

0553:

Removal of National Grid LNG Storage UNC TPD Section Z obligations and associated cross references

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

Operational activity is to cease at National Grid’s last remaining LNG Storage Facility, Avonmouth at the end of April 2016. This modification proposes to remove the Section Z obligations on National Grid LNG Storage, remove in entirety Section Z: National Grid LNG Storage Facilities and remove and amend cross references within UNC TPD to Section Z and National Grid LNG Storage Facilities.



The Proposer recommends that this modification should proceed to Consultation



High Impact:
None



Medium Impact:
None



Low Impact:
Shippers and Transporters

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About this document:		 01926 655031
This modification will be presented by the proposer to the panel on 20 th August 2016.		Systems Provider: n/a
The panel will consider the proposer's recommendation and agree whether this modification should be issued for consultation.		
The Proposer recommends the following timetable:		
Draft Modification Report issued for consultation	20 August 2015	Additional contacts:
Consultation Close-out for representations	25 September 2015	
Final Modification Report presented to Panel	28 September 2015	
UNC Modification Panel decision	15 October 2015	

1 Summary

Is this a Self-Governance Modification?

National Grid LNG Storage believes that this modification should be Self-Governance as it is unlikely to have a material impact on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes because it is simply the mechanics to complete the necessary governance (removal Section Z and references to Section Z and National Grid LNG Storage) resulting from the consultation and previous announcement National Grid LNG Storage's last remaining facility, Avonmouth, will cease operational activity on gas day 30 April 2016.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not proposed as it is not a house keeping modification.

Why Change?

Following a stakeholder consultation National Grid LNG Storage announced on 27 February 2015 the last remaining National Grid LNG Storage facility, Avonmouth, will cease operational activity on gas day 30 April 2016.

UNC TPD Section Z specifically relates to National Grid LNG Storage Facilities and will no longer be required or relevant.

Solution

This modification proposes to remove existing UNC TPD Section Z obligations on National Grid LNG Storage and remove in entirety Section Z: National Grid LNG Storage Facilities. Throughout UNC TPD there are references to National Grid LNG Storage and Section Z that will require amendment or removal as part of housekeeping and these amendment proposals are also part of this proposal. The modification will also include a new provision to allow National Grid LNG Storage to deal with any gas left in storage by Users during the decommissioning process.

Relevant Objectives

This modification furthers Relevant Objective f) as it aims to remove superfluous references to National Grid LNG Storage and UNC Section Z and thereby remove any uncertainty relating to the existence of National Grid LNG Storage facilities within UNC.

Implementation

National Grid LNG Storage request this Code Modification is implemented no later than 01 March 2016.

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

There are no expected impacts on an SCR or other significant industry change projects.

2 Why Change?

Background

Avonmouth is the last remaining of 5 LNG Storage facilities built in the 1970s and 1980s. The original purpose of these facilities was to provide Transmission support at the extremities of National Grid's (NG) high pressure pipeline network. As the topography of pipeline networks and gas supplies into the UK have materially developed over the decades, the Isle of Grain facility was converted to a LNG importation

terminal in 2005 and the other LNG Storage sites have closed. The last remaining National Grid LNG Storage facility, Avonmouth, primarily provides services for customers wishing to reload LNG onto road tankers.

The Avonmouth facility is characterised by assets approaching the end of their technical life (30+ years). Although safe, and in spite of significant inspection, maintenance and strategic spares provisions, the site has experienced a number of failures of its process plant in recent years. Most recently, unplanned outages were necessitated in the summer of 2014, December 2014, February 2015 and May/June 2015. For many years LNG Storage has engaged with customers and stakeholders emphasising the resilience risks and importance of implementing alternative arrangements.

In light of the above, and as a prudent operator, NG proposed to accelerate the planned Avonmouth April 2018 closure date to April 2016. The cessation of operations at the Avonmouth LNG Storage facility on gas day 30 April 2016 was seen as the only credible option to provide a clear closure timeline and minimise disruption to customers and consumers through unplanned failure.

On 27 November 2014 National Grid LNG Storage announced the launch of a stakeholder consultation on the proposal to cease operational activity at Avonmouth at the end of April 2016; the consultation ran to January 16 2015. The stakeholder consultation documents are available at the following location: <http://www2.nationalgrid.com/UK/Services/LNG-Storage/consultation>. In developing this strategy, and prior to the start of the consultation period, National Grid LNG Storage engaged with both DECC and OFGEM. In addition, the consultation was discussed as an agenda item on both the December 2014 and February 2015 Joint Office of Gas Transporters Transmission Workgroup meetings.

Following the stakeholder consultation, National Grid LNG Storage announced on 27 February 2015 that the last remaining National Grid LNG Storage facility, Avonmouth, will cease operational activity on gas day 30 April 2016. This announcement provided customers with a clear timeline to implement alternative arrangements and continue to ensure security of supply to their consumers who depend on re-gasified LNG.

