Joint Office of Gas Transporters

Stage 01: Modification

At what stage is this document in the process?

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

0502:

Amendment to Gas Quality NTS Entry Specification at the px Teesside System Entry Point

This modification will facilitate a change to the current contractual Carbon Dioxide limit at the px Teesside System Entry Point, through modification of a Network Entry Provision contained within the Network Entry Agreement ("NEA") between National Grid Gas and px (TGPP) Limited in respect of the px Teesside System Entry Point.

The Proposer recommends that this modification should be:

- assessed by a Workgroup

High Impact: None

Medium Impact: Transporters, Shippers and Consumers

Low Impact: None

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About this document:

This modification was presented by the Proposer to the Panel on 15 May 2014.

The Panel considered the Proposer's recommendation and agreed this modification should be referred to a Workgroup for assessment.

Any questions?

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1 Summary

Is this a Self-Governance Modification?

This modification is not suitable for self-governance as it could have an impact on Shippers, Transporters or Consumers of gas conveyed through pipelines.

Is this a Fast Track Self-Governance Modification?

This modification is not suitable for fast track as it is not a house keeping modification.

Why Change?

BP have submitted modification proposal 0498: Amendment to Gas Quality NTS Entry Specification at BP Teesside System Entry Point, on the basis that the composition of future gas in the CATS pipeline will be incompatible with their current carbon dioxide (CO_2) limit of 2.9 mol% at the BP Teesside System Entry Point. The px Delivery Facility receives the same composition of comingled gas from the CATS pipeline as BP CATS, and currently has the same carbon dioxide limit within its Network Entry Provisions. As a result, the same change to the carbon dioxide limit will be required at the px Teesside System Entry Point to ensure that gas received from the CATS pipeline will, once processed, be within the requirements of the Network Entry Agreement (NEA) to allow delivery onto the National Transmission System (NTS). Should the composition of the gas within the CATS pipeline change without this modification being accepted, then delivery of gas into the NTS from the px Teesside System Entry Point may be restricted.

Solution

This modification, in accordance with UNC (ref.TPD I 2.2.3(a)), proposes an amendment to a Network Entry Provision within the existing NEA in respect of the px Teesside System Entry Point. This amendment would increase the CO_2 limit of gas delivered from the px Teesside System Entry Point into the NTS to 4.0 mol% from the current limit of 2.9 mol% from 1st October 2020.

Relevant Objectives

A higher CO_2 limit will permit economic delivery of additional UKCS gas production, increasing GB supply security and reducing the reliance on imported gas. This will contribute to the economic and efficient operation of the total system through maintaining a diversified supply and by continued use of existing capacity.

It will provide greater competition between Shippers and between Suppliers by increasing gas availability in the market and also securing greater supply for consumers.

Implementation

No significant implementation costs or timescales have been identified for changing the Gas Entry Conditions in respect of px Teesside System Entry Point other than it is anticipated that the modification would be implemented coincident with the BP Modification 0498. This modification could be implemented immediately upon approval by Ofgem.

2 Why Change?

The UKCS is a mature gas production area. Emphasis is being placed on maximising economic recovery through investment in the accessibility of new fields and improving the extractability from existing fields.

Gas entering the CATS pipeline from some producers, without the aid of blending gas within the pipeline, would not meet the current Gas Entry Conditions and would not be of the required specification for onward delivery onto the NTS. BP in their modification proposal: 0498 have advised that they have analysed the CO_2 content of future gas production and potential new upstream developments that are known to have CO_2 levels that exceed current limits and there is concern that it may become increasingly frequent that there is insufficient blending gas available and therefore a greater risk of curtailments to the NTS due to CO_2 limits being exceeded. This risk would be increased in outage months where there are fewer producers inputting into the CATS pipeline and therefore less blending gas available and, as advised by BP, from around 2020 onwards blending gas cannot be guaranteed prior to entry into the NTS.

