

Representation - Draft Modification Report UNC 0645S

Amending the oxygen content limit in the Network Entry Agreement at South Hook LNG Terminal

Responses invited by: **5pm on 27 April 2018**

To: enquiries@gasgovernance.co.uk

Representative:	Elvan Akkaya
Organisation:	South Hook LNG Terminal
Date of Representation:	20 th April 2018
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

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

As proposer of this modification we have identified key areas that strongly support implementation. The UKCS decline, Groningen production cuts and the closure of Rough long-range storage facility are all resulting in an increase in GB's gas import dependency. This modification supports this enhanced gas security of supply requirement by 1) de-risking the likelihood of an ICF breach at South Hook LNG Terminal (and subsequent Terminal Flow Assurance or outages), 2) allowing greater diversity of gas composition of future cargoes at South Hook LNG Terminal and 3) improving consistency with the oxygen limits at other entry points, which will better facilitate market competition and liquidity.

Although National Grid's analysis represents "worst-case" scenario, as acknowledged by the workgroup, it still concludes that storage sites would not be adversely affected by this modification, as only 0.005mol% could penetrate to the North-West region during the winter and 0.015mol% during the summer. Additionally, one North West based gas storage operator indicated that this modification is unlikely to have a material effect on their storage site.

South Hook LNG Terminal believes a modest increase in its Network Entry Agreement limit to 0.02mol% is a pragmatic solution to de-risking potential operational issues that can occur at the Terminal, whilst remaining well within the GS(M)R limit of 0.2mol%.

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

This is consistent with similar enabling modifications 0561S and 0581S that have already been implemented. Self-governance is appropriate, as this modification this does not have a negative impact on competition.

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

As soon as reasonably possible.

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

We do not anticipate any costs of implementation.

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

n/a

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

We reference the article below to highlight the benefits that LNG contributes to market liquidity.

<https://www.icis.com/resources/news/2018/03/05/10199500/lng-markets-analysis-high-uk-prices-bring-spot-cargoes/?redirect=english>