

Amending the oxygen content limit in the Grain LNG Network Entry Agreements

Introduction to a New Modification Proposal from
British Gas – UNC Panel 21 April 2016

The Proposal

- To enable an increase in the oxygen content of gas entering the system at Grain LNG
- There are currently 3 Network Entry Agreements (NEAs) governing gas quality requirements between National Grid Grain LNG and relevant transporters (2 with National Grid Gas, 1 with SGN)
- All 3 NEAs currently have a maximum oxygen content limit of 0.001 mol%
- The purpose of the modification proposal, in accordance with Section I of the UNC, is to enable the maximum specified in the NEAs to be increased to 0.02 mol%
- This new maximum level falls well below the GS(M)R maximum limit of 0.2 mol%



Reason for the Proposed Change

- It is anticipated that LNG cargoes from certain destinations will contain an oxygen content above 0.001 mol%
- Under current arrangements such cargoes would not meet with the oxygen limits set out in the NEAs at Grain LNG
- There is therefore a risk that some LNG cargoes will be unable to be landed at Grain LNG
- A relatively modest increase in the NEAs' oxygen content limits will help to remove this risk



Expected Benefits

- Will improve security of gas supply
- By removing this barrier to certain cargoes there will be benefits for market liquidity and price
- Enhancing the import ability of Grain LNG will help provide more diverse gas to the market and facilitate competition in gas shipping and gas supply



Recommended Process

- The relatively modest increase in oxygen content being proposed (well below the GS(M)R maximum) is not expected to have a material impact on transporters, shippers, suppliers or consumers
- The Proposal is the same as Modification Proposal 0561S that was implemented on a self-governance basis in December 2015
- We therefore propose that the modification also be subject to self-governance status
- The proposal was presented to Transmission Workgroup on 7th April and no issues or concerns were raised
- Therefore, we further recommend that it is sent directly for consultation as it essentially seeks to enable modest amendments to the relevant NEAs