

UNC Workgroup 0675S Minutes

Enabling changes to the BBL Interconnection Agreement to facilitate physical reverse flow

Thursday 06 June 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA

Attendees

Rebecca Hailes (Chair)	(RHa)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Abu Sayeed	(ASa)	Ofgem
Adam Bates*	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley*	(AS)	Eni Trading & Shipping
Chris Wright	(CR)	Exxon Mobil
Daniel Hisgett	(DH)	National Grid NTS
David Cox*	(DC)	London Energy Consulting
Edd Fyfe	(EF)	SGN
Gareth Evans	(GE)	Waters Wye Associates
Graham Jack*	(GJ)	Centrica
Jeff Chandler*	(JF)	SSE
Jennifer Randall	(JR)	National Grid NTS
John Costa*	(JC)	EDF Energy
Julie Cox	(JC)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Lea Slokar*	(LS)	Ofgem
Lee Millard	(LM)	Interconnector UK
Neville Henderson	(NH)	BBLC
Pavanjit Dhesi*	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Shiv Singh*	(SS)	Cadent
Shiv Singh*	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steve Britton*	(SB)	Cornwall Insight
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/675/060619>

1. Consideration of Final Modification Report

Rebecca Hailes (RHa) welcomed all to the meeting and explained that this Modification had been proposed by National Grid NTS a few months ago and since then it had been sent to the April UNC Panel, sent out to consultation and submitted to the May Panel. She said that the Panel had raised the two questions and that the Workgroup would only be considering these two questions.

She explained that the Workgroup had noted that National Grid had submitted a paper for Workgroup consideration which was published on the Joint Office website on 30 May 2019 and that Interconnector UK had submitted a paper for Workgroup consideration which was published late on 05 June 2019. Pavanjit Dhesi (PD) said Interconnector UK had had very little time in which to respond, as they had attended the most recent meeting with National Grid NTS on Monday 03 June 2019.

RHa said she intended to go through both the Interconnector UK and National Grid NTS presentations in sequence. She said the first area that would be discussed was the area of the self-governance status and that then she would explore the points that had been raised in the consultation, all were in agreement with this suggestion.

1.1. Issues and Questions from Panel

1.1.1. Consider and respond to each of the points raised in the consultation representations

1.1.2. Consider materiality of the Modification and self-governance status

Consider materiality of the Modification and for self-governance status

Jennifer Randall (JR) provided an overview of the National Grid NTS presentation and said that from a National Grid NTS perspective they did feel that a self-governance status was appropriate, as there is no adverse impact on competition as a result of the Modification. She added that the competition in the transportation of gas between GB and the European markets would be enhanced. She said that the Interconnector UK owners were not a 'relevant gas transporter' under the Gas Act, therefore 'one or more pipeline systems', relates to the NTS and the GDN networks, not to the interconnectors.

Pavanjit Dhesi (PD) disagreed with this self-governance status and said that it should be Authority Direction due to the following points as detailed below:

- National Grid NTS' duties under s. 9 Gas Act (1986) include to ensure an efficient and economical pipeline system: the duty relates to National Grid NTS' system and Interconnector UK's status is not relevant in relation to this.
- The proposed Modification does not ensure that National Grid NTS' system is efficient or economical with a negative impact on UNC relevant objective (b) as it introduces more generous charging rules and flexibility for one party. The proposed Modification introduces an asymmetric regime which is neither efficient nor economical.
- The proposals have a negative impact on UNC relevant objective (d) as they fail to further secure, effective competition between relevant shippers using NTS capacity in combination with the respective interconnectors.
- Additionally, PD said the proposed modification introduces greater risk of dusts and off-specification gas leading to a greater likelihood of disruption to cross-border flows. This does not further facilitate cross border trade and therefore does not further facilitate compliance with European Regulations under UNC relevant objective (g).

PD also stated that Interconnector UK had been seeking detailed evidence of the National Grid NTS feasibility studies and data regarding the impact of this change, and this had been repeatedly requested since December 2018 and as yet, this had still not been provided.

RH reminded everyone of the criteria for a self-governance Modification and the specifics that needed to be taken into consideration.

Neville Henderson (NH) explained, in essence, the main function of the Modification was to allow the reverse flow of gas, i.e. the gas to flow both ways, and there would be no change to the gas flow at Bacton. He added that the BBL shareholders were funding the project at considerable expense to enhance the gas flows between the GB and European markets. Ritchard Hewitt (RH) added that neither the gas flow nor the licence conditions were to change and so there would be no adverse impacts.

A very lengthy and protracted general discussion then took place in relation to the fact some Workgroup members felt that this Modification should have an Authority Direction. Andrew Pearce (AP) said that both previous *Modifications 0598 – Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations* and *0607- Amendment to Gas Quality NTS Entry Specification at the St Fergus NSMP System Entry Point*, were deemed Authority Direction and David Cox (DC) and Gareth Evans (GE) agreed that Authority Direction was appropriate in this instance also.

PD continued to disagree with the status of self-governance and stated that the Modification would have a material impact, and he reiterated that he needed to see more information and data analysis on this subject.

Lea Slokar (LS) said that from the Ofgem perspective they agreed with National Grid that a self-governance status was suitable, as there were no changes to the UNC Code.

