

Modification 0607 – Self Governance Status – National Grid NTS View Provided for Workgroup Meeting on 27th July 2017

National Grid NTS considers that Modification 0607S could have a material effect on two of the self-governance criteria:

- 1) “Sustainable development, safety or security of supply or the management of market / network emergencies”; and
- 2) “Competition in, or commercial activities related to, the shipping, transportation or supply of gas”.

The potential material effect in respect of the first criteria relates to security of supply. 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. Such a loss of supply would serve to degrade UK supply security and we are assessing materiality further.

In respect of the second criteria, we consider that material issues may exist in relation to competition in the shipping of gas. As Ofgem noted in its 0498/0502 decision letter, requests for individual parties to change gas quality limits are currently assessed on a case by case basis on their own merits with respect to the UNC relevant objectives. We consider that this is preferable to a ‘lowest common denominator’ approach whereby a request to increase a limit at an NTS entry point which can be accommodated would be denied because such a limit could not be accommodated at all other locations. The disadvantage is that if further similar requests were to be made by other upstream parties, we may reach a ‘tipping point’ at which the last party to make such a request is refused while all prior requests have been accepted.

The CO2 limit sought by the proposer is materially higher than is currently in place at any other NTS entry point. We believe that there are potential detrimental effects on competition among shippers if other upstream parties were to request a similar limit in the future that we are unable to accommodate by virtue of having granted such flexibility to NSMP, and as such may prevent other supplies from entering the NTS. We are currently seeking to mitigate this potential effect by agreeing a time-limitation on the proposed change, beyond which NSMP would be required to demonstrate a continued need case. We believe that the Authority should consider whether such mitigation is appropriate to address this potential competition concern and also whether such an arrangement could itself be regarded as discriminatory, given that all other gas quality limits in all other NEAs are not time-limited.