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Date: 11 July 2019

Dear Pavanjit

**Decision on request from Interconnector UK (IUK) to be designated as a Materially Affected Party (MAP) and/or a Third Party Participant (TPP) in relation to Uniform Network Code (UNC) Modification 0675S - Enabling changes to the BBL Interconnection Agreement to facilitate physical reverse flow<sup>1</sup>**

We have received your letter and supplementary information dated 4, 21 June and 3 July 2019 respectively, requesting IUK receive a designation as a MAP and/or a TPP in relation to modification UNC0675S.

This letter sets out our decision not to designate IUK as a MAP or as a TPP.

**UNC0675S**

UNC0675S sets out proposed changes to National Grid Gas Plc (NGG) and BBL Company V.O.F. (BBL)'s interconnection agreement (NGG-BBL IA).

BBL have made an application to NGG to facilitate physical reverse flow at the BBL Interconnection Point at the Bacton terminal. The current NGG-BBL IA includes provision for physical NTS entry flows (Netherlands to GB) and commercial reverse flow. Therefore, amendments to the NGG-BBL IA are required to specify provisions for physical reverse flow.

UNC0675S, proposed by NGG, is not a modification to the UNC document. It is instead an 'enabling modification', which authorises NGG to restate their NGG-BBL IA. UNC0675S was unanimously approved by the UNC Panel on 20 June 2019 and will take effect from 12 July 2019, provided that the restated NGG-BBL IA is approved by Ofgem under Standard Licence Condition (SLC) 3 of BBL's gas interconnector licence.<sup>2</sup>

**Concerns raised by IUK**

IUK has noted both during the UNC0675S consultation and in correspondence with Ofgem that the restatement of the NGG-BBL IA will have impacts on its own interconnection

<sup>1</sup> <http://gasgovernance.co.uk/0675>

<sup>2</sup> [https://epr.ofgem.gov.uk//Content/Documents/Gas\\_Interconnector\\_SLCs\\_Consolidated%20-%20Current%20Version.pdf?utm\\_source=ofgem&utm\\_medium=&utm\\_term=&utm\\_content=licencecondition&utm\\_campaign=epr](https://epr.ofgem.gov.uk//Content/Documents/Gas_Interconnector_SLCs_Consolidated%20-%20Current%20Version.pdf?utm_source=ofgem&utm_medium=&utm_term=&utm_content=licencecondition&utm_campaign=epr)

agreement with NGG (NGG-IUK IA), in particular it considers the NGG-BBL IA amendments would hinder NGG's ability to discharge its pressure, flow and gas quality commitments to IUK in the NGG-IUK IA. It also considers the amendments to the NGG-BBL IA will lead to different charging rules for BBL and IUK, which in IUK's view does not facilitate the UNC objective b) that is so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.<sup>3</sup>

IUK is not a signatory to the UNC as it does not hold a shipper licence but wishes to appeal the UNC Modification Panel's decision to implement UNC0675S and have asked Ofgem to designate it as a MAP or TPP for that purpose.

IUK consider that MAP designation would be appropriate for IUK in relation to UNC Modification UNC0675S as the language in paragraphs 6.1.1(d) and 6.1.2(c) of the Modification Rules indicates that the concept of MAP status is not restricted to proposed modifications to charging methodologies.

They further note that even if the definition of MAP was construed narrowly by reference to the NTS Charging Methodology, a MAP designation would still be appropriate for IUK in relation to UNC0675S on the basis that Section Y.4.1 of the Transportation Principal Document (TPD) covers pressure services. IUK considers that charges within NGG-BBL IA and the NGG-IUK IA fall within the definition of charges outlined in Section Y.4.1 of the TPD.

IUK also considers that it can be a TPP on the basis that although it is not a User<sup>4</sup> it can be considered an entity that represents third parties that might be concerned by the impacts of UNC0675S that IUK have outlined above.

## **Modification Rules**

An Appeal to the Modification Panel of a determination in respect of a Self-Governance Modification Proposal, can be made to the Authority by an 'Appealing Party', defined in the UNC<sup>5</sup> to include, among others, a MAP or a TPP.

A MAP is defined<sup>6</sup> in the Gas Transporter's Licence (Licence) as a party designated by the Authority. MAP designation is for the purpose<sup>7</sup> of making a modification proposal relating to a UNC Charging Methodology. The UNC Modification Rules set out similar provisions associating MAP applications to Charging Methodologies. These are set out below:

- Section A.11.10(ab) of the Licence - "*a modification proposal relating to a UNC charging methodology may only be made by ... and/or a materially affected party in accordance with the provisions of the uniform network code unless otherwise permitted by the Authority*"; and
- Section 6.1.1(d) of the UNC Modification Rules indicates that a Modification Proposal in respect of the UNC can be made from "*a Materially Affected Party (but only in respect of a Modification Proposal which proposes a modification to a NTS Charging Methodology or a DN Charging Methodology)*".

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<sup>3</sup> Gas Transporter Licence Standard Special Conditions (SCC) A11.1 UNC Objectives

<sup>4</sup> A User is defined under the UNC as a person engaged in shipping on the NTS

<sup>5</sup> UNC Modification Rules 2.1

<sup>6</sup> SSC A11.24(a) - definition of Materially Affected Party.

<sup>7</sup> SSC A11.9(ac)(iii) and A11.10(ab)

The requirements are that 1) the modification in question relates to a UNC Charging Methodology; and 2) that the party is materially affected.

The Licence<sup>8</sup> also states that a TPP identified may make a proposal to modify the UNC if it is identified in the UNC modifications procedures as being entitled to do so.

- Section 6.1.1(c) of the UNC Modification Rules states that a Modification Proposal in respect of the UNC can be made by “*a Third Party Participant, only insofar as such Modification proposal relates to a proposal to modify Annex V-1 (“Table of Operational and Market Data”) in the Uniform Network Code*”.

### **Authority View**

As outlined above, the UNC Modification Rules set out in the Licence and UNC only allow MAP and TPP designations to be made in respect to proposals to modify the UNC, particularly the Charging Methodology or the Table of Operational and Market Data for each application respectively.

The Charging Methodology, set out in Section Y of the UNC TPD sets out the charges applicable to Users. Section Y.4.1 of the TPD is in relation to *Other User Services Charges*, which are applied to services which are required by some Users but not by all, for example charges for specific services at Interconnectors. IUK is not a considered a User as defined in the UNC.

Whilst details for pressure charges are set out in the UNC Charging Methodology, UNC0675S does not propose any changes to the Charging Methodology, or the UNC document as a whole.

UNC0675S is an ‘enabling modification’ to give effect to the BBL-NGG IA. The BBL-NGG IA, which sets out terms between NGG and BBL, is separate from the UNC Charging Methodology. UNC0675S is therefore not a modification to the UNC, the UNC Charging Methodology or the Table of Operational and Market Data and does not meet the criteria required for the Authority to designate IUK as MAP or TPP.

If you have any questions on the above, please contact [Robin.Dunne@ofgem.gov.uk](mailto:Robin.Dunne@ofgem.gov.uk).

Yours Sincerely

Chris Thackeray  
**Head of GB Wholesale Markets**

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<sup>8</sup> SSC A11.10(a)(iv)