A further lengthy discussion took place in relation to the physical flows of the gas from National Grid NTS and Anna Shrigley (AS) said she trusted National Grid NTS to adhere to the process and procedures with regards to the flow and that the only change would be the physical flow of the interruptible capacity gas, adding that she thought the increased commodity charge receipts for National Grid NTS at Bacton would reduce charges for everyone else.

DC disagreed and said that the remedies needed to be known and made available in the event that National Grid NTS failed, and what redress would there be. PD said that in the IA there are no provisions for claiming of damages against National Grid and hence this was the reason for his concerns. Julie Cox (JCx) said that the main issue seemed to be in relation to the increased exit flows through the network and that BBL could increase the rate of the interruption exit flows, which would have to be treated fairly. AS agreed with this statement and said the costs would have to be socialised especially in relation to the reverse flow, based on the interruptible capacity.

PD said he wanted to know what mitigation measures would be in place and he again asked why National Grid NTS were not prepared to share the technical study findings. Phil Hobbins (PH) said by definition, in relation to interruptible capacity, if parties bought interruptible capacity then there would be a risk of interruption. He said that no work had been undertaken to assess the potential for increased interruption at the Bacton exit points. He added that regarding the technical study that was undertaken, this had been requested and funded by BBL and was a study of the exit capacity. It did not include a wider remit. NH concurred with this statement and said that they had looked to see if the flow could have been increased above 23GWh/h and that the conclusion was that this would have been too cost prohibitive.

More lengthy discussions took place regarding the Interconnector UK agreement, and JR confirmed that this would need changing and that this was being explored with the specific parties. PD said that it was only now that it had come to light there would be changes to the Interconnector UK agreement and that National Grid NTS had omitted to mention this earlier. He reiterated there would be impacts, which could affect the adjacent TSOs. JR said that these potential changes had been discussed previously and stated that this matter had been brought up the last Workgroup meeting in April.

Chris Wright (CR) asked if the UNC Panel could make the decision on the Modification status and RHa said that yes this was the case and that if anyone disagreed with the decision, then they could Appeal within 15 days after the Panel decision had taken place. RHa then overviewed the Appeals process referencing the Modification Rules Section 13 (available here: <http://www.gasgovernance.co.uk/general>).

RH again reiterated that there was no licence obligation to release firm exit capacity at the BBL exit point and both JR and PH agreed with this statement, adding that the exit capacity was out of the scope of this Modification.

PD asked what were National Grid NTS' views on the enhanced pressure and general pressure in relation to the off takes, and how would that work in the future? JR said that this area was unclear at this stage and this would be explored in the future.

Consider and respond to each of the points raised in the consultation representations

Workgroup noted that National Grid submitted a paper for Workgroup consideration which was published on the Joint Office website on 30 May 2019 and Interconnector UK submitted a paper for Workgroup consideration which was published late on 05 June 2019, the night before Workgroup. The material in these two papers was presented to Workgroup as a basis for discussion.

JR provided an overview of the points raised in the consultation and the responses from National Grid NTS in this regard, these can be viewed in full via the link: <http://www.gasgovernance.co.uk/0675/060619>

PD likewise provided an overview of the points raised in the consultation and these encompassed concerns in relation to the following areas; Risk of Dust and Liquids, Pressure and Flow/Ramp Rates and Security of Supply Regulation, the full detail can be viewed via the link: <http://www.gasgovernance.co.uk/0675/060619>

Further lengthy and protracted discussions took place specifically in relation to Security of Supply (SOS) Regulation¹ and PD again explained his concerns about the potential for increased Interconnector UK costs to run the Kings Lynn compressor to meet the Bacton exit pressure, gas quality provisions, and he said there was the potential for an increased risk of dust and liquids being offtaken by Interconnector UK due to differences in flow rate rules for Interconnector and BBL. Both PH and NH said that National Grid NTS and BBL were compliant with EU SoS Regulation. AP added that this was fully documented in the Regulation (EU) 994/2010 agreement and NH quoted specific extracts from the SOS that can be viewed via the link: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1938&from=EN>

PH said that he did not agree with holding up the BBL reverse flow connection pending the resolution of PD's concerns and he added that work was taking place with Interconnector UK to make necessary amendments to their IA. He said that he did not believe that National Grid NTS' ability to meet their contractual obligations to Interconnector UK would be affected when the BBL reverse flow started. He added that National Grid NTS does not need to seek consent from all other exit points in the Southeast area before signing with BBL. PD said that from the Interconnector UK perspective, there were wider obligations to facilitate cross border trade.

Andrew Pearce (AP), Julie Cox (JCx), John Costa (JC) and Ritchard Hewitt (RH) all agreed that this was clearly a commercial disagreement between two parties which they felt needed to be taken off line and resolved.

Adam Bates (AB) asked PD what he needed to resolve this matter and PD said that he wanted assurances that the flows at Bacton would not be interrupted without any risk to supply.

RHa confirmed that all salient points discussed during the meeting had been included into the Final Modification Report as directed by the workgroup. She also said that if further discussions took place between Interconnector UK and National Grid NTS prior to the June Panel then these should be communicated to the Panel members.

2. Next Steps

RHa said that the Final Modification Report would be completed and submitted to the June Panel and that there would not be any further workgroup meetings unless specifically directed by Panel.

3. Any Other Business

None.

4. Diary Planning

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

¹ Security of Supply Regulation 2017/1938: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1938&from=EN>