

## 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](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Phil Lucas
<b>Organisation:</b>	National Grid NTS
<b>Date of Representation:</b>	19 <sup>th</sup> November 2021
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	<p>a) Positive</p> <p>b) Positive</p> <p>d) Positive</p>
<b>Relevant Charging Methodology Objective:</b>	<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)

As the proposer, National Grid NTS ('National Grid') supports the implementation of this Modification Proposal.

Modification of the UNC to facilitate the commercial operation of additional storage services available for use by Shippers on the NTS will increase the storage options available to them. In principle, this will have a positive impact on the securing of effective competition between relevant Shippers (Relevant Objective (d)). In the process of developing these arrangements, National Grid has sought to ensure that, as far as possible, they mirror those in place for 'conventional' storage facilities connected to the NTS hence providing a level playing field for the operators of such facilities in respect of the services they are able to offer to Shipper Users of the NTS.

Increasing the options available to a Shipper to minimise any imbalance between its supply and demand (via the availability of additional short-term storage services) may reduce the likelihood of National Grid needing to take balancing actions (as Residual Balancer), or reduce the volumes associated with such actions. If this were the case, implementation could be assessed as having a positive impact on Relevant Objective (a).

Whilst acknowledging that the commercial arrangements proposed *interact* with the NTS Charging Methodology (to the extent that a specific discount is applicable to the Transmission Services charge applied to capacity categorised as ‘storage’ and the disapplication of General Non-Transmission Services to storage flows), it is nevertheless the case that there is no *change* proposed to the NTS Transportation Charging Methodology itself as set out in TPD section Y Part A-I. On this basis, we have concluded that if it is accepted that Interconnectors can legitimately provide an additional storage service, there is no impact on the Relevant Charging Methodology Objectives.

### Implementation:

As set out in the Draft Modification Report (DMR), initial assessment of the changes needed to the central systems to deliver this Modification indicate a minimum lead time of 28-30 weeks for analysis through to implementation. However, as also set out in the DMR, this change would be subject to DSC Change Management Committee governance.

In the event that Ofgem direct that this Proposal be implemented, National Grid would work with the DSC Change Management Committee and the CDSP to identify an appropriate implementation date which would be communicated to industry by the Joint Office.

### Impacts and Costs:

Initial assessment of the changes necessary to central systems estimate the implementation costs being in the region of £605,000 to £730,000, with additional annual costs of up to £11,000.

As the commercial arrangements in the solution will be accessible (subject to certain requirements) in respect of any Interconnector that is able to physically flow in both directions, National Grid will incur the costs of making the required changes to central systems and processes.

### Legal Text:

National Grid is satisfied that the legal text it has provided will deliver the intent of the solution.

### 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?*

We note the range of views expressed in the Workgroup on this topic including those expressed by Interconnector Ltd.

We understand that Interconnector Ltd’s legal view is that no licence, beyond its existing licence to operate a gas interconnector, is required in order for it to operate as a gas storage facility. National Grid’s assessment of the legislative and regulatory framework

relevant to this Proposal is that it is possible the Gas Act is not intended to remove the requirement for a separate/additional licence to operate storage but that the position taken by Interconnector Ltd is a rational one.

Our assessment also concluded that there were no explicit provisions *permitting* an interconnector providing an additional storage service. This is perhaps understandable given that as noted in the Proposal, these would be the first 'dual usage' points on the NTS.

In conclusion, we believe that this warrants delivery of the Final Modification Report (for this Proposal) to the Authority for a decision.

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

Whilst the benefits *in principle* relate to the provision of additional choice of storage services and the consequential benefit to competition in the provision of these services, it is difficult to assign a financial value to this benefit in absence of information regarding take-up of this new service and the cost of that service relative to other storage providers.

The delivery cost incurred by making the necessary changes to central systems are set out in the DMR (and above in this representation) noting that at this stage, it is an estimate based on the requirements set out in the solution. In the event of implementation, as with all such changes National Grid will work with the relevant stakeholders to ensure that the change is delivered in the most efficient and economic manner possible.

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

The potential for additional throughput is dependant upon whether Shippers utilise Interconnector Storage as an alternative to other Storage providers or in addition to them, and National Grid has no knowledge of which of these two potential outcomes is likely to be the case.

In order to inform its charge setting processes, National Grid will periodically engage with any Interconnector Operator offering an additional storage service to assess the impacts of expected aggregate storage flows and capacity levels in the forthcoming tariff period. This purpose of this is to set charges at rates which seek to minimise any difference between allowed revenue and actual revenue collected in this forthcoming tariff period.

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

As set out above, in respect of the commercial environment set out in the UNC, we have sought to replicate the arrangements in place for conventional storage facilities as far as possible. If this Proposal were implemented, there would be some minor differences in the UNC arrangements between an Interconnector-based storage service when compared with operation of a conventional storage service but we do not believe these would be sufficiently material to generate a competitive advantage of one over the other.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?**

National Grid has not identified any such errors or omissions.

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

Not applicable