

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:	Richard Fairholme
Organisation:	Uniper
Date of Representation:	19 November 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) None</p> <p>b) None</p> <p>d) None</p>
Relevant Charging Methodology Objective:	<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)

We are unable to support this proposal as the legal question of whether an interconnector can also be a storage facility under the Gas Act 1986, remains unresolved. At present, it is not clear that interconnectors meet the definition of a storage facility under Section 48(1) of the Gas Act 1986. As described in the Workgroup report, the definition of gas storage was introduced by the Electricity and Gas (Internal Markets) Regulations 2011/274 and remains unchanged. We understand that the proposer takes a different view on this matter, relying instead on more recent EU Regulations. However, as noted in the Workgroup report, BEIS has confirmed that the 2011 definition remains unamended. Therefore, we can only conclude that the legal provisions being relied upon by the proposer and IUK are erroneous.

It is our view, therefore, that this proposal cannot define a storage facility in a manner inconsistent with the definition in the Gas Act, which takes primacy over industry codes. Furthermore, we cannot see how the UNC Panel could recommend implementation, if doing so would place the UNC in conflict with the Gas Act. Clearly, Ofgem will need to satisfy itself that if implemented, this proposal would not create such a situation.

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

Uniper does not support implementation

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

None expected

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

No view

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?

It is not clear that an interconnector can undertake the role of storage as defined under the Gas Act and thereby obtain the 80% capacity discount as permitted in the UNC. Ofgem will need to take it's own legal view on this issue.

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

We note that the implementation costs for this service, as provided by Xoserve, were estimated to be £1Million. Given that there is no assessment of the likely take-up of this new service, which is also not fully defined, it is impossible to quantify the benefits. Whilst we understand that NGG would pay for implementation costs, we should not lose sight of the fact that this is ultimately customer's money being spent. We would expect to see a clear case that the benefits of this service will outweigh the implementation costs. However, this is not provided.

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

No view.

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

The proposer has argued that the volumes involved would not put the service in direct competition with existing gas storage facilities. However, this view seems to be based primarily on Working Gas Volumes (WGV). When the IUK capacity of 8.7mcm for withdrawal and injection is compared to existing gas storage facilities, it is clear that there are potential market impacts which could affect competition. This is illustrated in the table, below, which presents the proposed IUK product as a percentage of existing storage facility parameters, using Ofgem published data¹:

¹ https://www.ofgem.gov.uk/sites/default/files/docs/2021/01/2021_gas_storage_data_0.pdf

	WGV	Withdrawal	Injection
Hornsea	3%	73%	290%
Hatfield Moor	12%	435%	435%
Humbly Grove	4%	124%	109%
Aldborough	4%	28%	30%
Holford	4%	40%	33%
Hill Top	15%	67%	67%
Stublach	2%	29%	29%
Total	1%	7%	8%

Ultimately, it is for Ofgem to determine if this proposal would have a significant impact on the market for flexibility in the UK.

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.*

No.

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

Nothing further to add