

Modification proposal:	Uniform Network Code (“UNC”) 0859: ‘Reintroduction of the enhanced pressure service and increased MNEPOR for BBLC (as introduced by UNC0814)’ (hereafter “UNC0859”)		
Decision:	The Authority ¹ directs this modification be made ²		
Target audience:	UNC Panel, Parties to the UNC and other interested parties		
Date of publication:	5 March 2024	Implementation date:	To be confirmed by the code administrator

Background

Two gas interconnector pipelines connect the National Transmission System (“NTS”) in Great Britain (“GB”) to mainland Europe, for the transportation of gas. These are the Balgzand to Bacton Line (“BBL”) to the Netherlands, operated by BBL Company (“BBLC”) and the Interconnector pipeline to Belgium, operated by Interconnector Limited (“INT”). Both are bi-directional interconnectors, meaning they can import to and export from the NTS and are interconnected to the NTS at the Bacton Interconnection Point (“Bacton”). BBLC and INT are certified Transmission System Operators (“TSO”) and hold gas interconnector licenses.

National Gas Transmission (“NGT”, “the Proposer”) currently provides BBLC with an assured exit pressure of 45-55 bar at Bacton and a maximum NTS exit point offtake rate (“MNEPOR”) of 184,780,632 kWh/d, which is set out in an Interconnector Agreement (“IA”) with BBLC.

NGT raised UNC0814 ‘Temporary access to the Enhanced Pressure Service and increase to the Maximum NTS Exit Point Offtake Rate of the BBLC interconnector’ (hereafter “UNC0814”) on

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

22 July 2022.³ This enabling modification proposed to allow time limited changes to the IA between NGT and BBLC to increase the MNEPOR at Bacton to 252,000,000 kWh/d and to give BBLC the option to request access to an enhanced pressure service (“EPS”) when exporting gas at Bacton. We approved UNC0814 on 6 March 2023.⁴ NGT and BBLC submitted a revised IA and linked Pressure Service Charges Agreement (“PSCA”) to the Authority for approval on 16 March 2023, which included the amendments to enact UNC0814, and we approved these on 24 March 2023.⁵ The IA came into force, but not the PSCA, as the document is tied to the NGT-INT PSCA, and NGT and INT had not finalised the required parallel changes. INT are already able to access an EPS at Bacton on an enduring basis. Their IA with NGT allows for a maximum MNEPOR of 252,000,000 kWh/d. NGT, BBLC, and INT subsequently agreed a new pro-rata cost allocation methodology, and a further revised PSCA was submitted on 27 June 2023. We approved this on 5 July 2023, after which BBLC could request an EPS until 30 September 2023.⁶

Following implementation, market conditions were such that BBLC never requested access to the EPS during the period the EPS was available to them. On 1 October 2023, the maximum service BBLC can request reverted back to 184,780,632 kWh/d.

The modification proposal

On 9 October 2023, NGT raised UNC0859.⁷ This enabling modification proposes to allow a temporary update to the IA between NGT and BBLC to introduce for, a time limited period, the same increased MNEPOR from 184,780,632 kWh/d (7,699,193kWh/h) to 252,000,000 kWh/d (10,500,000 kWh/h) and EPS, as was approved by UNC0814. The proposed solution, if approved, would apply from the point a revised IA and associated PSCA come into force until and including 31 December 2024. NGT states that this temporary solution is necessary to allow it to gather data under real flow conditions on BBLC and INT both accessing an EPS. This

³ https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2022-08/Final%20Modification%20Report%200814%20%28Urgent%29%20v2.0%20with%20%20appendices_0.pdf

⁴ <https://www.ofgem.gov.uk/publications/unc814-temporary-access-enhanced-pressure-service-and-increase-maximum-nts-exit-point-offtake-rate-bbl-interconnector-decision>

⁵ <https://www.ofgem.gov.uk/publications/decision-proposed-interconnection-agreement-between-bbl-company-and-national-gas-transmission>

⁶ <https://www.ofgem.gov.uk/publications/decision-proposed-pressure-service-charges-agreement-between-bbl-company-and-national-gas-transmission>

⁷ <https://www.gasgovernance.co.uk/0859>

would then inform NGT making a decision on whether to propose any enduring change to the IA between NGT and BBLC, by way of a UNC modification, for BBLC to access an EPS.

