

Modification proposal:	Uniform Network Code (UNC) 464: Alternative LNG supply to the Scottish Independent Networks (SINs)		
Decision:	The Authority's ¹ decision is that this proposal be made. ²		
Target audience:	The Joint Office, parties to the UNC Gas Distribution Network operators (DNs) and other interested parties		
Date of publication:	29 October 2013	Date of Implementation:	31 October 2013

Background to the modification proposal

The Scottish Independent Networks (SINs) are four independent gas networks supplied by Liquefied Natural Gas (LNG). These networks serve around 7200 consumers in Wick, Thurso, Oban, and Campbeltown, in Scotland³.

Currently the National Grid facility at Avonmouth near Bristol is the only LNG facility in Great Britain (and therefore on the National Transmission System (NTS)) with road tanker loading facilities. Glenmavis, near Glasgow, and Partington, near Manchester, no longer offer this facility. Scotland Gas Networks (SGN) transports LNG from the National Grid LNG facility at Avonmouth to the four mainland SINs via road tanker.

In spring this year there were engineering issues at the Avonmouth facility which resulted in its gas liquefaction process not being fully functional. This meant that the SINs temporarily relied upon stored supplies of LNG. This raised concerns over the potential security of supply to the SINs for the coming winter period if the Avonmouth facility were to fail again. This modification proposal seeks to establish a contingency process under the UNC to guarantee security of supply to the SINs.

Each of the SINs is its own Local Distribution Zone (LDZ) and is classified within the National Grid Gemini system⁴. There is one NTS Exit Point ("SIN NTS Exit Point") at which gas is deemed to 'flow' (in reality transported by vehicle) out of the NTS and into each of the SINs.

The modification proposal

UNC modification proposal 464 (UNC464) proposes to allow SGN to use LNG from alternative sources outside of the NTS by creating individual LDZ System Entry Points for each SIN. SGN will act as the Delivery Facility Operator⁵ (DFO) for each SIN LDZ System Entry Point.

Should the Avonmouth facility fail again, SGN proposes to source LNG for the SINs from Zeebrugge in Belgium as this is the nearest alternative facility that has the necessary

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ There is also an independent network in Stornoway on the Isle of Lewis but this is supplied by LPG so is not included in this modification.

⁴ Gemini is an IT system that supports gas management, energy balancing and associated invoicing processes. It is owned by National Grid with Xoserve acting as the system manager and operator. More information can be found here: <http://www.nationalgrid.com/uk/Gas/OperationalInfo/Gemini/>

⁵ A "Delivery Facility Operator" is the operator of a Connected Delivery Facility (a single facility or system (comprising pipeline(s), plant and/or other installations), operated by one person (or jointly operated by several persons), and connected to the Total System at one or more Individual System Entry Points).

tanker loading facilities. Although Zeebrugge has been proposed as the contingency facility at this time, the proposed changes to the code allow for LNG to be sourced from other facilities if required.

As SGN will be acting as both the Distribution Network and the DFO for this process, it is not necessary for there to be a Network Entry Agreement⁶ to be in place for this arrangement. Network Entry Provisions⁷ and Local Operating Procedures⁸ will still be required. Current nomination processes and calorific value notifications will remain as currently outlined in the UNC.

We received a request from Scotland Gas Networks plc ('the proposer') to use the urgent modification procedure for this modification proposal. On 13 September 2013 we issued a letter agreeing to urgency and confirming the timetable⁹.

UNC Modification Panel's recommendation

The UNC Modification Panel considered this modification on 17 October 2013 and unanimously decided to recommend that UNC464 be implemented.

Our decision

We have considered the issues raised by the modification proposal and the final modification report dated 17 October 2013. We have considered and taken into account the responses to the Joint Office's consultation which are attached to the final modification report¹⁰. We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;¹¹
2. directing that the modification be made is consistent with our principal objective and statutory duties.¹²

Reasons for our decision

We note that there were four responses to the Joint Office consultation on this proposal, all of which supported implementation of the modification. Respondents agreed that adequate contingency arrangements should be in place to enable the delivery of LNG to the SINS in the event of further issues with the Avonmouth facility.

We also note that the Panel members were unanimous in their decision to implement the modification. Some Panel members expressed their view that in helping to ensure gas can be supplied to the SINS the proposed arrangements would be in customers' interests.

We have assessed the modification against the relevant objectives of the UNC which are set out in SSC A11(1) of the Gas Transporters Licence. We consider that this modification has a positive impact on relevant objective (c) while its impact on other objectives is neutral.

(c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence

⁶ As defined in [UNC TPD 11.3.1](#)

⁷ As defined in [UNC TPD 11.3.2](#)

⁸ As defined in [UNC TPD 12.6.1](#)

⁹ Our decision letter agreeing to urgency can be found here:

<http://www.gasgovernance.co.uk/sites/default/files/Decision%20on%20Urgency%20letter%20UNC464.pdf>

¹⁰ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

¹¹ As set out in Standard Special Condition as A11 (1) of the Gas Transporters Licence.

¹² The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

This modification facilitates objective (c) by allowing a more diverse supply of LNG to be made available to the SINs throughout the year, ensuring safe and secure operation of the network. The final modification report also referred to Standard Special Licence Condition A9.2 requiring SGN to meet peak aggregate daily demand. By ensuring gas supplies are available on a continuing basis, some panel members believed implementation of this modification would be expected to facilitate efficient discharge of the licensee's obligations.

This modification is urgent due to the need for a contingency plan to supply the SINs over the coming winter period. As this modification is implementing contingency arrangements and not immediately changing existing processes, it can be implemented soon after our decision.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC464 be made.

Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose