Representation - Draft Modification Report UNC 0814 (Urgent)

Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector

Responses invited by: 5pm on 01 August 2022

To: enquiries@gasgovernance.co.uk

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

Representative:	Pavanjit Dhesi
Organisation:	Interconnector Limited
Date of Representation:	01 August 2022
Support or oppose implementation?	Oppose
Relevant Objective:	**d)** Negative In addition, we would argue this modification is: **a)** Negative **c)** Negative **g)** Negative
Relevant Charging Methodology Objective:	Not Applicable* *delete as appropriate*

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

It is a requirement of the Gas Safety (Management) Regulations[1] ("**GSMR**") that gas transported in the NTS should not contain solid or liquid material which may interfere with the integrity or operation of pipes. We note that NGG has a statutory duty to conduct its business in a manner that secures compliance with GSMR[2].

In recent months Interconnector and GB shippers have suffered several times from the delivery of solids and liquids from the NTS at the Bacton Exit Interconnection Point (IP), the cause of which has been attributed by NGG to unprecedented flows in the Bacton area. The receipt of off-specification gas has damaged Interconnector equipment and led to GB export flow curtailments to the detriment of GB consumers. The flow constraints forced on Interconnector this year to date due to the delivery of solids/liquids from the NTS is estimated to have costed shippers at least

[1] See Schedule 3 Part 1 "Requirements under normal conditions"
[2] Section 16 (10) of the Gas Act 1986

£270m[3]. It is also noticeable that since these constraints some shippers have themselves reduced Interconnector nominations despite higher contracted levels possibly due to concerns about exposure to further constraints. This has resulted in significantly less gas being exported than would have been possible to help European security and supply and storage filling targets. In addition, there have also been significant costs to Interconnector in managing the off-specification gas (removing toxic and hazardous materials from its system) and repairing damage it has caused.

Interconnector is opposed to this urgent Modification because, rather than furthering consumer interests through higher export flows, there is a significant risk and high probability that this modification is detrimental to GB consumers by increasing the delivery of hazardous non-GSMR specification gas at the Bacton Exit IP. Based on our experience in recent months and in particular persistent deliveries of off-specification gas in April, May and June 2022, it is highly likely that this Modification will actually reduce overall export flows through the two gas interconnectors at Bacton (thereby increasing the likelihood of higher European demand later this year to fulfil storage needs) and poses significant risks to GB imports this winter (if further damage is caused resulting in curtailments or unplanned interconnector shutdowns for repair of damaged equipment). In this scenario, the Modification could result in a net loss of export flows to the continent during the summer of 2022 and a net loss of GB imports from the continent during winter 2022, as well as an increase in cost for Shippers who are no longer able to fully use already contracted capacity due to curtailments. It is therefore negative against objective (d) and also objective (g) by exacerbating disruption risk rather than further facilitating cross border flows.

To be clear, Interconnector's concern is not directed at BBL requesting an enhanced pressure service and we are already highly contracted in the relevant period ourselves. Our key concern is that NGG is proposing to enable such a service to deliver higher flows at the Bacton Exit IP when:

- NGG says itself that a key reason for the delivery of non GSMR compliant gas at the Bacton Exit IP has been because ***"unprecedented export flows at Bacton via Interconnector Ltd and BBL have resulted in high velocity, turbulent flows in the Network. These flow conditions are believed to be the root cause of legacy matter within the NTS being delivered into Interconnector's filters at Bacton."*** [Source: National Grid letter dated 17th June 2022 entitled "Shipper questions: Underlying cause for incidents"]
- Despite the above, NGG admits in this hurried proposal that it has not done a proper assessment saying there has been a ***"limited opportunity to carry out analysis on the proposal in time for the modification to be implemented"*** and that it has not carried out network analysis.
- The above two points indicate, in our view, that NGG is negatively impacting objective (c), (Efficient discharge of the licensee's obligations) by proposing this modification without addressing the current issues with off specification gas and without carrying out a proper impact assessment of the proposal taking account of these issues.

Whether a modification is deemed temporary or not, NGG continues to have duty to maintain an efficient and economical pipeline system[4]. Proceeding with this modification is contrary to NGG's obligation to maintain an efficient and economical pipeline system and therefore negative against relevant objective (a). It is apparent that gas being transported within the NTS system is contaminated and requires filtering. Urgent action is required to address that.

