once BBL reverse flow commences.

National Grid confirmed that this will continue to be the case.

Workgroup had nothing further to add.

11.1.2 Inoperability of the Interconnector UK/National Grid Interconnection Agreement

Interconnector UK appears to be concerned as follows:

- Interconnector UK considers that the BBL exit connection will increase its operational risks.

National Grid's views are as follows:

- Enabling BBL reverse flow will not in National Grid's view render any part of the Interconnector UK's IA inoperable. National Grid recognises its obligations to deliver gas of a requisite quality to Interconnector UK and does not consider that the BBL connection will have a bearing on National Grid's ability to meet these obligations.

Workgroup had nothing further to add.

11.1.3 Gas quality

Interconnector UK appears to be concerned as follows:

- Interconnector UK considers that the proposed gas quality rules for BBL do not appear to be consistent with EU Regulations.

National Grid's views are as follows:

- National Grid would welcome clarity from Interconnector UK about which EU Regulations are being referred to.
- This may relate to the EU Interoperability Code, Article 15 of which obliges TSOs to cooperate to avoid restrictions to cross border trade due to gas quality differences and if TSOs cannot agree a solution then National Regulatory Authorities (NRAs) can instigate a formal process. In National Grid's view, this Article is not relevant in this case because National Grid and BBL have been able to agree how to manage the limited potential for off specification UKCS gas to enter the BBL pipeline as stated in the terms proposed. This may arise because, due to the configuration of the Bacton terminal, if there is a gas quality excursion from a UKCS upstream party, National Grid may be unable to avoid a small amount of that gas being off taken by BBL prior to issuing a Transportation Flow Advice (TFA) to the relevant terminal operator. The potential for this situation to arise is dealt with similarly in the Interconnector UK IA, albeit in relation to specific components.

Interconnector UK's views are as follows:

- Offtake at Interconnection Point is subject to GS(M)R and gas specifications mirrored in arrangements with adjacent TSO.
- Interconnector UK is not aware of a GS(M)R exemption regime which might be available to National Grid at any offtakes.
- The proposed rules do not comply with GS(M)R and suggest off-specification gas can be sent through Bacton ring main and BBL will have to put in reasonable endeavours to take it (Interconnector UK was unsure whether BBL can blend in GTS?)
- There has been confirmation in discussions with National Grid that this gas would hit Interconnector UK too. Interconnector UK would not be able to flow the off-specification gas onto BE grid. Interconnector UK would need to shut in (with similar – albeit lesser - effect as liquids ingress (see Section 11.1.6 below).
- Despite several requests from Interconnector UK there is no clarity from National Grid as to how asymmetrical GS(M)R /non-GS(M)R gas quality regime would work in practice and who would be contractually liable.
- Again, technical studies need to be shared, so that proper risk mitigation actions may be taken.

Interconnector UK appears to be concerned as follows:

- Interconnector UK consider that proposed rules generate uncertainty for National Grid shippers on their obligations and liability for gas quality at the BBL exit point.

National Grid's views are as follows:

- National Grid agrees with Interconnector UK that responsibility and liability for delivering in-specification gas quality is with the shipper, however, for NTS exit, National Grid has the obligation and liability to make gas available for offtake in accordance with the relevant Network Exit Provisions. Therefore, National Grid does not agree that the proposed arrangements will lead to contractual uncertainty as between shippers and operators.

National Grid clarified that the GS(M)R region does not start until after the flows have passed through the National Grid terminal at Bacton (after comingling within the terminal). This is similar to the arrangements for storage. If it is possible for BBL to take any non-GS(M)R gas, operators will work together to resolve this.

At Workgroup, Interconnector UK requested further clarification on how this would work in practice.

At Workgroup, National Grid stated that this does not alter the risk for Interconnector UK.

Workgroup had nothing further to add.

