

0XXX: *(Joint Office to insert number)*

## Removal of National Grid LNG Storage UNC TPD Section Z obligations and associated cross references

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

Operational activity is to cease at National Grid’s last remaining LNG Storage Facility, Avonmouth at the end of April 2016. This modification proposes to remove the Section Z obligations on National Grid LNG Storage, remove in entirety Section Z: National Grid LNG Storage Facilities and remove and amend cross references within UNC TPD to Section Z and National Grid LNG Storage Facilities.



The Proposer recommends that this modification should:

- proceed to Consultation














High Impact:  
**None**



Medium Impact:  
**None**



Low Impact:  
Shippers and Transporters

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<b>About this document:</b>		 <b>telephone</b>
This modification will be presented by the proposer to the panel on <b>20<sup>th</sup> August 2016.</b>		Systems Provider: <b>Xoserve</b>
The panel will consider the proposer's recommendation and agree whether this modification should be:		 <b><a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a></b>
<ul style="list-style-type: none"> <li>issued for consultation,</li> </ul>		 <b>telephone</b>
The Proposer recommends the following timetable:		Additional contacts: <b>Insert name</b>
Initial consideration by Workgroup	20 <sup>th</sup> August 2015	 <b>email address.</b>
Draft Modification Report issued for consultation	21 August 2015	 <b>telephone</b>
Consultation Close-out for representations	25 September 2015	
Final Modification Report presented to Panel	28 September 2015	
UNC Modification Panel decision	15 October 2015	

# 1 Summary

## Is this a Self-Governance Modification?

National Grid LNG Storage believes that this modification should be Self-Governance as it is unlikely to have a material impact on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes because it is simply the mechanics to complete the necessary governance (removal Section Z and references to Section Z and National Grid LNG Storage) resulting from the consultation and previous announcement National Grid LNG Storage's last remaining facility, Avonmouth, will cease operational activity on gas day 30<sup>th</sup> April 2016.

## Why Change?

Following a stakeholder consultation National Grid LNG Storage announced on 27<sup>th</sup> February 2015 the last remaining National Grid LNG Storage facility, Avonmouth, will cease operational activity on gas day 30<sup>th</sup> April 2016.

UNC TPD Section Z specifically relates to National Grid LNG Storage Facilities and as the last remaining National Grid LNG Storage Facility will cease operational activity on gas day 30<sup>th</sup> April 2016, UNC TPD Section Z will no longer be required or relevant.

## Solution

This modification proposes to remove existing UNC TPD Section Z obligations on National Grid LNG Storage and remove in entirety Section Z: National Grid LNG Storage Facilities. Throughout UNC TPD there are references to National Grid LNG Storage and Section Z that will require amendment or removal as part of housekeeping and these amendment proposals are also part of this proposal.

## Relevant Objectives

This modification furthers Relevant Objective f) as it aims to remove superfluous references to National Grid LNG Storage and UNC Section Z and thereby remove any uncertainty relating to the existence of National Grid LNG Storage facilities within UNC.

## Implementation

Subject to the two paragraphs below National Grid LNG Storage request this Code Modification is implemented no earlier than 01st August 2016.

UNC Section Z, Section 3: "APPLICATION FOR STORAGE CAPACITY", requires National Grid LNG Storage to invite applications for Storage Capacity no later than 1 March in each year for the next storage year. As no capacity will be available or offered for Storage Year 2016/2017 or for any future years National Grid LNG Storage request that UNC Section Z, Section 3 is deleted prior to 1 March 2015 thereby removing the UNC obligation for National Grid LNG Storage to invite applications for Storage Capacity. If Users has gas-in-storage on 1 May 2016 National Grid LNG will need the right to control the withdrawal of such gas-in-storage during the decommissioning of the Storage Facility. Any such Users will be deemed to have given authority to National Grid Gas LNG to make a Storage Withdrawal

Nomination in respect of any gas-in-storage held by such User(s) in the period from 1 May 2016 to 1 August 2016. This will be reflected in a Transition Rule which should come into force on 1 March 2016.

