EMIB – Expert Group
Meeting 3
Wednesday 11 January 2012
31 Homer Road, Solihull, B91 3LT

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Colin Stock	(CS)	Wales & West Utilities
Dan Anderson	(DA)	National Grid
Dave Lander	(DL)	Dave Lander Consulting
David Pickering	(DP)	National Grid
Ian Taylor	(IT)	Northern Gas Networks
John Baldwin	(JB)	REA
Lesley Ferrando*	(LF)	Ofgem
Richard Lewis	(RL)	ARUP
Steven Sherwood	(SS)	Scotia Gas Networks
Stuart Gibbons	(SG)	National Grid Distribution

** via teleconference*

Copies of all papers are available at: http://www.gasgovernance.co.uk/emib/110112

1. Introduction

TD welcomed all to the meeting.

2. Commercial Arrangements for Biomethane Entry

2.1 Consideration of Odorant Issues

JB gave a recap on the options for odorising gas at new entry facilities. This can be designed, built and owned by the Biomethane producer or by the DNs, and could potentially be operated by either party under either approach. It was acknowledged that different approaches could be adopted and it would be useful to understand what the issues are that could lead to a conclusion that only one of the possible models is acceptable, and also how liabilities would feature. Three issues had been raised which potentially point towards the DN ownership and responsibility model being mandatory; Gas Act obligations; Gas Safety Regulations; and the implications of over odorising for reported escapes, and consequently both DN opex and a potential safety implication.

TD summarised that there are two extreme approaches: the DNs or producers take sole responsibility for all aspects of odorant. If there are legal obligations which mean one of these must be adopted, then this needs to be clarified and respected. If there is no absolute obligation, choices can be made and different arrangements may be made in specific cases, driven by commercial and practical considerations. It was felt that it would be helpful to understand each DNs present view with respect to whether there were any legal or practical barriers which meant hat a particular solution had to be adopted.

IT indicated that NGN had concluded that it was a DN obligation to inject odorant. This is a legal view based on the Gas Act and safety regulations. A choice remains about the contracting approach for the associated work, but the DN would be responsible and would be the legal owner/operator of odorant plant.

DL challenged this, believing that Regulation 8 of the Gas Safety Regulations Schedule 2 stipulated the characterisation of gas and the obligation is not to convey gas that does not comply. As a general prohibition, he would not expect a legal requirement to treat odorant any differently to other characteristics – the DNs would simply be able to refuse to accept non-compliant gas irrespective of the nature of compliance.

CS indicated that WWU had not formed a firm legal position. However, due to the safety implications, they would wish to retain responsibility for odorisation. This reflected both the risk of allowing non-complaint gas into the network, and the risk of allowing over-odorised gas into the network – which can trigger significant increases in the number of reported escapes, absorbing resources and potentially deflecting attention from genuine emergencies.

DP put forward a different interpretation. National Grid's lawyers advise that there is no overarching legal obligation that means that DNs have to undertake odorisation. While recognising integrity issues and the risks highlighted by other DNs, National Grid see no reason why suitable contractual arrangements could not be adopted to deliver odorisation.

SS was in the process of seeking a legal opinion along with a view on contractual liabilities. At present, SGN is not content with a third party being responsible for odorisation due to the issues arising from under/over odorisation. Since operational decisions have significant implications for themselves, SGN wish to retain odorisation as a DN activity. Given the issues around managing odorant and onsite management, he was not confident that third parties would want to take on this responsibility. Others recognised that the operational process for odorant was potentially complicated, but challenged the suggestion that third parties may not wish to undertake this.

JB believed DNs who want to be responsible for odorisation would also have to accept obligations and incentives to ensure certain standards are met and that continued operation of the entry facility is assured. He also questioned the costs of keeping the odorant system separate from other elements - this could require, for example, two computer systems and could only increase costs. RL supported the principle of a single package and aligning odorant with the rest of the kit, with JB adding that he felt a single package is preferable from a safety perspective.

SS responded that it was unclear how, if the same pump and same set up is being used, there would be any increased risk if DNs, as opposed to the DFO, was responsible for odorisation. DA believed it was possible to have two separate systems for odorant injection. This would receive and respond to signals, but the system would need to ensure there are no hierarchy issues, where one system would override another.

JB asked about funding odorisation - what are the liabilities and what are the extra costs? He suggested that if the DNs felt odorisation is a core function for which they must retain responsibility, then the costs should be met by the DNs. However, the entry facility would want assurance that it could run as intended without being constrained by odorisation issues. If constraints arose, liabilities should compensate for the loss of production and the costs to the producer. RL added that the response time in the event of a failure is key, with liabilities and responsibilities driving this.