NGG furthermore has a duty to "avoid any undue preference or undue discrimination"[5]. If an additional 3GW of "clean" gas can be delivered via feeder 27, the configuration of NGG network should be used to substitute this for the off specification gas currently being delivered to Interconnector via feeders 2 and 4. To provide one interconnector additional "clean" gas at the

[3] See footnote 6 for an explanation of the calculation.
[4] Section 9(1)(a) of the Gas Act 1986
[5] Section 9(2) of the Gas Act 1986

same time as the other interconnector is receiving, and having to deal with, contaminated gas, is discriminatory.

No technical impact assessments (e.g. on velocities) taking account of the current problems at Bacton have been carried out. This is despite the causal link highlighted by NGG between recent high flows and the delivery of non-GSMR compliant gas. The continued supply of contaminated gas is highly likely to be exacerbated by the Modification (increasing the sweep up of dust) leading to increased risk of disruption to cross border flows risking both European and GB security of supply. No technical assessment has been conducted to satisfy stakeholders that this is not a material risk.

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

Before taking forward any modification proposal to further enhance NTS IP flows at Bacton, it is in the interest of GB consumers for NGG to urgently address the delivery of off specification gas from the NTS at the Bacton IP by investment in mitigating assets (e.g. filters). Any modification proposals, whether temporary or not, also need to be fully assessed against the current issues to understand impacts given NGG itself has indicated that the problems with the delivery of hazardous material from the NTS are directly linked to the unprecedented high flows at Bacton. This assessment must include operational and technical impacts.

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

The increased risk and probability of delivery of non-specification gas could result in significant costs to both Interconnector (cleaning /clearing the system, repairing damage to equipment and curtailment of flows) and GB shippers through their inability to use all their contracted capacity.

It can also increase costs to consumers if:

- Export flows are disrupted, increasing the likelihood of higher European demand later this year competing for demand with GB; and
- Sudden reductions in GB export capabilities leads to a disorderly and inefficient market as Shippers need to rebalance their portfolios, at cost, in both the GB and Continental markets;
- If further damage caused by the delivery of non-specification gas from the NTS leads to GB import curtailments or unplanned interconnector shutdowns this winter.

Additionally, there is a health and safety cost as more frequent delivery of hazardous, pyrophoric and toxic material is a serious concern.

It should be noted the flow constraints forced on Interconnector this year to date due to the delivery of solids/liquids to today is already estimated to have costed shippers circa £270m[6] as well as the costs to Interconnector is dealing with this material.

[6] Whilst the full cost of the impact of the disruption caused by the delivery of solids and liquids this year is hard to ascertain, Interconnector made has some estimations to indicate the scale of the cost. Across the 24 days over the period 24/04/22 to 21/7/22 that Interconnector has been affected by flow constraints due to off-specification gas delivery from the NTS, Interconnector estimates a total value loss to shippers of circa. £270m. This is estimated by taking booked capacity minus reduced nomination volume multiplied by the higher priced Zeebrugge market prices (i.e. using the assumption that in the absence of constraints on Interconnector, all of the booked capacity would have been utilised on the day). Estimating in a slightly different way i.e. looking at shipper nominations less the volume that Interconnector was able to deliver on the days when constraints were applied, and quantifying this lost volume at the higher priced Zeebrugge market, provides an estimate of circa. £200m. Either calculation indicates a significant cost. These calculations are the direct measures related to Interconnector flows. It should be noted that costs across the wider market will be higher in

The delivery of liquids is a major concern and the increased risk of the delivery of liquids from the NTS to Interconnector could lead to major disruption and cost. An incident on 2002 led to a 7 week shut down and forced flows against the market to help clean the system. If such an incident occurred with today's market prices it would cost GB consumers and shippers £billions[7] which illustrates again the necessity and urgency to address this problem first and undertake proper technical and operational assessments before any additional enhancements.

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

Insert Text Here

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.*

As noted above, the modification lacks a sufficient impact assessment.