The px Delivery Facility receives the same commingled gas from the CATS pipeline as BP CATS, and therefore any changes to the commingled gas composition that may affect BP's processing ability, would have the same impact upon the px Delivery Facility. If Modification 0498 is approved and the specification in the pipeline changes as predicted by BP, then without this equivalent modification to change the carbon dioxide limit at the px Teesside System Entry Point to align with BP, there is a risk that deliveries from the px Teesside System Entry Point will be curtailed when the CATS pipeline specification reaches the current CO_2 limit, resulting in the interruption of gas flows into the NTS. Preliminary studies indicate that substantial investment would be required at px Delivery Facility to allow removal of CO_2 prior to entry to the NTS. Therefore, this modification seeks, in the same manner as the BP modification, to use the most efficient and economical method of effecting the change through amending the Network Entry Provisions, assuming no adverse impact on the system or users of the system. E24 understands that National Grid NTS has written to its likely affected customers to informally seek views as part of its response to the BP proposal, and it has considered risk to the NTS system. In addition, as a similar limit is in place at other System Entry Points, it seems plausible that gas with higher CO_2 content could be potentially accommodated without impacting the system or consumers. It should also be noted that CO_2 is not a defined parameter in the Gas Safety (Management) Regulations 1996, and no amendment of GS(M)R is required.

Industry engagement is sought to assess more thoroughly the impact of the proposed change, in order to confirm that a higher CO_2 limit at the px Teesside System Entry Point, alongside the same higher limit proposed at the BP Teesside System Entry Point, would be beneficial for the GB market.

3 Solution

In accordance with the UNC (TDP Ref. I 2.2.3 (a)), this modification seeks to amend the Network Entry Provision within the existing px (TGPP) Limited, Network Entry Agreement. This amendment would increase the CO_2 upper limit for gas delivered from the px Teesside System Entry Point into the NTS to 4.0 mol% from the current limit of 2.9 mol% from 1st October 2020.

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.
None
Proposed charge(s) for application of User Pays charges to Shippers.
None
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
None

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.	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.	Positive
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 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.	Positive
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

Positive impacts have been identified on (a) the objectives of efficient and economic operation of the pipeline system, (b) on the coordinated efficient operation of the offshore and onshore systems, (d) on competition among shippers, and (e) on incentives to provide gas for domestic customers in line with supply security standards. No impact has been identified on, (c) discharge of licensee's obligations, (f) the administration of the code, or (g) on the compliance with other binding decisions at EU/ACER level.

This modification will facilitate the investment in new fields, maximise production from declining fields whilst using existing infrastructure to do so, the realisation of such production will reduce the reliance of imported gas, while maintaining effective competition between shippers in the GB market. The increased CO_2 limit will reduce the likelihood of interruption of gas flow into the NTS, particularly during outage periods and summer months, as the CATS pipeline will become less dependent upon blending gas; this will provide a more secure and stable gas flow, which will assist in providing price stability in the market.

5 Implementation

No direct costs have been identified and no implementation date is proposed. Implementation could be completed immediately following approval from Ofgem, through a bilateral agreement to amend the NEA, and is envisaged that this would be done at the same time as implementation of the BP modification 0498.

6 Legal Text

Suggested Text

The following legal text is suggested to modify the Network Entry Provisions contained within the NEA:

Not More than 2.9% before 1 October 2020 and not more than 4.0 mol% from 1 October 2020

7 Recommendation

The Proposer invites the Panel to*:*

- Determine that this modification should not be subject to self-governance; and
- Progress to Workgroup assessment.

Given that both the BP and px Teesside facilities receive the same commingled CATS gas composition, BP's proposed Modification: 0498 is very similar and complementary to this proposed modification, and therefore it is suggested that the two proposals are considered together through Workgroup assessment, as a positive result for only one of the proposals will have a significant effect on the unsuccessful sub-Terminal.