

Stage 01: Modification

0464:

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



The Proposer recommends that this Modification should

- proceed directly to consultation.



High Impact:
Scotland Gas Networks & Shippers



Medium Impact:
National Grid NTS



Low Impact:

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About this document:

SGN propose that this Modification is classified by Ofgem 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 31st October 2013 is suggested by which time the Modification should be implemented. In relation to Ofgem's urgency criteria¹ we believe the Modification qualifies as Urgent under the criterion "b".

1 Summary

Is this a Self-Governance Modification?

This Modification should not be subject to self governance due to the potential consumer impacts.

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 31st 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.

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User Pays
Classification of the Modification as User Pays, or not, and the justification for such classification.
<i>Not User Pays as the Modification does not create or amend a User Pays service.</i>
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 Relevant Objectives:

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
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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 31st October 2013 is suggested by which time the Modification should be implemented.

6 Legal Text

Legal text provided separately.

7 Recommendation

The Proposer recommends that this proposal is issued for consultation under an urgent timetable.