

## Representation - Draft Modification Report UNC 0607

### Amendment to Gas Quality NTS Entry Specification at the St Fergus NSMP System Entry Point

Responses invited by: **5pm on 09 November 2017**

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

<b>Representative:</b>	Lucy Manning
<b>Organisation:</b>	Gazprom Marketing & Trading
<b>Date of Representation:</b>	9 November 2017
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	<p><b>a)</b> Positive</p> <p><b>d)</b> Positive</p> <p>(i) <i>between relevant shippers;</i></p> <p>(ii) <i>between relevant suppliers; and/or</i></p> <p>(iii) <i>between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</i></p>

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

This proposal allows for an increase in the carbon dioxide limit in the relevant Network Entry Agreement (NEA). This helps ensure that gas production at the Rhum field can continue, which contributes towards liquidity in the market and security of supply. Following thorough analysis during the workgroup process, it has been shown that the requested change in carbon dioxide limit can be accommodated due to the fortuitous comingling that can be expected to occur. We note from page 10 of the workgroup report that it is “very unlikely” that gas of 5.5mol% CO<sub>2</sub> could flow onto the NTS as a result of the proposal. We think that this “remote possibility” and potential impact does not outweigh the benefit that the proposal brings by ensuring that gas from the UKCS can be extracted, traded and used to supply customers.

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

*N/A Panel determined it should be Authority Direction*

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

Implementation should be as soon as possible after approval because there is no reason to delay.

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

We will face no costs if this modification is implemented.

If not implemented, the impact of there being less gas produced will be detrimental to liquidity and may lead to less flexibility in the market.

We agree with the following analysis in the workgroup report:

“The Proposer states in the Modification that if the proposal is not implemented then the impact would most likely be an early cessation of production from the Rhum, Bruce and Keith fields which account for approximately 5% of the UK national gas supply... Whilst this assessment showed that the N-1 criteria could still be met under all scenarios, National Grid NTS remains of the view that the volumes of gas that could be lost are material and would serve to degrade UK gas supply security.” (p 5)

**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.*

No.

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

We would like to highlight our concern with the following aspect of the proposal:

“It is also proposed to make provision in the NSMP St Fergus NEA to allow National Grid to reduce the CO<sub>2</sub> limit at the NSMP St Fergus Entry Point to a level between 4.0mol% and 5.5mol% within the period of time for which this Modification applies in the event that another UNC Modification(s) to increase the CO<sub>2</sub> limit is approved in respect of another System Entry Point and which National Grid NTS would otherwise be unable to accommodate without incurring material cost.”

We do not think that this arrangement is appropriate. We challenge National Grid NTS's claims that “there are potential detrimental effects on competition amongst shippers if other upstream parties were to request a similar limit in the future that National Grid NTS is unable to accommodate by virtue of having granted such flexibility to NSMP” (p4 of the workgroup report), which is used to justify the inclusion of this additional element of the proposal.

However, we understand that for the proposer the inclusion of this element is a pragmatic way of ensuring the modification, and subsequent amendment to the NEA, can progress, and also that National Grid NTS is holding a wider “Gas Quality Consultation” relating to inadequacies in the current treatment gas quality change requests (like this one) and ways to rectify this in future. On that basis, we are able to support the modification despite the inclusion of this particular element.