On 23 October 2023, the UNC Code Administrator (the Joint Office of Gas Transporters) (“the Joint Office”) notified the Authority that UNC0859 was considered by the UNC Modification Panel (“the Panel”) to be a non-material change and therefore subject to Self-Governance, meaning that it would not be subject to a decision by the Authority. On 14 December 2023, we sent a letter to the Joint Office, rejecting this Self-Governance Statement.⁸ We said it was appropriate for the modification to come to the Authority for a decision because the proposed solution involves changes to arrangements at Bacton during winter months when GB may rely on gas imports through the interconnectors to balance supply and demand on the NTS.

At the UNC Panel meeting on 16 November 2023, an Ofgem representative requested that the Joint Office ask consultation respondents to consider two questions in their responses, namely what data they believed would be required to be collected from this temporary solution to inform a future decision on an enduring solution and any views on the appropriateness of the time period for the proposal.⁹

During Panel and workshop discussions, as was the case with UNC0814, industry stakeholders raised concerns about the risk of higher pressures and exit flows leading to contaminants being delivered to the INT pipeline at Bacton.¹⁰ To ensure due diligence when making our decision on this proposal, Ofgem requested further relevant information from key stakeholders on this matter, including from the Proposer. The final submission letter in response to this request was received by Ofgem on 23 January 2024.

⁸ <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2023-12/UNC0859S%20Ofgem%20letter%20rejecting%20Self-Governance%20Statement%20December%202023.pdf>

⁹ https://www.gasgovernance.co.uk/sites/default/files/ggf/2023-11/Panel%20Minutes%20313%2016Nov23%20v1.0_0.pdf

¹⁰ “Gas containing contaminants” in this document refers to gas delivered to Bacton that contains liquids or solids. In the FMR, Panel members and UNC consultation respondents have used the phrases “non GSMR gas” and “off specification gas” when referencing the same phenomena.

UNC Panel¹¹ recommendation

At the UNC Panel meeting on 18 January 2024, the Panel voted unanimously that UNC0859 would better facilitate the UNC objectives and the Panel therefore recommended its approval.

Our decision

We have considered the issues raised by UNC0859 and the Final Modification Report (“FMR”) dated 18 January 2024. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR,¹² as well as the responses to further information that we requested as part of our due diligence. We have also given consideration as to whether UNC0859 may have a material effect on security of supply. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;¹³ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹⁴

Reasons for our decision

We consider this modification proposal will better facilitate UNC Relevant Objective (“RO”) (d) and has a neutral impact on the other relevant objectives.

(a) the efficient and economic operation of the pipe-line system to which this licence relates

Both the Proposer and Panel view this modification as having no impact on RO (a).

¹¹ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

¹² UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk

¹³ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions>

¹⁴ The Authority’s statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

One consultation respondent views UNC0859 as having a negative impact on RO (a). The respondent raised concerns about the presence of contaminants within the NTS and considered this modification would, by allowing increased pressures and exit flows at Bacton, increase the probability of gas containing contaminants being delivered to the INT pipeline. The respondent said that NGT's filtering at Bacton is insufficient, and the delivery of contaminants to assets has the potential to cause damage and result in capacity curtailments which would be costly to TSOs, shippers, and ultimately to GB consumers. This respondent said the INT pipeline had required unplanned maintenance in May 2023 and planned maintenance in November 2023 and that on both occasions, contaminants were identified. During discussions, several Panel members agreed with comments on the increased risk of contaminants.

In their consultation response and in the Panel discussion, the Proposer has stated that the capturing of contaminants is a business-as-usual ("BAU") operational matter at Bacton, as elsewhere on the network. In the FMR, the Proposer notes that cleaning has been carried out on Feeder 4, one of the feeders to INT's pipeline, from which it is understood contaminants have been delivered in the past. The Proposer further presents velocity modelling that indicates that enhanced pressures do not increase velocities. As such, the Proposer does not consider the proposal to create a greater risk to INT, and states that it will continue to manage operational risks associated with contaminants as BAU.

The respondent also raised concerns about the operational configuration at Bacton. They stated that NGT is delivering gas to the INT pipeline from two feeders from which there is a heightened risk of receiving contaminants, and that gas delivered to BBLC is from a third feeder, which does not contain contaminants. They further noted NGT's velocity analysis showing that where feeders are split, velocities would be higher in the pipelines feeding the INT pipeline compared to where gas is routed in common. They said there should be a reconfiguration whereby INT and BBLC receive gas from all feeders in common.

