

## Representation - Draft Modification Report 0553

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

Responses invited by: **05 November 2015**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Joel Martin
<b>Organisation:</b>	SGN
<b>Date of Representation:</b>	05 November 2015
<b>Support or oppose implementation?</b>	Comments
<b>Relevant Objective:</b>	f) Positive

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

Thank you for providing SGN with the opportunity to respond to UNC Modification 553 (Removal of National Grid LNG Storage UNC TPD Section Z obligations and associated cross references). We have provided comments associated with the proposed implementation of this modification.

SGN operate four independent LNG networks (SIU networks) in the far north and west of Scotland which utilise the supply of LNG currently provided from Avonmouth. The removal of this non-regulated storage facility from the LNG supply chain will require SGN to source alternate supplies of LNG to ensure the continued security of supply for the SIU customers. SGN are in the process of securing LNG contracts with gas shippers at an alternate European terminal which facilitate the energy requirement for these SIU customers from gas day 01 May 2016.

We are also working in conjunction with the Health & Safety Executive to ensure the gas quality associated with this alternate supply remains compliant and within permissible GB parameters. We expect to have these arrangements in place for April 2016.

The implementation of UNC Modification proposal 553 would ensure any redundant provisions in Section "Z" associated with the Storage facility at Avonmouth were removed. The implementation of the proposal would also remove all current obligations placed on National Grid Transmission relating to the future provision of LNG storage and liquefaction following the decommissioning of the plant.

**Self-Governance Statement:** *Please provide your views on the self-governance statement.*

The intent of Modification 553 is to remove obligations from the UNC following the closure of the Avonmouth LNG terminal at the end of gas day 30 April 2016 and as such the effect of the modification is to ensure the administration of the UNC remains efficient by removing unrequired obligations from the code.

The self-governance criteria defined in Standard Special Condition Part A specifies that the implementation of a modification proposal following the self-governance route would be unlikely to have a material effect on existing / future gas consumers.

We would highlight that there may be a volume of liquefied natural gas remaining in the storage tanks at Avonmouth at the point the storage facility closes which will have been funded by gas consumers. This volume of LNG will be vaporised back into the transmission system which will render the value associated with the original liquefaction of the gas at zero.

The volume of the LNG left in storage on 30 April 2016 is at this point in time unknown. The remaining volume of LNG will be wholly dependent on the severity of winter 15/16 and the level of temperature sensitive demand experienced on the SIU networks. We forecast the volume remaining at Avonmouth will be in the region of 15 - 20 GWh.

We recognise that the material value of the liquefaction of this gas is relatively low and that National Grid Transmission have already incurred this cost. However the effect of the implementation of this modification would be to remove SGN's rights to access this volume of LNG after 30 April 2016 and hence the loss to customers of the value of the liquefied gas.

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

As per proposed date in Modification.

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

There would be a small cost associated with the loss of LNG left in storage at the end of April 2016 as this volume would need to be replaced from an alternate source. We presume there will be no costs incurred by SGN associated with the Storage Withdrawal Nomination referred to in Z6.4.7 of the draft legal text.

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

Our understanding is that the draft legal text would not remove any obligations currently in place in section "Z" or any other section in the UNC relating to SGN's ability to obtain stored LNG from Avonmouth prior to and including Gas Day 30 April 2016. We accept the UNC will be modified at the point of implementation relating to the obligation to hold an annual storage invitation for storage year 16/17 and the insertion of transitional rules to facilitate the removal of relevant clauses at the point Avonmouth is decommissioned.

**Modification Panel Members have requested that the following question be addressed:**

**Q1: Respondents to provide a view as to whether or not this modification should be redesignated as self-governance.**

We agree with the UNC panel decision (20/08/15) that the Modification does not meet the self-governance criteria. We have detailed above our rationale for supporting this decision.

**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.*

None.

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

None.