11.1.4 Pressure

Interconnector UK's views are as follows:

- Interconnector UK has not had a clear answer from National Grid about the impact of the proposed arrangements on Bacton pressure and what another offtake means for Kings Lynn (compressor station) fuel costs. Again, if the technical study and cost benefit analysis can be shared it would help understand this.
- Interconnector UK welcomes National Grid outlining that an Anticipated Normal Offtake Pressure (ANOP) of 45 bar can be provided to Interconnector UK also without charge and that this that can be done from BBL first gas date. Interconnector UK believes that Interconnector UK and BBL should have similar arrangements at the point the new offtake is commissioned.
- Interconnector UK questions whether the proposal to operationalise a change first and then reflect that in the IA "in due course", is compliant with the legal and regulatory framework. Does Ofgem have a view on arrangements in side/comfort letters? Interconnector UK requests further guidance on this.

Ofgem was asked whether it has a response to the points raised above but Ofgem confirmed it would need to discuss this further internally first.

National Grid clarified for Workgroup that the ANOP 45bar offered to BBL will be matched for Interconnector UK via a 'comfort letter' as an interim measure whilst the Interconnector UK IA is reviewed.

Workgroup had nothing further to add.

11.1.5 Flow and Ramp Rates

Interconnector UK appears to be concerned as follows:

- The flow and ramp rate restrictions are more detailed and restrictive in the Interconnector UK IA compared to the BBL IA

National Grid's views are as follows:

- National Grid acknowledges that there are differences between the flow and ramp rate restrictions in the two IAs and accepts that the Interconnector UK provisions are more detailed and restrictive than those proposed for BBL. The Interconnector UK provisions were negotiated many years ago and some of them may no longer be applicable; National Grid is therefore willing

to work with Interconnector UK – as the company would with any other party that wished to amend its offtake terms - to achieve the alignment that is sought.

Interconnector UK's views are as follows:

- Interconnector UK welcomes National Grid agreeing to work to simplify the rules.
- Interconnector UK requests explanation of how the flow rate rules work together, and whether they may lead to conflicts? Is this in the technical study?

Workgroup had nothing further to add.

11.1.6 Rick of Dust and Liquids

Interconnector UK appears to be concerned as follows:

- Interconnector UK considers that the BBL exit connection will increase its operational risks.

National Grid's views are as follows:

- Enabling BBL reverse flow will not in National Grid's view render any part of the Interconnector UK IA inoperable. National Grid recognises its obligations to deliver gas of a requisite quality to Interconnector UK and does not consider that the BBL connection will have a bearing on its ability to meet these obligations.

Interconnector UK's views are as follows:

- Interconnector UK maintains that there is a material issue: Serious risk resulting in shut down of flows. Interconnector UK has experience of this in past (within day shut in for dust), complete shutdown (months for liquids).
- Interconnector UK has worked with National Grid to put in place local protocols and operational mitigations to reduce the risk of ingress, utilising operational experience and flow modelling.
- Velocity protocols need to be reviewed and revised as a matter of urgency
- No technical information has been shared - why?
 - No clear answer from National Grid on how the risk changes and the robustness of the mitigation measures given IA measures do not account for another offtake at Bacton
 - What are the velocity and pressure assumptions? Which scenarios have been modelled (if any)?
 - Interconnector UK needs to see feasibility study / impact assessment – what really is confidential?
 - Previous precedents of technical information shared even for self-governance modifications.

Interconnector UK – examples:

- 2002 Liquids in pipe via NTS: shut Interconnector UK for 6 weeks. Clean up costs circa £620k and gas flows then had to be directed into GB against the market price differential to clean the system (cost borne by Shippers). In addition, the lost trading opportunities and contractual claims were £Millions, with Shipper to Shipper claims settled by confidential arbitration.
- Pyrophoric radioactive dust at Bacton: High volumes of dust have resulted in a number of challenges to Interconnector UK in meeting shipper nominations forcing a number of mitigating actions e.g reprofiling flows/ need to use Operational Balancing Agreements (OBAs).

- Examples in last 2 years where velocity protocols within Interconnector UK/National Grid IA could not be called upon resulting in 4 significant constraints.
- In July 2017 (high flows) resulted in dust filter change (13 hours of constraints – could not meet nominations).