A consultation respondent had the view that NGT have not carried out adequate technical network analysis on the risks of enhanced pressure and flows at Bacton. They considered NGT's velocity study, included in the FMR, to provide insufficient comfort. The respondent, in addition, stated that this modification being for the purpose of a trial period to collect data was contrary to NGT's obligation to maintain an economic and efficient pipeline system. Several

Panel members also agreed that additional analysis and risk mitigation should be undertaken prior to implementation of this modification. However, some Panel members considered that NGT had provided as much modelling analysis as is possible, and that data from real flow conditions is required to validate existing network analysis.

One consultation respondent identified the proposal as having a positive impact on RO (a) because the proposal would enable BBLC to increase the transportation capacity that it offers to its shippers, further increasing the export capability of the GB market and utilisation of the NTS. They estimated that this would increase transportation revenue for NGT, which in turn could result in lower costs for GB consumers. Another respondent echoed the view that the implementation would enable BBLC to offer additional capacity.

We have carefully considered the information provided in the FMR, during Panel discussions and in the consultation responses. We have also had further engagement with NGT to clarify the feeder configuration at Bacton under different flow conditions. Additionally, to ensure due diligence when making this decision, we requested any further relevant information from key stakeholders on contaminants since our decision on UNC0814, which we have considered. While further volumes of solids have been delivered to the INT pipeline in 2023, we are of the view that on balance the risk is not sufficient to negate the benefits of BBLC having temporary access to an EPS.

We consider that UNC0859 is an 'enabling modification' for contractual changes between NGT and BBLC, allowing BBLC to request access to an EPS; a view we similarly stated in our decision on UNC0814. We note NGT's multiple statements in the FMR and in its consultation response that the management of contaminants, and associated safety aspects, are BAU operational issues. NGT has stated that it will continue to carry out relevant checks and only approve requests for an EPS when it is deemed appropriate in order to protect the NTS, its customers, and GB consumers. As stated in our decision on UNC0814, if a situation were to arise where granting access to an EPS could jeopardise the safety of the NTS, we expect NGT to act accordingly and curtail services as it deems necessary to safeguard all of its customers.

We note one consultation respondent's concern about the operational configuration at Bacton and this modification being for the purposes of data collection. NGT have stated that there are various feeder configurations available at Bacton, depending on the service being provided,

and that it decides on configurations by taking into account operational considerations and its licence requirement for the economic operation of the NTS. We are satisfied with NGT's explanation of the operational configuration at Bacton and, on balance, we agree that NGT has provided sufficient data, and that data from actual flows is required to validate NGT's virtual modelling.

Based on the above, we consider that this modification would have no impact on RO (a).

(c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence

Neither the Proposer nor the Panel identified RO (c) as being impacted by this modification.

One respondent to the consultation identified that the proposal would have a negative impact on RO (c). They stated that NGT as a licensee has a responsibility to ensure compliance with Gas Safety Management Regulations ("GSMR"), and that it risks failing to do so if this modification is approved and NGT does not address existing issues surrounding contaminants within the NTS.

As stated above, the Proposer has provided assurances that the management of contaminants is a BAU operational matter and has noted that this modification concerns a contractual change in the IA between NGT and BBLC. We note concerns from INT about incidents of contaminants being received, which we addressed above, and also BBLC's recent maintenance exercise, which did not identify the presence of contaminants in its pipeline. At this stage, we have not seen any evidence that NGT is knowingly or recklessly pursuing a course of conduct that would jeopardise the safe and efficient operation of the NTS with this modification, which it is prohibited from doing under the terms of its licence.¹⁵ We expect NGT to continue to carefully consider requests for access to an EPS taking into account operational information available to it. We view the modification as having no impact on RO (c).

¹⁵ Standard Special Condition A17: General obligations in respect of gas transporters' pipe-line systems.

(d) so far as is consistent with sub-paragraphs (a) to (c) the 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

The Proposer is of the view that UNC0859 would have a positive impact on RO (d). They state that it would facilitate competition between shippers who export gas from GB to Europe at Bacton with the increase in available capacity, and create a level playing field between BBLC and INT, as INT has preexisting access to the EPS. They state that this competition has the potential to drive down costs for consumers. The Panel also considered that the modification would have a positive impact on RO (d), enabling a greater level of competition between shippers, creating a level playing field. A Panel member representing NGT highlighted during Panel discussions Ofgem's reasoning in its decision on UNC0814, that RO (d) would be positively impacted by BBLC having access to an EPS by creating a level playing field between TSOs and their users.

Of the seven consultation respondents, five agreed that UNC0859 would have a positive impact on RO (d), with those respondents highlighting the creation of a level playing field between TSOs, the facilitation of further competition between shippers within the GB market and in Europe, and the potential to reduce commodity prices, eventually benefitting GB consumers through the lowering of bills. One respondent stated that while they supported the modification, it should not increase the risk profile of the contamination issue. Another recognised technical concerns but did not see sufficient evidence to oppose the modification.