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

There are no expected impacts on an SCR or other significant industry change projects as this Code Modification as such is a housekeeping change.

## 2 Why Change?

### Background

Avonmouth is the last remaining of 5, LNG Storage facilities built in the 1970s and 1980s. The original purpose of these facilities was to provide Transmission support at the extremities of National Grid's (NG) high pressure pipeline network. As the topography of pipeline networks and gas supplies into the UK have materially developed over the decades, the Isle of Grain facility was converted to a LNG importation terminal in 2005 and the other LNG Storage sites have closed. The last remaining National Grid LNG Storage facility, Avonmouth, primarily provides services for customers wishing to reload LNG onto road tankers.

The Avonmouth facility is characterised by assets approaching the end of their technical life (30+ years). Although safe, and in spite of significant inspection, maintenance and strategic spares provisions, the site has experienced a number of failures of its process plant in recent years. Most recently, unplanned outages were necessitated in the summer of 2014, December 2014, February 2015 and May/June 2015. For many years LNG Storage has engaged with customers and stakeholders emphasising the resilience risks and importance of implementing alternative arrangements.

In light of the above, and as a prudent operator, NG proposed to accelerate the planned Avonmouth April 2018 closure date to April 2016. The cessation of operations at the Avonmouth LNG Storage facility on gas day 30<sup>th</sup> April 2016 was seen as the only credible option to provide a clear closure timeline and minimise disruption to customers and consumers through unplanned failure.

On 27<sup>th</sup> November 2014 National Grid LNG Storage announced the launch of a stakeholder consultation on the proposal to cease operational activity at Avonmouth at the end of April 2016; the consultation ran to January 16<sup>th</sup> 2015. The stakeholder consultation documents are available at the following location <http://www2.nationalgrid.com/UK/Services/LNG-Storage/consultation>. In developing this strategy and prior to the start of the consultation period National Grid LNG Storage engaged with both DECC and OFGEM. In addition the consultation was discussed as an agenda item on both the December 2014 and February 2015 Joint Office of Gas Transporters Transmission Workgroup meetings.

Following the stakeholder consultation National Grid LNG Storage announced on 27<sup>th</sup> February 2015 the last remaining National Grid LNG Storage facility, Avonmouth, will cease operational activity on gas day 30<sup>th</sup> April 2016. The announced timeline has provided customers with a clear timeline to implement alternative arrangements and continue to ensure security of supply to their consumers who depend on re-gasified LNG.

UNC TPD Section Z specifically relates to National Grid LNG Storage Facilities. As Avonmouth, the last remaining National Grid LNG Storage Facility, will cease operational activity on gas day 30<sup>th</sup> April 2016 it is sensible to remove existing Section Z obligations on National Grid LNG Storage and make clear in regard to UNC Section Z, Section 3 no capacity will be available or offered for Storage Year

2016/2017 or for any future years. This proposed Code Modification also takes into consideration the references to National Grid LNG Storage and Section Z throughout UNC TPD.

### 3 Solution

UNC TPD Section Z specifically relates to National Grid LNG Storage Facilities therefore with the closure of the Avonmouth facility UNC TPD Section Z will no longer be required or relevant. This modification proposes to remove Section Z and amend sections throughout UNC TPD that refer to Section Z, National Grid LNG Storage and named National LNG Storage facilities.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

### 4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation	None

arrangements with other relevant gas transporters) and relevant shippers.	
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.	Positive
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

## Positive Impact

### 5 This modification furthers Relevant Objective f) as it aims to remove superfluous references to National Grid LNG Storage and UNC Section Z and thereby remove any uncertainty relating to the existence of National Grid LNG Storage facilities within UNC. Implementation

See comments in summary section.

