

Representation

Draft Modification Report

0363 - Commercial Arrangements for NTS Commingling Facilities

Consultation close out date: 12 September 2011
Respond to: enquiries@gasgovernance.co.uk
Organisation: **National Grid NTS**
Representative: Phil Hobbins
Date of Representation: 09 September 2011

Do you support or oppose implementation?

Support/Qualified Support/Neutral/Not in Support/Comments* *delete as appropriate*

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

As the proposer of this Modification, National Grid NTS supports its implementation. The Modification has been developed closely with, and in response to the needs of, a new customer who has requested a new and unique type of connection to the NTS. It seeks to implement a commercial solution that is, in our view, cost reflective, not unduly discriminatory and does not disadvantage any other party.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

For the purposes of the Modification Report, National Grid NTS believes that the relevant issues have been captured. However, please refer to the final section of this Consultation Response for our views on two specific issues that have generated debate in the Workgroup.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We believe that implementation would enhance the efficient discharge of National Grid NTS' licence obligations and would better facilitate the securing of effective competition for the reasons specified in Section 4 of the Draft Modification Report.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

In order to implement the Modification, National Grid NTS intends to put in place a daily 'netting off' process using existing systems functionality. This can be achieved via a slight modification to an existing National Grid NTS process without incurring additional costs and will be used to determine the net end of day quantity from the total measured quantities of gas offtaken from, and input to, the NTS.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We believe that implementation should take effect from 1st October 2012 for the reasons set out in Section 6 of the Draft Modification Report.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We are satisfied that the legal text will deliver the intent of the Modification. However, a concern has been raised that the suggested text does not reflect the requirement for volume and CV measurement equipment to be installed at both the NTS exit point and the NTS entry point, as specified in Business Rule 11 in the Draft Modification Report. National Grid NTS agrees that it is appropriate to include additional text to capture this and will shortly be raising a variation request to amend the Modification to include this change to the suggested text. As this change reflects the business rules contained in the Modification, we consider this variation to be immaterial.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

Two main issues have arisen during the development of this Modification in the Workgroup: first, whether the distinctions between an NTS Commingling Facility and other existing bi-directional facilities warrant different commercial treatment and, second, whether it is appropriate to limit the application of the proposed commercial arrangements to upstream facilities where gas is offtaken for the purpose of facilitating commingling by a third party.

In respect of the first issue, National Grid NTS believes that it has demonstrated in the Modification and with presentations to the industry during the development of the Modification why the proposed 'netting-off' of entry and exit flows in order to determine the chargeable quantity is cost-reflective in the case of a NTS Commingling Facility but would not be so in respect of other bi-directional facilities. This is articulated in Section 4 of the Draft Modification Report and by National Grid NTS' presentation to the meeting of the Workgroup held on 7th April 2011 which can be viewed at <http://www.gasgovernance.co.uk/0363/070411>.

In respect of the second issue, National Grid NTS believes that it is appropriate to limit the application of the proposed commercial arrangements to facilities which commingle gas for a number of reasons:

- 1) At present, there is no other NTS connection – either existing or in development – that would exhibit the simultaneous exit and entry flow characteristics of an NTS Commingling Facility. Should such a connection request ever emerge, a remedy to any potential undue discrimination would be available via a further Code Modification, either to broaden the definition of an NTS Commingling Facility or to introduce another classification of facility based on the precedent set by Modification 0363. In addition, a definition that includes the activity of commingling offers a practical justification for the Modification and also minimises the potential for unintended consequences to arise if the definition were drafted more generically.
- 2) Including the third party commingling aspect within the definition of the connection type is consistent with certain other existing facility definitions in the UNC which describe the upstream purpose. For example, the definition of a Storage Facility in TPD Section R requires that it is a facility, "whose **principal purpose** is the storage of gas". Similarly, for an LNG Importation Facility, "whose **principal purpose** is the receipt of liquefied gas from a sea going vessel". These definitions are so drafted because they have relevance to the commercial arrangements that apply to these facilities.

- 3) What happens upstream of the NTS exit and entry points is relevant for Modification 0363. For example, if no new gas were being entered upstream (such as in the case of a facility that offtakes gas from the NTS for the purposes of testing meters prior to redelivery) then the arrangements for netting off flows and the requirement for both volume and CV measurement at both the NTS entry point and NTS exit point may not be required. Therefore, in our view, it would not be appropriate to make the rules for Modification 0363 generic for other similar, theoretical, facilities because we do not know what they will be or how they will operate.

In summary, National Grid NTS believes that this Modification will deliver a commercial solution that is cost reflective, not unduly discriminatory and does not disadvantage any other party. The proposed arrangements will facilitate an alternative method of NTS connection which is particularly suited to smaller scale connections of unconventional gas sources where an upstream processing solution is not economically viable.

Should you wish to discuss any aspect of Modification 0363 further, please contact Phil Hobbins. (Philip.hobbins@uk.ngrid.com or telephone 01926 653432).