


## Stage 04: Final Modification Report

# 0464 (Urgent): Alternative LNG supply to the Scottish Independent Networks (SINs)


At what stage is this document in the process?


- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report


This Modification seeks to amend the UNC to allow for alternative supplies of LNG to be sourced in order to supply the Scottish Independent Networks

 Panel recommended implementation



 High Impact:  
Scotland Gas Networks & Shippers

 Medium Impact:  
National Grid NTS

 Low Impact:

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## About this document:

This Final Modification Report will be presented to the Panel on 17 October 2013.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.

	
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# 1 Summary

## Is this a Self-Governance Modification?

Ofgem agreed that urgent procedures should be followed, without self-governance.

## Why Change?

The Scottish Independent Networks (SINs) are currently supplied with LNG (excluding Stranraer) from Avonmouth, which is the only LNG facility in the UK with the required tanker loading facilities. Recent engineering issues with the Avonmouth facility have highlighted the fragile nature of these arrangements and therefore SGN have raised this Modification to permit the establishment of contingency processes under the UNC to guarantee security of supply to the SINs.

## Solution

The UNC will be updated to allow LNG to be obtained from alternative sources as well as from Avonmouth. To permit the entry of LNG from an alternate source into the SIN networks, each SIN will need to be defined as an individual LDZ System Entry Point under the current provisions of the UNC. SGN will act as a Delivery Facility Operator (DFO) for each SIN LDZ Entry Point and the relevant Entry Provisions and Local Operating Procedures will be in place. Current nomination processes and CV notifications will remain as currently outlined in the UNC.

## Relevant Objectives

As the proposal will ensure that secure supplies can be delivered to the SINs throughout the year this Modification better facilitate relevant objective c) on efficient discharge of the licensee's obligations.

## Implementation

SGN are requesting that Ofgem classify this Modification Proposal as urgent to ensure contingency arrangements are in place to secure supplies to the SINs before the start of winter 2013. Hence a criticality date of 31<sup>st</sup> October 2013 is suggested by which time the Modification should be implemented.

## 2 Why Change?

### Background

There are four Scottish Independent Networks (SINs) located at Oban, Wick, Thurso and Campbeltown (the mainland SINs), which are supplied with LNG. Currently, SGN transport LNG from the National Grid LNG (NGLNG) facility located in Avonmouth near Bristol to the four mainland SINs via road tanker where it is re-gasified and fed into the networks to meet our and Shipper's customer requirements. There are currently 7148 individual Supply Points (both domestic and I&C) located on the SINs registered to approximately 40 + different Shipper short codes.

During spring and early summer 2013 there has been a period where the Avonmouth gas liquefaction process has not been fully functional which in turn has meant that stored supplies of LNG have been relied upon for the SINs' demand requirement. As Avonmouth is the only LNG facility located in the UK with tanker loading facilities enabled (Glenmavis and Partington no longer offer this facility), and also the only LNG facility permitted to be utilised by SGN under the Uniform Network Code (UNC), we require an alternative solution to ensure security of supply is maintained to customers should the facility fail again in the future. This Modification has been raised to ensure the UNC facilitates this alternate solution.

The four mainland SINs are defined under the UNC as being part of the Total System and each SIN is its own Local Distribution Zone (LDZ) classification, including the classification within the National Grid Gemini system (Thurso – "LT", Oban – "LO", Wick "LW" and Campbeltown "LC"). There are a small number of UNC clauses, which refer to the SINs specifically; however the UNC in its totality also applies to the SINs equally as it does to non SIN gas networks.

### 3 Solution

After extensive research and analysis of various options SGN now propose to source the LNG, to supply the SIN networks only, from Zeebrugge in Belgium as this is the only suitable facility which provides the certainty of supply and the required facilities to load road tankers with LNG. Alternate commercial UK facilities have been considered but currently they do not have the tanker loading facilities required.

Although Zeebrugge has been identified as a suitable LNG facility at this time, other LNG facilities may become available and this solution is not restricted to the sole use of Zeebrugge LNG.

For the avoidance of doubt, the following solution is proposed as a contingency only and Avonmouth will remain as the primary source of LNG for the SINs for the foreseeable future.

