

Representation - Draft Modification Report UNC 0761

Arrangements for Interconnectors with additional Storage capability

Responses invited by: 5pm on 19 November 2021

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Nick Wye (Chair)
Organisation:	Underground Energy Storage Operators Ltd
Date of Representation:	4 November 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) None</p> <p>b) None</p> <p>d) None</p>
Relevant Charging Methodology Objective:	<p>a) Negative</p> <p>b) Negative</p> <p>c) Negative</p>

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

In principle we support the intention of the Proposer to offer linepack services to UK Shippers, however, we are concerned that the contention that the services can be categorised as storage services, and as such align with the requirements to be considered as a Storage Facility, is not clear. According to the Proposer, the service to be offered, and in particular the volume of capacity to be offered, will vary day by day, being dependent on the utilisation of the interconnector in its principal transportation service. This infers that the service is a linepack service and does not align with what is generally understood to be a Storage Facility, where the capacities are pre-determined and independent of other factors. As set out in the workgroup report, the definition of storage facility as laid down in the Gas Act suggests that the classification of a pipeline linepack service is not considered to be a storage facility.

Further, we are not convinced that the precedent cited by the Proposer (the Etzel storage facility) can be referred to in this manner. In this case the facility is a storage facility (its primary purpose) which allows for a transportation service to be accessed by Users (its secondary purpose). The definition of a storage facility in the Gas Act does not appear to preclude the offering of transportation services, however, given the specific requirement as to the physical nature of a storage facility it does not offer itself to

operating in the way intended in this proposal i.e a pipeline providing transportation services while a changing (daily) proportion of it is classified as a storage facility.

For this reason, although we welcome the roll-out of the proposed linepack services, we are not convinced that for the purposes of the UNC, that the services should be treated as storage and benefit from the storage related charging discounts

Implementation: *What lead-time do you wish to see prior to implementation and why?*

No comment

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

No comment

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comment

Modification Panel Members have requested that the following questions are addressed:

Q1. Do any legal points need to be considered which are relevant to 0761?

As set out in the workgroup report and in this response, a review of the legal definition of a storage facility needs to be carried out.

Q2. Do you have any views in relation to the delivery costs and potential benefits associated with delivering this solution?

We note that the cost estimates for implementation are quoted to be up to £730k plus £11k annual costs. These figures should be considered alongside the revenue “not recovered” due to the application of the storage discounts.

At this stage, IUK has not provided any details around the service provision, beyond a high-level summary, making it difficult to assess the wider benefits to the market. On this basis, it is difficult to come to any firm conclusions, beyond that consumers will contribute an addition £730k plus for a service, as well as incurring increases in wider transmission charges (albeit small), which provides little or no perceivable benefit.

Q3. Do you have any views as to whether implementation will increase overall NTS throughput volumes?

It is not clear as to whether IUK would offer this service without this modification being implemented.

Q4. Please explain whether you believe this solution has any impacts on other available storage services.

Given the forecast volumes detailed by the Proposer of up to 8.7 mcm/d then we would anticipate that there may be an impact on other storage services given this constitutes around 7% of total gas storage deliverability. As stated earlier, although USEO welcomes new sources of flexibility being introduced into the market we are concerned that the nature of the services proposed do not represent those applicable to a gas storage facility and as such should not be given access to the same transmission charges storage discounts. As part of its decision-making process, we would expect Ofgem to consider the impacts on existing storage services, particularly when looking to open up the charging methodology to allow linepack service users access to discounts specifically designed for storage users.

Further, we are concerned that if a “broad brush” approach is taken in relation to which linepack services may be classified as storage services that additional pipeline operators may seek to request similar treatment. Clearly, the application of charging discounts will have a broader impact on other Users of the System, as charges will need to be increased elsewhere to compensate for the reductions in revenue recovery.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No comment

Please provide below any additional analysis or information to support your representation

None