Some Panel members stated that implementation may have a negative impact on RO (d) as shippers booking capacity exclusively with INT would be affected by any potential increase of contaminants intake at Bacton as a result of this modification. Two consultation respondents stated that RO (d) would be negatively impacted by UNC0859. The first respondent stated that allowing for increased pressure and flows at Bacton would increase the risk of contaminants being delivered to shippers using the INT pipeline only. Any curtailment of capacity at INT could financially cost these shippers, and ultimately would be detrimental to competition for GB consumers. They also viewed it as discriminatory for a modification to be carried out to

collect data over an extended period where the risk was only to one party. The second respondent argued that GB consumers will only benefit from this modification if it can be assured that it will not jeopardise the operation of both the BBLC and INT pipeline.

We note the points made by Panel members and consultation respondents with regards to the risk of the delivery of contaminants affecting only INT's pipeline, as well as their concerns about using this modification to gather data. We have considered these points in our assessment of RO (a). This modification allows a contractual change in the IA between NGT and BBLC.

We view the Proposal as having a positive effect on RO (d). We agree with the Proposer, the Panel and most of the consultation respondents that the modification would benefit competition. As we stated in our decision on UNC0814, giving BBLC access to this service would create a level playing field between BBLC and INT, and their users, regarding access to services from NGT at Bacton.¹⁶ This modification has the potential to increase competition between shippers, who will have access to more capacity and flexibility, which can positively impact GB consumers through lower bills than would otherwise be the case.

(e) so far as is consistent with sub-paragraphs (a) to (d), the 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

The Proposer and the Panel considered that the implementation of UNC0859 would have no impact on RO (e). One consultation respondent noted that the proposal would have a positive impact on RO (e) as GB based gas suppliers will have the opportunity to export gas to Europe, enabling them to utilise European gas storage facilities and ensuring that they have more options for maintaining GB consumers security of supply as a result.

We note the respondent's considerations against this RO, but we are of the view that this modification would have no impact on RO (e). This modification expands the available capacity

¹⁶ <https://www.ofgem.gov.uk/publications/unc814-temporary-access-enhanced-pressure-service-and-increase-maximum-nts-exit-point-offtake-rate-bbl-interconnector-decision>

at Bacton for the export of gas to Europe but does not entail an expansion in capacity into GB. Therefore, we are of the view that there is a neutral impact on RO (e).

(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

The Proposer did not identify any impact on RO (g). One consultation respondent argued that this RO would be negatively impacted through an increased risk of contaminants entering the INT pipeline, causing a need for unplanned maintenance that disrupts cross border flows.

In the FMR and their consultation response, the Proposer states that the management of contaminants is a BAU operational issue. The Proposer again noted that use of an EPS by any party would be at its discretion, and that NGT takes into consideration operational factors when reviewing requests to utilise the service. We note NGT assurances to continue to exercise its right to review and, where appropriate, accept or reject EPS requests made by either BBLC or INT. We note its licence requirements in relation to operating an efficient and economic pipeline. Having closely considered the concerns raised by the consultation respondent, the discussions between the Panel and Proposer and the analysis that we collected as part of our due diligence, we view this Proposal as having no impact on RO (g).

Our principal objective and statutory duties

The Authority's principal objective is to protect the interests of existing and future consumers, which includes promoting effective competition and the security of supply of gas to them.

As was set out in our decision letter for UNC0814, granting BBLC access to an EPS that INT have existing access to, will create a level playing field between both TSOs. This will ensure fair and equal treatment of both interconnectors as well as facilitating a level playing field between them and their users, which will promote competition. We consider that the modification does not materially increase the risk to security of supply, for the reasons explained in RO (a).

For these reasons, we consider that approving UNC0859 is consistent with our principal objective to protect the interest of GB consumers by promoting effective competition.

Data collection

Following this decision, we intend to contact NGT to request that it reports to Ofgem on requests made by BBLC and INT for an EPS, the use of the EPS, and on data collected regarding contaminants and velocities. We will also ask NGT to report to us on how the information gathered informs their thinking on an enduring solution.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters licence, the Authority hereby directs that modification proposal UNC0859: *'Reintroduction of the enhanced pressure service and increased MNEPOR for BBLC (as introduced by UNC0814)'* be made.

Helen Seaton

Interim Head of Energy Security of Supply and Gas Markets

Signed on behalf of the Authority and authorised for that purpose