Workgroup had nothing further to add.

11.1.7 Security of Supply Regulation

Interconnector UK's views are as follows:

- “One of the justifications given in relation to the new offtake is that it furthers compliance with Security of Supply Regulation (2017/1938) ³. UNC0675s Workgroup Report specifically mentions Article 5 & Annex 3 of Regulation (see Section 6 EU Code Impacts).
- Article 5.5 of the Security of Supply Regulation states:

“A proposal for enabling or enhancing bi-directional capacity or a request for granting or prolongation of an exemption shall include a cost-benefit analysis... and shall be based on the following elements:

 - (a) an assessment of market demand;*
 - (b) projections for demand and supply;*
 - (c) the possible economic impact on existing infrastructure;*
 - (d) a feasibility study;*
 - (e) the costs of bi-directional capacity including the necessary reinforcement of the transmission system; and*
 - (f) the benefits to the security of gas supply taking into account the possible contribution of bi-directional capacity to meeting the infrastructure standard set out in this Article.”*
- National Grid does not have an exemption and must follow the procedure outlined above.
- Interconnector UK would like confirmation whether the above process has been followed. If it is included in the feasibility study Interconnector UK asks that it is shared with stakeholders.”

National Grid's views are as follows:

- “This Security of Supply Regulation requires that interconnectors be physically bi-directional unless an exemption is in place, hence National Grid's view that UNC Relevant Objective (g) is better facilitated by this Modification 0675S. “

BBL clarified for Workgroup regarding Article 5 of the Security of Supply legislation that the issue is not relevant because the Regulation is aimed at avoiding stranded assets and BBL operates on a competitive basis. BBL has discussed the issue with the NRAs concerned and the EU. The EU has confirmed that BBL is free to take an investment decision.

³ Security of Supply Regulation 2017/1938: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1938&from=EN>

National Grid clarified for Workgroup that it believes that Article 5 does not apply here due to the funding of the change being made at BBL. Regarding Relevant Objective g) National Grid is helping to facilitate physical reverse flow.

Interconnector UK expressed frustration that this was covered earlier in the Workgroup Report.

Workgroup had nothing further to add.

11.2 Consideration of Materiality and self- governance

Workgroup discussed the issue of materiality and whether the Modification satisfies the Self governance criteria, referring to Ofgem's guidance available here: <https://www.gasgovernance.co.uk/mods>

Interconnector UK considers that the Modification should not be subject to self-governance because it will have an adverse effect on competition related to the transportation of gas and on the operation of one or more pipeline systems.

Interconnector UK considers that the efficient and economic operation of National Grid's pipeline system and that of other gas transporters would not be better facilitated.

Interconnector UK's views are as follows:

- "National Grid's duties under Section 9 Gas Act (1986) include to ensure an efficient and economical pipeline system: the duty relates to National Grid's system and Interconnector UK's status is not relevant in relation to this.
- The proposed Modification does not ensure that National Grid's system is efficient or economical with a negative impact on UNC relevant objective (b) as it introduces more generous charging rules and flexibility for one party. The proposed Modification introduces an asymmetric regime which is neither efficient nor economical.
- The proposals have a negative impact on UNC relevant objective (d) as they fail to further secure effective competition between relevant shippers using NTS capacity in combination with the respective interconnectors.
- Additionally, the proposed Modification introduces greater risk of dusts and off-specification gas leading to a greater likelihood of disruption to cross-border flows. This does not further facilitate cross border trade and therefore does not further facilitate compliance with European Regulations under UNC relevant objective (g).
- The Modification Panel therefore needs to amend the status of this Modification to require an Ofgem decision for implementation".

National Grid's views are as follows:

- "No adverse impact on competition as a result of this Modification. Rather, competition in the transportation of gas between GB and European markets will be enhanced.
- Interconnector owners are not a "relevant gas transporter" under the Gas Act; therefore "one or more pipeline systems" relates to the NTS and the GDN networks, not to interconnectors.

