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The Joint Office, Scotland Gas  
Networks plc and other interested  
parties

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Dear Stakeholders

### **UNC464: Alternative LNG supply to the Scottish Independent Networks (SINs)**

We have received a request from Scotland Gas Networks plc ('the proposer') to use the urgent modification procedure for modification proposal UNC<sup>1</sup>464: Alternative LNG supply to the Scottish Independent Networks<sup>2</sup> (SINs).<sup>3</sup> This letter contains our decision to agree to this request that UNC464 should follow the urgent modification procedure.

#### **Background**

The Scottish Independent Networks (SINs) comprise four independent gas networks supplied by Liquefied Natural Gas (LNG).<sup>4</sup> These networks serve around 8,000 consumers located in remote regions in Scotland, namely in, Wick, Thurso, Oban, and Campbeltown.<sup>5</sup>

These networks are currently supplied with LNG from Avonmouth, which is currently the only LNG facility in Great Britain with the required tanker loading facilities. There were engineering issues with the Avonmouth facility in the spring of this year which have meant that the SINs have relied upon stored supplies of LNG. This has raised concerns over the supply of LNG to the SINs over the coming winter period (when demand is much higher) should the Avonmouth facility fail again. This modification seeks to establish a contingency process under the UNC to guarantee security of supply to the SINs.

#### **UNC Modification Panel View**

Before making our decision on whether the modification proposal should follow the urgent modification procedure, we asked the UNC Modification Panel (the Panel) for its view on urgency for this particular proposal, in accordance with paragraph 10.1.1(b) of the Modification Rules.<sup>6</sup>

At the Panel meeting on 12 September 2013, the seven Panel members present unanimously voted to recommend that the proposal follow urgent modification procedures. Although there were questions over why this modification could not have been raised earlier, overall the Panel considered that the case for urgent procedures had been demonstrated.

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<sup>1</sup> Uniform Network Code.

<sup>2</sup> Also referred to the Statutory Independent Undertakings (SIUs).

<sup>3</sup> Modification Proposal UNC 0464 can be found on the joint office website <http://www.gasgovernance.co.uk/0464>

<sup>4</sup> LNG is natural gas that has been converted to liquid form for ease of transport and storage. When required, it is returned to a gas and piped into the network.

<sup>5</sup> There is also an independent network on Stornoway on the Isle of Lewis but this is supplied by LPG so is not included in this modification.

<sup>6</sup> The Modification Rules can be found here:

[http://www.gasgovernance.co.uk/sites/default/files/Modification%20Rules\\_13.pdf](http://www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf)

The proposer and the Panel have put forward the following timetable:

<b>Process</b>	<b>Date</b>
Modification submitted to us for decision on urgent status	06/09/13
Panel view on urgent status	12/09/13
Modification issued for consultation	16/09/13
Close-out for representations	08/10/13
Final Modification Report to the UNC Modification Panel	10/10/13
UNC Modification Panel recommendation	17/10/13
Authority decision expected by	29/10/13
Implementation date (subject to Authority's decision)	31/10/13

### **Our decision**

In reaching our decision, we have considered the details contained within the modification proposal, the proposer's justification for urgency and the views of the Panel. We have assessed the request against the criteria set out in our published guidance.<sup>7</sup>

We recognise that the continuity of supply of LNG to the SINs is potentially at risk given the issues at the Avonmouth facility earlier this year. We consider that the issue outlined in this modification can be regarded as imminent due to the urgent need for a contingency plan to supply the SINs over the coming winter period.

In conclusion, we agree that this modification should follow the urgent modification procedure and we agree to the suggested timetable as set out above.

We do however consider that a modification to resolve this issue could have been raised earlier given the dependency on the Avonmouth facility and the problems that arose in the spring of this year. Although we have been in discussions with the proposer over the past few months and were aware of its intention to raise a modification we would have preferred that this modification had been raised earlier. This would have avoided the need for such a compressed timetable.

Our decision on urgency should not be treated as any indication by us on the merits of modification UNC464. We will make a decision on UNC464 in accordance with the appropriate process and after taking account of all relevant considerations.

Yours sincerely

**Andy Burgess**

**Associate Partner, Transmission and Distribution Policy**

Signed on behalf of the Authority and authorised for that purpose

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<sup>7</sup> Ofgem's Guidance is published on our website:

[www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf](http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf)