

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:	Alex Nield
Organisation:	Storengy UK Limited
Date of Representation:	19 th November 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) None</p> <p>b) None</p> <p>d) Negative</p>
Relevant Charging Methodology Objective:	<p>a) Negative</p> <p>b) Negative</p> <p>c) Negative</p>

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

Storengy UK welcomes the intention of proposers to provide additional flexibility to the UK market. However, we oppose the proposals in their current format as offering additional 'storage' services, as we do not believe that these services have the legal characteristics to be classified as storage services or the operator as a storage facility operator. The service appears to be more aligned with linepack services, and therefore should be classified and assessed differently.

Storengy UK also does not believe that the proposals could be implemented under the current legislation, and would welcome further investigation into the legal definitions of storage services and facilities, as well as the legal feasibility of these services being offered in the same facility as another service.

Storengy UK also has significant concerns in the monitoring and assessment of the two services being proposed to be provided by Interconnectors, as we do not believe that the current proposals include enough clarity for gas flows and nominations for the two services to be clearly defined and distinct.

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

Storengy UK does not believe that this proposal can be implemented under current legislation. We recommend further investigation into this, and further changes to legislation prior to any proposed implementation.

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

Storengy UK welcomes increases in flexibility for the UK market, and therefore welcomes additional services to the industry. However, we believe that the service on offer is different to current gas storage services, and therefore should be categorised as a linepack service.

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

Storengy UK has no comment on the legal text itself, however, we do not believe that this service can be classified as 'gas storage' or that the Interconnector can be classified as a 'storage facility'.

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, Storengy UK believe that further assessment of the categorisation of this service is required. This is especially in light of the legal definition of storage facilities and services, for which we believe that this service has very different characteristics and should therefore be treated as a linepack service.

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

The cost estimates for this solution are currently estimated to be extremely high at up to £730k plus £11k annual costs. This seems a large cost risk for the industry for a service that is still not clearly defined, and may have minimal utilisation. As such, this may simply add further unnecessary costs for the industry, and ultimately the end consumers.

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

Due to the nature of two services sharing limited capacity at an NTS connection point, and the size of the service currently suggested in proposals, Storengy UK does not believe that this will have a significant effect on overall NTS throughput volumes.

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

Storengy UK believes that categorising the new service as 'gas storage' when it appears to be closer to a linepack service, will dilute the value added to the network by true gas storage providers in assessing operational benefits and industry charges. This is likely to create issues in assessing the impacts for gas storage providers in any future industry

changes, with the potential for analysis and information to be significantly distorted, with decisions made on information that may not reflect the vast majority of UK gas storage operators.

An example of this may be any future application of charging discounts and exemptions for storage facilities, where a new linepack service may offer very different characteristics and impacts than a true gas storage provider.

Although this new service may initially be small, the potential for setting a precedent for other industry participants to offer services with similar linepack characteristics may present a significant problem for this sector of the industry, and potentially add further threats to the ongoing operation and existence of true gas storage facilities.

As a result of the points above, Storengy UK does not believe that the new interconnector service should be classified as 'gas storage', and should this service come into effect then it should be classified under another distinct category for this and similar services. As a result, we do not believe that the new service should qualify for any storage charge discounts or exemptions, and should be assessed on separate grounds as a linepack service.

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.*

Storengy UK believes that further investigation on the classification of this service as 'gas storage' should be carried out, as we do not believe that this service carries significant similarities to current gas storage services to be categorised and treated in the same way.

Storengy UK would also welcome further development and assessment of the monitoring of the proposed new Interconnector service. Under current plans, many assessments of the categorisation of gas flows between the new service and the existing gas transport service seem to take place after the day in which the gas was flowed, leaving significant scope for errors, misallocations, or adjustments of the figures. We believe that the service should be monitored far more closely within day, to ensure that gas flows and nominations are correctly allocated between the two services, and ultimately the correct network charges applied.

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

Storengy UK welcome the proposals to monitor and assess two services at the same facility as two very separate services, and the proposal to categorise the NTS connection point as a 'dual usage' point. We believe that for the services to be properly monitored and assessed then any activity carried out for each of the services needs to be very distinct and clearly defined, and that this will aid this approach.