To permit the entry of LNG from an alternate source into the SIN systems, there will need to be defined at each SIN an individual LDZ System Entry Point under the current provisions of the UNC including their set-up within Gemini. There will remain a requirement for a NTS Offtake point in the Gemini system for each SIN in relation to the LNG supplied by the Avonmouth facility. SGN will act as a Delivery Facility Operator (DFO) for each SIN LDZ Entry Point and the relevant Entry Provisions and Local Operating Procedures will be in place. Current provisions in the UNC require there to be in place a Network Entry Agreement between the relevant DN and the DFO. As SGN will be acting as the DFO and the DN in relation to this alternate process it is considered that such an agreement is not necessary, however the Network Entry Provisions and Local operating Procedures will be required. Current nomination processes and CV notifications will remain as currently outlined in the UNC.

#### User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

Not User Pays as the Modification does not create or amend a User Pays service.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

N/A

Proposed charge(s) for application of User Pays charges to Shippers.

N/A

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

N/A

## 4 Relevant Objectives

Impact of the modification on the <b>Relevant Objectives</b> :	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) 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.	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

As the proposal will ensure that secure supplies can be transported to the SINs throughout the year this Modification better facilitate relevant objective c) on efficient discharge of the licensee's obligations.

## 5 Implementation

SGN propose that this Modification is treated as Urgent to ensure contingency arrangements are in place to secure supplies to the SINs before the start of winter 2013. Hence a criticality date of 31<sup>st</sup> October 2013 is suggested by which time the Modification should be implemented.

## 6 Legal Text

### Text

Text has been published alongside this Report.

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## 7 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
British Gas	Support
National Grid NTS	Support
RWE npower	Support
Scotia Gas Networks	Support

Of the 4 representations received implementation was unanimously supported.

### Summary Comments

British Gas voiced its concerns that a single point of failure had been allowed in the gas supply chain for the Scottish Independent Networks (SINs), Thurso (LT), Oban (LO), Wick (LW) and Campbeltown (LC). In acknowledging that it would be unacceptable to leave customers without gas especially during the cold winter months they support the change proposed, as it enables changes to the industry arrangements to diversify the LNG supply sources to SINs.

British Gas believe that it is important for the Transporters to publish further information regarding the anticipated problem with the Avonmouth facility and for the Transporters to confirm what is being done to address the problem.

National Grid NTS recognised that the use of the LDZ System Entry Point process may lend itself, at short notice and for a period of time, to a contingency process. However, they would support further discussions to establish whether this proposed “urgent” solution is the most appropriate for the longer term, particularly as it is unclear whether the use of the LDZ system entry point processes has an implication for Flow Weighted Average CVs or the Energy Balance, manifesting itself as an impact on Shrinkage. As a consequence of not having been discussed at a Workgroup National grid NTS believe that this proposal may have unforeseen issues over the medium or longer term.

National Grid NTS point out that, as the modification seeks to utilise existing processes, they believe that it can be implemented soon after an Authority decision is received. However, they also note that the modification states that the SINs may be LDZ System Entry Points and, as such, a request must be made to set them up on National Grid NTS’s IT systems, for which a lead time would be required.

## 8 Panel Discussions

The Panel Chair summarised that the UNC assumes that gas to supply the Scottish Independent Networks (SINs) is delivered by road tanker from National Grid's Avonmouth LNG facility. This modification creates arrangements that allow alternative supplies to be used, for example if there are operational difficulties that prevent gas being delivered from Avonmouth.

Members noted that Standard Special Licence Condition A9.2 obliges Scotia Gas Networks to meet peak aggregate daily demand. By ensuring gas supplies are available on a continuing basis, some Members believed implementation of this modification would be expected to facilitate efficient discharge of the licensee's obligations. One Member believed that the obligation relates to providing transportation capacity and not gas and so is not facilitated by implementation.

Some Members considered that having contingency arrangements in place is in customers' interests – helping to ensure that gas can be supplied. Ensuring that gas can be delivered could be expected to encourage reliance on gas by SIN connected customers, and so make customers available to supply. By supporting market activity, implementation may therefore be expected to facilitate the securing of effective competition between Shippers and between Suppliers. Other members did not consider this would impact competition because the customers are already being supplied and the size of the market will not be impacted by implementation.

Members then voted unanimously to recommend that Modification 0464 should be implemented.



## 9 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0464 should be made.