The scenario of having two pumps on site and the cost of having two pumps was considered. RL believed that if two pumps were required to ensure continued service in the event of failure, that would be acceptable irrespective of ownership and responsibility for operation. He wished to understand, however, if there are extra costs from treating odorisation differently to the remainder of the facility - who would pay the additional cost and should it be recovered through RAV, the

biomethane producer, or through another means. JB repeated that if the DNs want to inject the odor then they should cover the costs, but was also keen to understand the comparable cost of a bundled and unbundled service.

It was recognised that the legal position needs to be respected. IT wished to fully understand the legal position since the DNs will undertake the roll if that is a legal requirement. However, if the DNs are not legally responsible, NGN are content with another party odorising the gas.

To move the odorant issue forward, JB suggested a proposed approach should be agreed which set out appropriate safeguards and made the technical specifications clear irrespective of ownership and operation models.

2.2 **Packaging Bio-Methane Connections**

DA provided a presentation. The scope of the basic configuration package was discussed and the point of the purge valve. It was recognised the configuration would be dependent on the downstream network and that the basic package may need to be adjusted to suit the conditions of the downstream network i.e. a diverter valve. The location of the process shut down valve was expected to be at the entry point to the network taking the gas after the analyser point.

JB believed there needs to be agreed tolerances for when valves should close. He wanted consistent parameters for all the DNs.

DA covered how the call off arrangement will work including the G17 element.

The presentation showed the potential control system with an unbundled odorising process.

RL believed that the £300k was for a container to bring all the equipment for connection. DL wanted to understand the specification associated with the provision of equipment. It was recognised that the £300k may not be the final price. JB welcomed the solution.

IT explained that Northern Gas Networks (NGN) may want to consider the equipment specifications he particularly if the supply would include the provision of spares, the maintenance of equipment and availability of spares.

2.3 **Specification of Water dew temperature of biomethane**

DL outlined his paper on water content. JB was keen to collectively agree a specification that could be applied nationally.

IT was concerned that there was no scope for variation. He explained that part of the NGN network operates at 17 barg (LTS). He suggested that the barg might be dependent on system tier, and SS suggested the standard should exclude LTS connections.

It was agreed that the water paper would be updated to include some principles and a proposal for the EMIB report. It was recognised that the -10 16 barg was better than the current situation - anything left of this in the table would be an improvement – and DL would develop a proposition with this in mind.

2.4 **Accuracy of CV determination systems**

DL outlined the paper on CV measurement, which concluded that there was no issue with flow weighted CV. SS believed it was too early to agree a CV approach, since circumstances may vary, and that a principle ought to be agreed that, if blending gas, the producer must meet the FWACV.

JB was keen to understand why an entry facility should be involved in the flow weighted average CV when, in addition to being a small input, they were required to inject at this level and hence would not impact the outcome. DP understood that the flow weighted average CV regime operates because the entry point is defined by Ofgem to be a relevant input. JB was concerned about the consequent cost of systems to deliver the process - he wished to reduce costs as much as possible and to eliminate any requirements that delivered nothing of value. DL added that the amount of attention on CV is out of proportion to the impact it has on the final consumer.

JB questioned why Ofgem needed to know the CV on a daily basis and wanted to understand if there was other alternatives to providing Ofgem the data every day. It was agreed that the DNs would try and establish the position for EMIB, including the associated costs.

The case for a lower measurement accuracy standard was discussed and accepted. DL agreed to update his paper and include a proposal which could be included in the EMIB recommendations.

2.5 **Generic biomethane injection measurement risk assessment**

DL provided a Generic biomethane injection measurement risk assessment it was agreed that this paper had no issues and was accepted by all as a true reflection of previous discussions and agreements.

2.6 **Consideration of Technical Specifications & System Capacity Issues**

The group considered the REA produced Biomethane Entry Facility Technical Specification. JB ran through each of the sections and captured proposed changes to the outstanding areas. It was agreed that this ought to be a living document that collectively records the group's progress, recommendations etc. It was agreed that the ENA should take this forward through their Distributed Gas Group, and that the agreed specification would be translated into NEAs in future. JB agreed to provide an edited version which the ENA would then adopt and take forward.

On capacity issues, it was felt ha the issues had been sufficiently aired. The viability of network compression remained outstanding, which should be funded by the beneficiaries. The DNs are looking for clarity on funding if subsequent developments mean that investment is needed in order to satisfy capacity commitments. It was suggested that the ENA Distributed Gas group be asked to provide a paper for EMIB which would summarise the position and make any necessary recommendations.

2.7 **Next steps**

No further Expert Group meetings are planned. However, further discussions may be arranged to tae forward any issues that may be identified at the full EMIB meeting on 30 January.

3. Any Other Business

SG confirmed that National Grid would be happy for the GQ8 (risk assessment) process to be adopted by the other DNs and to become an industry standard.

4. Next Steps and Diary Planning

Details of planned meetings are available at: www.gasgovernance.co.uk/Diary.

The next EMIB meeting is scheduled to commence at 10:30am on Monday 30 January 2012 at 31 Homer Road, Solihull, B91 3LT.