National Grid clarified that it believes that the changes to the IA with BBL will not have any impact on the arrangements it has with all other connected parties. Therefore, it should be a self-governance Modification.

Workgroup participants representing BBL agreed with National Grid's position that the Modification should remain self-governance.

Interconnector UK believes there is an impact and that National Grid is not sharing the feasibility study which answers the question of whether there is any impact of these changes. Interconnector UK states it has been asking for this information since December 2018. These impacts relate to dust, velocity, pressure etc.

Some Workgroup participants noted that both parties (National Grid and Interconnector UK) are of opposing views and both have set out their position to the Workgroup but they haven't provided conclusive evidence either way, therefore in these situations the Modification should be subject to Authority Direction.

Ofgem clarified that in its view there is no reason why this Modification should not be self-governance. If all parties agreed, the IA could be changed outside of the Code. The UNC EID Section A - General, paragraph 4.1.3 states:

“National Grid NTS will not agree with the Adjacent TSO to amend the Relevant Interconnection Provisions in relation to an Interconnection Point except:

- (a) with the approval of each User which for the time being holds Available Interconnection Point Capacity at the Interconnection Point, or*
- (b) pursuant to a Code Modification which authorises such agreement; or*
- (c) as may (in the reasonable opinion of National Grid NTS) be required to enable National Grid NTS or the Adjacent TSO to comply with any Legal Requirement.”*

Interconnector UK expressed its surprise at Ofgem's view.

Workgroup discussed the alternative route of changing the IA outside of the Code and who the stakeholders would be in that situation. There was not universal agreement on this point. Nevertheless, this Modification is being pursued under b) and is a UNC enabling Modification in order to modify the IA (see also Section 1. How).

A Workgroup Participant noted that only interruptible capacity is available for the BBL Exit Point at Bacton. If National Grid says there is no impact, then parties should be able to trust this and therefore this Modification should be subject to self-governance.

Another Workgroup Participant wondered what remedies Interconnector UK has against National Grid if there is found to be an impact after all and expressed surprise at Ofgem stating this should be a self-governance Modification without due consideration.

Interconnector UK stated that in the IA there are no provisions for claiming of damages against National Grid.

Interconnector UK noted that all interruptible capacity would indeed be interrupted and thus the impact would be felt by those who bought capacity at the Interconnector UK point as well as at the BBL point.

National Grid stated that NTS Exit Capacity firm or interruptible is available at the Interconnector UK point. If there are operational issues that prevent the firm capacity being honoured National Grid is liable to Shippers.

Workgroup asked National Grid for clarification as to whether Exit interruption at the Interconnector UK point is possible in isolation.

National Grid responded that it is possible to interrupt BBL Exit flows and maintain Interconnector UK Exit flows.

Workgroup noted that one of the issues seems to be that increased Exit flows through BBL having reverse flow capability could increase the risk of interruption to interruptible Exit flows at Interconnector UK. In the event of interruption, flows at both offtakes would have to be treated fairly/equitably as this is how the rules work. Then the challenge is what is the likelihood of this happening?

National Grid added that, by definition, if parties buy interruptible capacity there is a risk of interruption. National Grid has done no work to assess the potential for increased interruption at the Bacton Exit Points. Workgroup participants noted the changing nature of flows at one Offtake is only one of the issues impacting any parties' risk of interruption, for example, changing deliveries or demands on the network on a day to day basis.

Some Workgroup participants expressed surprise that National Grid has done no work to assess the potential for increased interruption.

A further Workgroup Participant observed that as charges are socialised, the cost of increased physical Exit BBL Flows would be based on interruptible flows. Therefore, these would be paying commodity charges which would reduce charges for everybody else.

Interconnector UK's concern is around the physical consequences of the flow including around mitigation measures.

National Grid has carried out a study looking at the level of the Exit capacity that BBL is requesting and this work was funded by BBL; it does not include the other concerns that Interconnector UK is raising.

BBL noted that the purpose of that work was to examine whether additional firm capacity could be provided, above the 23GWh/h currently provided. The conclusions of the report were that this could not be done without significant expenditure therefore that possibility was discarded by BBL.

