

0561S:

Amendment to the oxygen limit within the BBL / NTS Interconnection Agreement.

This enabling Modification is to facilitate a change to the contractual oxygen limit at the BBL Interconnection Point.



Responses invited by 05 November 2015.



High Impact: None












Medium Impact: None



Low Impact: National Grid NTS, BBL Company, Shippers, Transporters

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

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| About this document: | | Transporter: National Grid Transmission |
| <p>This Draft Modification Report is issued for consultation responses, at the request of the Panel on 15 October 2015. All parties are invited to consider whether they wish to submit views regarding this self-governance modification.</p> <p>The close-out date for responses is 05 November 2015, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at www.gasgovernance.co.uk/0561.</p> <p>The Panel will consider the responses and agree whether or not this self-governance modification should be made.</p> | |  mark.j.lyndon@nationalgrid.com |
| The Panel recommended the following timetable: | |  01926 655551 |
| Draft Modification Report issued for consultation | 15 October 2015 | Systems Provider: Not applicable |
| Consultation Close-out for representations | 05 November 2015 | Additional contacts: Philip Hobbins |
| Final Modification Report presented to Panel | 19 November 2015 |  philip.hobbins@nationalgrid.com |
| UNC Modification Panel decision | 19 November 2015 |  07966 865623 |

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because it is unlikely to have material effect on gas consumers; competition, the operation of pipe-line systems, safety or security of supply, the uniform network code governance procedures or the network code modification procedures.

Is this a Fast Track Self-Governance Modification?

No. Fast Track procedures do not apply because this is not a housekeeping modification.

Why Change?

BBL Company has advised National Grid NTS that the current instantaneous oxygen limit of 10ppm that is contained within the Interconnection Agreement applicable to the BBL Interconnection Point is not compatible with the parameters set under Dutch law for the BBL Interconnection Point at Julianadorp, which enables gas flows to be entered at 10ppm on a “*daily average basis*”. BBL Company therefore believes there is a potential risk that imported gas flows with a higher oxygen content than 10ppm that are permitted to enter the BBL pipeline at Julianadorp may be rejected by National Grid NTS at Bacton.

National Grid NTS believes that this Modification should be considered as ‘enabling’, since the change would be captured within the Interconnection Agreement between National Grid NTS and BBL Company. UNC TPD Section I.2.2 permits changes to such agreements via the use of an enabling Modification.

Solution

This enabling Modification is proposing to facilitate amendment of the oxygen limit contained within the Interconnection Agreement in respect of the delivery of gas from BBL Company to the NTS at Bacton from 10ppm to 200ppm.

Relevant Objectives

It is believed that Relevant Objective 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 is furthered, since it is consistent with the general co-operation obligations between TSOs which are required under EU Regulation No.715/2009.

Implementation

No specific implementation timescales are proposed and no implementation costs are expected. Following implementation, BBL Company would then seek approval to amend the Interconnection Agreement under Standard Licence Condition 3 (I) of the interconnector licence from Ofgem.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

It is not anticipated that this Modification will have any impacts on other industry change.

2 Why Change?

The BBL Interconnector is a 235 kilometre pipeline which connects the Dutch and UK gas markets. Operations are managed at Julianadorp in Holland with entry to the UK at Bacton. On 21 July 2014 the Minister of Economic Affairs in the Netherlands published a directive requiring all Dutch Interconnection Points to have oxygen limits of 10ppm as a “daily average”. The daily average enables gas to enter the BBL pipeline at Julianadorp in the Netherlands that may contain a higher oxygen content than 10ppm, provided that the average oxygen content calculated at the end of any 24 hour period does not exceed 10ppm. The Interconnection Agreement between National Grid NTS and BBL Company currently stipulates as part of the Gas Entry Conditions within the Network Entry Provisions that the oxygen content shall be not more than 10 parts per million (ppm) Instantaneously.

Therefore it is possible for gas with an oxygen concentration greater than 10ppm to be permitted entry into the BBL pipeline at Julianadorp, and for such gas to be refused at Bacton.

The “daily average” measure does not fit with National Grid NTS excursion management procedures for gas quality, therefore a higher limit on the current instantaneous basis is proposed. BBL Company believes that an increase from the current limit of 10ppm to 200ppm will remove the potential risk of gas flows from Julianadorp exceeding their oxygen limit at Bacton.

The 200ppm oxygen limit proposed within this Modification would be compliant with the parameters set within Gas Safety Management Regulations (GS(M)R) - which states an Oxygen limit of 2000ppm. Whilst 10ppm is the current indicative limit in National Grid NTS’ Ten Year Statement, National Grid NTS has not identified any adverse NTS integrity impact of increasing this to 200ppm in this instance.

National Grid NTS is of the view that changing the oxygen limit to 200ppm will not have a material impact on Shippers or Consumers. BBL is of the view that the likelihood for the 10ppm oxygen limit to be exceeded is minimal and even if it were to be exceeded, the proposed limit is well within the GS(M)R limit.

UNC TPD Section I 2.2 provides that certain Network Entry Provisions that apply in respect of a System Entry Point may not be altered without either:

- a) the written consent of all Users that hold NTS Entry Capacity at the relevant Aggregate System Entry Point on a specific date; or
- b) by way of a Code Modification.

As has been typical of similar situations in the past, option (b) is proposed due to the practical difficulties of obtaining multiple consents from Users and to ensure an open and transparent change process.

3 Solution

This enabling modification is proposing to facilitate amendment of the oxygen limit contained within the Interconnection Agreement in respect of the delivery of gas from BBL Company to the NTS at Bacton from 10ppm to 200ppm.

| User Pays | |
|--|---|
| Classification of the modification as User Pays, or not, and the justification for such classification. | No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification. |
| 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. | Not Applicable |
| Proposed charge(s) for application of User Pays charges to Shippers. | Not Applicable |
| Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve. | Not Applicable |

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. | None |
| 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. | Positive |

This modification will further Relevant Objective 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 because it helps to demonstrate the general co-operation obligations between TSOs which are required under EU Regulation 715/2009. This particular proposal seeks to align certain gas quality requirements with a view to avoiding any restriction to the cross border trade of gas that may arise in the future as a result of such differences. This obligation is most clearly seen in Article 15 of the Interoperability Network Code, which requires that:

“1. Transmission system operators shall cooperate to avoid restrictions to cross-border trade due to gas quality differences.”

5 Implementation

No specific implementation timescales are proposed and no implementation costs have been identified with changing the Gas Entry Conditions in respect of the BBL Interconnection Point. Following implementation, National Grid NTS and BBL can then agree the contractual change subject to BBL obtaining approval for under Standard Licence Condition 3 (l) of the interconnector licence from Ofgem.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There are no impacts on other industry change projects.

7 Legal Text

There are no changes required to the UNC as part of this enabling Modification because the amendment will be contained within the Interconnection Agreement. The changes proposed within the Interconnection Agreement are defined in the solution section.

8 Recommendation

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this self-governance modification.