National Grid LNG Storage are requesting that this Code Modification is implemented in two stages:

#### For Implementation 1 (pre- 1 March 2016)

Amend UNC Section Z, Section 3 **APPLICATION FOR STORAGE CAPACITY**, paragraph 3.1.1., to remove the obligation on National Grid LNG Storage to invite applications for future year Storage Capacity in the Avonmouth facility by March 1<sup>st</sup> 2016.

Add new provision to the Transition Document that any User with gas-in-storage on 1 May 2016 will be deemed to have given authority to National Grid Gas LNG to make a Storage Withdrawal Nomination in respect of any gas-in-storage held by such User(s) in the period from 1 May 2016 to 1 August 2016.

#### For Implementation 2 (post 1 August 2016)

Remove in entirety Section Z: National Grid LNG Storage Facilities and as housekeeping remove and amend, were relevant, references to National Grid LNG Storage and Section Z throughout UNC TPD.

As self-governance procedures are proposed, implementation for Stage 1 could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 6 Impacts

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

There are no expected impacts on an SCR or other significant industry change projects as this Code Modification as such is a housekeeping change.

## 7 Legal Text

*While the Proposer is welcome to put forward suggested legal text, formal legal text and commentary will be provided by the Transporters when requested to do so by the Modification Panel.*

*If this is a proposed Fast Track Self-Governance modification then legal drafting and commentary must be provided.*

### Text Commentary

*In support of the legal text provided, the legal representative shall provide a plain English explanatory note setting out the approach taken to converting the Solution into legal text, illustrating how the legal text delivers the intent of the Solution.*

The additional wording in TPD Section Z paragraph 3.1.1 makes it clear that National Grid LNG Storage will not be inviting applications for Storage Capacity for future Storage Years.

Section Z governs arrangements between Shippers and National Grid LNG Storage. As from the end of April 2016 there will be no operational National Grid LNG Storage Facilities the entire section can be deleted and references in other parts of the UNC to National Grid LNG Storage Facilities can be deleted

### Text

#### For Implementation 1 (pre- 1 March 2016)

Insert new wording in UNC TPD Section Z paragraph 3.1

3.1.1 For each Storage Year prior to the Storage Year ending on 30 April 2016 National Grid LNG Storage will, not later than 1 March in the Preceding Storage Year, invite (in accordance with paragraph 3.1.2) applications for Storage Capacity in each National Grid LNG Storage Facility.

#### Transition Document

##### PART IIC – TRANSITIONAL RULES

*Insert new paragraph [] in Transition Document Part IIC (Transitional Rules) as follow:*

Any User who has gas-in-storage on the Gas Flow Day 1 May 2016 “Decommissioning Gas in Storage” will be deemed to have given National Grid LNG the authority to make a Storage Withdrawal Nomination in respect of that User’s Decommissioning Gas in Storage. Such authority will be capable of being exercised by National Grid LNG in the period from 1 May 2016 to 1 August 2016.

#### For Implementation 2 (post 1 August 2016)

Delete UNC TPD Section Z in its entirety and replace it with:

Not Used.

See attached table in Annex 1 for proposed changes to other Sections of the UNC.

#### Transition Document

##### PART IIC – TRANSITIONAL RULES

*Insert new paragraph [] in Transition Document Part IIC (Transitional Rules) as follow:*

To the extent there is any outstanding dispute relating to National Grid LNG Storage Facilities such dispute shall be conducted in accordance with the terms of UNC TPD Section Z in force as at 30 April 2016.

## 8 Recommendation

The Proposer invites the Panel to: *(delete as appropriate)*

- Determine that this modification should be subject to self-governance; and
- 
- Progress Consultation.

Consultation is proposed as National Grid LNG Storage has consulted upon the subject of this modification and it has been announced the last remaining National Grid LNG Storage facility, Avonmouth, will cease operational activity on gas day 30<sup>th</sup> April 2016. This modification is only proposing to remove the relevant sections and reference in Code to allow the consultation conclusions to be completed.