Interconnector UK asked how National Grid can state there will be no impact.

National Grid stated it cannot provide any guarantees that there will be no process failures and there will therefore be consequences of those failures. National Grid has a duty to facilitate new connections and recognises that there are aspects of the Interconnector UK IA which do need to be reviewed and National Grid has commenced discussion with Interconnector UK to progress these issues. National Grid does not believe it is appropriate to hold up the BBL connection whilst Interconnector UK satisfies itself that potential impacts have been addressed.

Interconnector UK noted that National Grid is only now acknowledging that aspects of the Interconnector UK IA do need to be reviewed. This is new information.

National Grid did not agree that the information is new as of 06 June 2019; it was acknowledged by National Grid at the last 0675S Workgroup meeting in April 2019. There are differences in the two IAs because the sites are different.

National Grid clarified that firm capacity is available at the Interconnector UK Exit Point, currently there is no licence obligation to release firm Exit Capacity at the BBL Exit point. This is however outside the scope of this Modification.

11.3 Workgroup summary of discussion on self-governance

- Workgroup could not agree on whether the Modification should be self-governance or not.
- Workgroup sought UNC Modification Panel guidance as to whether the Modification should be sent to the Authority or not.

In regard to the criteria for self-governance, some Workgroup participants felt that the Modification should be Authority Direction based on the competition criteria because Interconnector UK is claiming that some of the increased risks it faces could have a commercial consequences.

Those workgroup participants (including National Grid, Ofgem and other parties) who believe this Modification should remain as self-governance stated that they did not believe there was any adverse impact or material effect on competition.

Several Workgroup participants felt that this discussion centres around a commercial dispute between Interconnector UK and National Grid. Further, Workgroup did not feel that additional time at Workgroup would yield any other conclusions.

Interconnector UK did not agree that this is a commercial dispute but rather this is about ensuring the rules are correct and cross border flows can continue by Interconnector UK with these new physical arrangements coming online.

BBL noted the timings of its engineering works (which will be completed within a matter of weeks) and the importance of this successful conclusion of this Modification to the realisation of its plans to offer the product to the market.

Workgroup noted that there may be further discussions between Interconnector UK and National Grid between today 06 June 2019 and 20 June 2019. Any results of these discussions should be communicated by either party to the UNC Panel on 20 June 2019.

Some Workgroup Participants felt that this issue is unlikely to be resolved by the UNC Modification Panel and it may be more timely to send it directly to the Authority for a decision.

Workgroup noted the UNC appeal procedures are elucidated in Modification Rule 13, noting the 15 day appeal window after any decision.

12 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0675S would enable amendments to be made to the Interconnection Agreement between National Grid Gas Plc and BBL Company VOF, which provide for gas to be physically offtaken from the NTS at the BBL Interconnection Point at Bacton.

Panel Members noted that the Supplemental Report covers all the questions Panel requested Workgroup to consider and Panel noted that there was no consensus at Workgroup on the issues discussed.

Panel Members heard from the Ofgem Panel representative that Ofgem continues to believe that this Modification is a Self-Governance Modification and that it could have been addressed through a non-UNC route.

Consideration of the Relevant Objectives

All Panel Members considered Relevant Objective d) Securing of effective competition between Shippers and/or Suppliers and concluded that competition would be positively impacted by this Modification.

Following consideration of the Supplemental Report Panel Members noted that many of the arguments around relevant objectives are commercially based.

All Panel Members considered Relevant Objective g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators and concluded that this Modification would enable physical reverse flow which is required by the Security of Supply regulation.

Determinations

For Modification 0675S Panel Members determined the criteria for Self-Governance are met as this Modification is not likely to have a material impact on the contractual arrangements between Transporters, Shippers, Suppliers and meter reading agencies by unanimous vote.

Panel Members voted unanimously to implement Modification 0675S.

13 Recommendations

Panel Determination

Panel Members agreed that Modification 0675S should be implemented.