

Representation - Draft Modification Report UNC 0761

Arrangements for Interconnectors with additional Storage capability

Responses invited by: 5pm on 19 November 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Jeff Chandler
Organisation:	SSE
Date of Representation:	19/11/21
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) None</p> <p>b) None</p> <p>d) None</p>
Relevant Charging Methodology Objective:	<p>a) None</p> <p>b) None</p> <p>c) None</p>

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

SSE does not support the modification as we do not see how this modification can be legally implemented, as the UNC will try and define an Interconnector as a storage facility, counter to the definition in primary legislation of the Gas Act. Interconnectors, as pipelines do not meet the definition of a storage facility in Section 48(1) of Gas Act 1986:

“storage facility” means a facility in Great Britain (including the territorial sea adjacent to Great Britain and the sea in any area designated under section 1(7) of the Continental Shelf Act 1964) for either or both of the following—

(a) the storage in porous strata, or in cavities in strata, of gas which has been, or will be, conveyed in a pipeline system operated by the holder of a licence under section 7 or 7ZA;

(b) the storage of liquid gas which, if regasified, would be suitable for conveyance through pipes to premises in accordance with a licence under section 7,

but the reference in paragraph (b) to the storage of liquid gas does not include such temporary storage as is mentioned in the definition of “LNG import or export facility”;

This definition was introduced by the Electricity and Gas (Internal Markets) Regulations 2011/274 and remains unchanged post Brexit.

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

Not supportive of implementation.

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

None identified

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

Not reviewed

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

Q1. Do any legal points need to be considered which are relevant to 0761?

Yes, see the main point above on conflict with the Gas Act definition of storage.

Q2. Do you have any views in relation to the delivery costs and potential benefits associated with delivering this solution?

If implemented the enabling proposal will lead to implementation costs being incurred whilst the availability and utilisation of any service offered are highly uncertain. SSE therefore cannot support this proposal.

Q3. Do you have any views as to whether implementation will increase overall NTS throughput volumes?

Not possible to guarantee additional volumes.

Q4. Please explain whether you believe this solution has any impacts on other available storage services.

The table below presents the proposed IUK capacity of 8.7mcm for withdrawal, injection and working gas volume (WGV) as a percentage of existing storage facility parameters, using Ofgem published data¹.

	WGV	Withdrawal	Injection
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¹ https://www.ofgem.gov.uk/sites/default/files/docs/2021/01/2021_gas_storage_data_0.pdf

Hornsea	3%	73%	290%
Hatfield Moor	12%	435%	435%
Humbly Grove	4%	124%	109%
Aldborough	4%	28%	30%
Holford	4%	40%	33%
Hill Top	15%	67%	67%
Stublach	2%	29%	29%
Total	1%	7%	8%

The service proposed will form a significant fraction of gas storage injection and withdrawal capacity, whilst providing low Working Gas Volume and therefore close to net zero contribution to supplies at times of high demand. There may be an impact on the market for flexibility services, but without further details on the cost of the service it is difficult to comment further.

We agree with Ofgem's comments in its UNC modification 0621 decision letter², that interconnectors compete with storage facilities for the provision of flexibility services. Whilst these comments were in a different context, we think they are relevant here.

*We (Ofgem) note here that we do not currently consider there is sufficient rationale for a bidirectional interconnector discount. It is our view that, while bi-directional interconnectors do compete with storage facilities for flexible supply (and demand) in GB, **the use of bi-directional interconnectors is not the same as storage facilities. While it could be argued that bi-directional interconnectors function in a similar manner to storage facilities, gas imported on bi-directional interconnectors onto the NTS is unlikely to be the same gas that was exported from the NTS along bi-directional interconnectors.***

The basis on which storage tariffs receive discounts is to avoid double counting of charges as it is the same gas returning to the system at a later date, as Ofgem notes above, this cannot be guaranteed for gas flowing to / from interconnectors.

There are other ways in which interconnectors are not truly storage facilities in that they cannot offer operating margins services nor can import flows be directed as storage flows can at stage 2 of a gas deficit emergency. Therefore, the proposal seems to leave interconnectors with less obligations than other storage facilities, which risks competition impacts, that Ofgem may need to assess.

² <https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2018-12/Ofgem%20Decision%20Letter%200621.pdf>

Hence, the service proposed is a linepack service rather than a storage service and should not be eligible for discounted storage tariffs.

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.*

N/A

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

N/A