UNC TPD Section Z specifically relates to National Grid LNG Storage Facilities. As Avonmouth, the last remaining National Grid LNG Storage Facility, will cease operational activity on gas day 30 April 2016 it is sensible to remove existing Section Z obligations on National Grid LNG Storage and make clear in regard to UNC Section Z, Section 3 that no capacity will be available or offered for Storage Year 2016/2017 or for any future years. This proposed Code Modification also takes into consideration the references to National Grid LNG Storage and Section Z throughout UNC TPD.

3 Solution

UNC TPD Section Z specifically relates to National Grid LNG Storage Facilities therefore with the closure of the Avonmouth facility UNC TPD Section Z will no longer be required or relevant. This modification proposes to remove Section Z and amend sections throughout UNC TPD that refer to Section Z, National Grid LNG Storage and named National LNG Storage facilities once the Avonmouth facility has been decommissioned through National Grid LNG Storage serving a notice on the Code Administrator.

To reflect that the Avonmouth facility will not be operational after 01 May 2016 the obligation on National Grid LNG Storage to invite applications for the Storage Year commencing on 01 May 2016 will be removed from UNC TPD Section Z and a provision allowing National Grid LNG Storage the right to nominate withdrawals on behalf of Users who have gas in storage as of 01 May 2016 during the decommissioning period will be added to UNC TPD Section Z.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

4 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 (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.	None
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.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-	None

Positive Impact

This modification furthers Relevant Objective f) as it aims to remove superfluous references to National Grid LNG Storage and UNC Section Z and thereby remove any uncertainty relating to the existence of National Grid LNG Storage facilities within UNC.

5 Implementation

National Grid LNG Storage are requesting that this Code Modification is implemented prior to 01 March 2016.

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.

6 Impacts

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

There are no expected impacts on an SCR or other significant industry change projects

7 Legal Text

Text Commentary

The additional wording in TPD Section Z paragraph 3.1.1 makes it clear that National Grid LNG Storage will not be inviting applications for Storage Capacity for future Storage Years.

The new paragraph 6.4.7 allows National Grid LNG Storage to make withdrawal nominations during decommissioning on behalf of Users if a User has gas left in storage on 1 May 2016.

Section Z governs arrangements between Shippers and National Grid LNG Storage. As there will be no operational National Grid LNG Storage Facilities the entire section can be deleted and references in other parts of the UNC to National Grid LNG Storage Facilities can be deleted once the decommissioning process has been completed. National Grid LNG Storage will notify the Code Administrator once decommissioning has occurred and Section Z and other references will be removed from the UNC TPD following such notification. To the extent there is any outstanding matter relating to National Grid LNG at the point section Z is removed then the additional paragraph 19.2 in the Transition Document provides that the matter should be resolved in accordance with the terms of the UNC TPD as at 30 April 2016.

Suggested Text

Insert new wording in UNC TPD Section Z paragraph 3.1:

3.1.1 For each Storage Year prior to the Storage Year ending on 30 April 2016 National Grid LNG Storage will, not later than 1 March in the Preceding Storage Year, invite (in accordance with paragraph 3.1.2) applications for Storage Capacity in each National Grid LNG Storage Facility.

Insert a new paragraph in UNC TPD Section Z paragraph 6.4.7:

6.4.7 Any User who has gas-in-storage on the Gas Flow Day 1 May 2016 “Decommissioning Gas in Storage” will be deemed to have given National Grid LNG the authority to make a Storage Withdrawal Nomination in respect of that User’s Decommissioning Gas in Storage. Such authority will be capable of being exercised by National Grid LNG in the period from 1 May 2016 to 1 August 2016.

Transition Document

PART IIC – TRANSITIONAL RULES

Insert new paragraph 19 in Transition Document Part IIC (Transitional Rules) as follow:

19.1 Following Avonmouth Storage Facility ceasing operational activity on Gas Flow Day commencing on 30 April 2016, once National Grid LNG is satisfied that the decommissioning process at Avonmouth Storage Facility is sufficiently progressed that references to National Grid LNG Storage Facilities are no longer required in the UNC TPD, it may serve a notice on the Code Administrator requesting it to:

19.1.1 delete UNC TPD Section Z in its entirety and replace it with the words “Not Used.”; and

19.1.2 make the changes to the other Sections of UNC TPD as set out in the table annexed to modification 05XX.

19.2 Following the deletion of UNC TPD Section Z in accordance with paragraph 19.1, to the extent there is any outstanding matter relating to National Grid LNG Storage Facilities, such matter shall be resolved in accordance with the terms of UNC TPD in force as at 30 April 2016.

8 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should be subject to self-governance; and
- Proceed to Consultation.