

Representation - Draft Modification Report UNC 0714

Amendment to Network Entry Provision at Perenco Bacton terminal

Responses invited by: **5pm on 12 June 2020**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Phil Hobbins
Organisation:	National Grid NTS
Date of Representation:	10 th June 2020
Support or oppose implementation?	Support
Relevant Objective:	<p>a) "Efficient and economic operation of the pipe-line system"</p> <p>Positive</p> <p>Whilst the Proposal requires additional National Grid resource to develop and implement, in our view this is likely to be outweighed by efficiencies associated with more gas being processed through existing terminal infrastructure than would otherwise be the case.</p> <p>d) "Securing of effective competition between relevant shippers"</p> <p>Positive.</p> <p>We agree with the rationale stated in the Draft Modification Report.</p>

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

We support implementation of this Modification Proposal because it represents a pragmatic solution to a particular gas production challenge at Bacton. We believe that it facilitates gas supplies to be made available to the GB market at a future time that would otherwise be locked out without adverse impact to other parties connected at Bacton or further downstream.

We recognise that permitting the entry of non-GS(M)R compliant gas at the Perenco NTS entry point inherently increases the risk of off-spec gas getting onto the GS(M)R network. We will therefore need to satisfy both ourselves and HSE that the additional controls we are planning to implement for the relevant period next year will result in no increased risk of this happening.

Separately, we are assessing the feasibility and economic case for National Grid offering more enduring gas quality blending services at suitable NTS entry points, in respect of which this proposal is providing valuable learning.

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

This is an ‘enabling Modification’; it will enable a change to the Network Entry Provisions that apply between National Grid NTS and Perenco at Bacton, therefore no particular lead-time for the implementation of this Modification is necessary.

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

We expect to incur some costs in order to implement this proposed blend arrangement associated with the submission of an application to the HSE for an amendment to the National Grid GS(M)R Safety Case, development of operational procedures, operational management of change, SCADA system modifications and end to end testing. We propose to recover such costs from Neptune Energy as the party that benefits most from the proposed arrangement.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

This is an enabling Modification, therefore legal text is not required.

Modification Panel Members have requested that the following questions are addressed:

Q1: Considering that National Grid would require HSE approval before the associated Network Entry Agreement could be amended, should the governance of Modification 0714 remain as Authority Direction?

Yes. A change to our GS(M)R Safety Case is required to implement the blending arrangement proposed by this Modification. In our view, and consistent with the Joint Office’s guidance note on Modifications which require Authority Direction,¹ this means that the self-governance criteria in relation to there being no material impact on safety is not met.

We also note that this guidance note states “...modifications likely to introduce any kind of discrimination between classes of parties across the industry normally require Authority Direction”. Given the time-limited nature of this Modification and the Proposer’s statement in section 2 of the Draft Modification Report that no other party entering gas at Bacton has gas sources below the lower Wobbe Index limit, we do not think that the Proposal will result in any undue discrimination between NTS entry parties. Should another NTS entry party approach us with a similar request, we would engage with that party to assess the feasibility of such a request. Whilst we therefore do not

¹https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/UNC%20%E2%80%93%20Self%20Governance%20Guidance%20v1.0_0.pdf

believe that there are material competition aspects arising from this Proposal, the guidance implies that any Modification that proposes that one party (in this case a Delivery Facility Operator) be treated differently in the transportation terms offered compared to other such parties, would be expected to be submitted for Authority decision. We note that this was part of the rationale that led to Modification 0607 'Amendment to Gas Quality NTS Entry Specification at the St Fergus NSMP System Entry Point' ultimately following this governance route.

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.*

As stated above in the 'Impacts and Costs' section of this consultation response, we have identified some implementation costs that we propose to recover from Neptune Energy. We therefore suggest an amendment to the 'Consumer Impact Assessment' section on page 7 of the Draft Modification Report, thus:

"Such that there are any directly attributable ~~operational~~ costs of operating this arrangement, these would be contained within the organisations in which they occur. National Grid NTS proposes to recover its implementation costs from the party that benefits most from this Proposal."

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

It is clear that both HSE approval, and approval of this Modification, are required to authorise the implementation of the blend arrangement proposed. This presents a sequencing issue. We believe that we should notify the decision-making body (be that Ofgem or Panel) that HSE approval has or has not been granted before the final implementation decision on this Modification is made. We would be happy to also communicate this to the wider industry via the Joint Office if Panel considered that to be appropriate.

However, if the Panel determines that this Modification should remain as Authority Direction, we believe that the Panel are able to make an implementation recommendation to Ofgem prior to the HSE decision. We currently expect to receive the HSE's decision during Summer 2020.