Joint Office of Gas Transporters

UNC Modification	At what stage is this document in the process?
# UNC 0XXX: Draft *(Code Administrator to issue reference)* ## Embedded Compression	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

Clarification that embedded compression, with zero net flow, is not to be classified as an entry and exit point

	The Proposer recommends that this modification should be: • subject to self-governance • proceed to Consultation • [treated as urgent and should proceed as such under a timetable agreed with the Authority] This modification will be presented by the Proposer to the Panel on dd mmm yyyy. The Panel will consider the Proposer's recommendation and determine the appropriate route.
	High Impact:
	Medium Impact: Some distributed gas producers. Compression service developers.
	Low Impact: Here

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Contents

Timetable

The Proposer recommends the following timetable: *(amend as appropriate)*	
Initial consideration by Workgroup	dd month year
Amended Modification considered by Workgroup	dd month year
Workgroup Report presented to Panel	dd month year
Draft Modification Report issued for consultation	dd month year
Consultation Close-out for representations	dd month year
Variation Request presented to Panel	dd month year
Final Modification Report available for Panel	dd month year
Modification Panel decision	dd month year

Any questions?

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1 Summary

What

The Code is silent on embedded compression. Clarity is needed that any embedded compression, with an anticipated net zero flow, should not be regarded as creating a network entry and exit (meter) point.

Why

Compressors can be used to move gas from a lower to higher pressure tier pipeline. If this is done by a DN, this would be regarded as part of network operation. If carried out by a third party, the movement between tiers could be regarded as an exit and entry point, with the flows expected to net out (subject to measurement error). Different treatment of the process depending on the parties involved is inappropriate.

How

UNC amendment to clearly provide that embedded compression shall not lead to either an entry nor exit (meter) point being created.

2 Governance

Justification for Self-Governance, Authority Direction or Urgency

If it is accepted that embedded compression does not require exit and entry points to be created, then as a clarifying modification, implementation is unlikely to have a material impact on any party and self-governance is appropriate.

Since a project to install embedded compression is being actively pursued with an intention of being operational in Summer 2017, early clarification would be required if the DN concerned were to conclude that an exit and entry point is being created. The consequences of such a conclusion on project costs and timing may mean that urgent procedures will be requested.

Requested Next Steps

This modification should:

- be considered a non-material change and subject to self-governance
- proceed to Consultation
- [be treated as urgent and should proceed as such under a timetable agreed with the Authority]

3 Why Change?

The injection of distributed gas is growing. As at the end of March 2017, 82 DN entry points were registered on Gemini.

BGG understands that around 10 existing biomethane projects flare gas from time to time because of capacity constraints. We have seen an estimate that suggests half of the currently identified potential new biomethane sites face local grid capacity constraints and, as a result, are unlikely to be developed.

Constraints typically arise in the summer months when demand is low. However, it is technically possible to export gas from one pipeline pressure tier (e.g. Medium pressure) to a higher one (e.g. Intermediate Pressure). This increases the ability of a network to accept gas, with higher pressure tiers able to more easily accommodate additional gas.

The ability of embedded compression to effectively increase the capacity available to accommodate distributed gas was successfully demonstrated in 2010 by a project involving Northern Gas Networks and National Grid Distribution. At some point, the DNs may offer embedded compression within their networks as an option. None do so at present. Distributed gas producers may, however, look to arrange this for themselves, and one such project is being actively pursued.

If a DN includes compression within its network, this would not constitute an entry nor exit (meter) point but simply be part of the network. If a third party were to build an identical facility to transfer gas between two pipeline pressure tiers, BGG believes the UNC is silent on how this should be treated. As such, it may be argued that the gas passing through the compressor should be treated as having created both an entry and exit (meter) point. Equally, it may be argued that in the absence of any specific Code terms, the compressor should be treated as part of the network, thereby delivering the same treatment as would apply if the DN implemented an identical arrangement.

To remove any scope for doubt, and to avoid imposing significant costs on third party developments that would not apply were a DN to undertake the same development, clarity in the Code would be beneficial.

4 Code Specific Matters

Reference Documents

UNC

Knowledge/Skills

Understanding of meter point rules and distributed gas entry requirements.

5 Solution

It is proposed that the Code be modified to clarify that embedded compression - a physical arrangement that moves gas from one pressure tier to another within a distribution network with no anticipated net flow – shall not create either an entry nor exit (meter) point.

6 Impacts & Other Considerations

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

No.

Consumer Impacts

No direct impact.

Cross Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

None.

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.	Positive
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.	Positive
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.	None

Implementation of this modification would reduce the costs to third parties of developing schemes to provide compression that moves gas between pressure tiers, creating a level playing field with the requirements were the incumbent DN to implement the same solution. The third party would not, for example, be expected to pay LDZ transportation charges associated with each of the positive and negative elements of a zero net flow arrangement. Implementation would therefore increase the likelihood of schemes being implemented that alleviate capacity constraints and allow increased volumes of distributed gas to be injected. This would facilitate:

Efficient and economic operation of the pipeline system through the existence of embedded compression that may not otherwise be installed, increasing the options available to a network operator.

Efficient discharge of the licensee's obligations by ensuring a level playing field between DN and third party compression schemes, avoiding any suggestion of undue discrimination.

Securing of effective competition between relevant shippers and between relevant suppliers by allowing injection of distributed gas that may otherwise be flared, with increased supply available to the market when it is economic to inject.

8 Implementation

No implementation costs are envisaged as a result of this modification.

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.

9 Legal Text

Text Commentary

To be provided by the relevant Transporter.

Text

To be provided by the relevant Transporter.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Issue this modification directly to Consultation