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

We are very surprised to see NGG consider increasing the flows at Bacton, given that it has not been able to operate in compliance with GSMR at current flow rates and do not have any meaningful protection against gas quality excursions at this crucial IP. The risk is not theoretical but very real – NGG have been delivering solids and liquids into the Interconnector Bacton Terminal consistently this year (see pictures below). This year to date Interconnector has had:

- 24 days impacted by flows constraints, a total of 510 hours of constraints because of Solids (and liquids) from the NTS.
- 24 filter maintenance activities to clear filters of solids (sometimes with liquids) delivered from the NTS when typically filter changes are only required twice a year.
- Excessive solid delivery and subsequent removal and repairs to damaged filters has led to 2 periods of full outage/shutdown.
- 450kg of solids has been removed (which includes hazardous and toxic material, radioactive material (NORM), pyrophoric, etc) and 250 litres of liquid (glycol) has been removed.

NGG has explained that the higher flows are the cause of these issues and assessments are on-going. It has not indicated in discussions about the delivery of off-specification gas that increasing the flows would mitigate this problem.

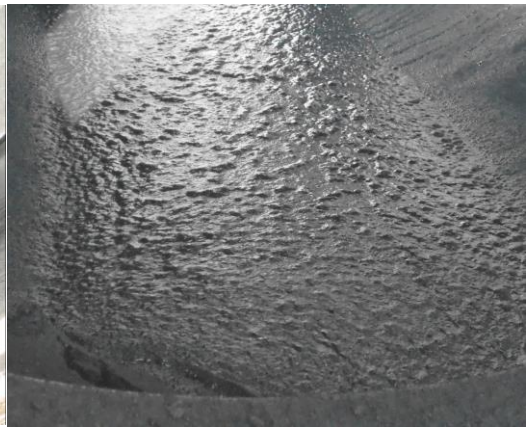
reality as under tight market conditions that we are experiencing this summer, any disruption to flows will create greater volatility and price fluctuations in both the UK and Continental markets with extensive impact across shippers' market positions (these wider impacts are hard to quantify as they will be specific to individual shipper portfolio positions).

[7] If INT was shut down for a 2 month period (~8weeks) due to liquids, at current average TTF prices (over the period 1Apr2022 to 28 Jul2022) and 100% GB to BE flow rate, the value loss to the market would be circa. £4bn.

Pictures of solids delivered in the gas flow from the NTS at Interconnector's Bacton Terminal




Pictures of liquids delivered in the gas flow from the NTS at Interconnector's Bacton Terminal


As it stands, we do not consider that NGG is able to comply with its legal duties regarding gas quality in its system. It would not be reasonable and prudent for this modification to proceed without technical analysis being undertaken and appropriate risk mitigations being put in place first. We also consider it negligent for impact assessments to be avoided by labelling this modification as “temporary”. Statutory duties and the relevant objectives of the UNC modification process still apply. This modification allows a service for well over a year – in which time significant impacts (highlighted earlier) could occur. It is also unacceptable to suggest that if a problem occurs due to the service, NGG can stop offering it. It may already be too late by then in terms of the disruption and damaged caused. The market’s recent experience with high flows clearly shows urgent mitigation measures are required to be installed by NGG in the Bacton area to protect GB consumer interests before consideration of any proposals to increase flows at the Bacton IP.

Furthermore, if NGG considers 3GW of additional on-spec gas is available for the Bacton IP via feeder 27, this should, as part of NGG urgent mitigation actions, be directed through its network to be substituted for the off-specification gas currently being delivered via feeders 2 and 4 into Bacton. NGG has a duty to “avoid any undue preference or undue discrimination” under Section 9(2) of the Gas Act. If additional "clean" gas is being delivered to one interconnector at the same time as the other interconnector is receiving, and having to deal with, contaminated gas, this is discriminatory. This is particularly the case as delivery of contaminated gas to Interconnector has been an significant issue since April 2022. NGG has carried out no technical analysis (e.g on velocities) in light of the current challenges to determine the impact of the Modification on these ongoing issues.

On this basis, we would ask NGG with their statutory duties to firstly and urgent address the current, very serious threat to security of supply caused by the continued non-compliance with GSMR before proposing a modification which has a high potential to cause further interruptions and disruption to an already volatile market.