

Storage Service



Compliance

Mod 0761 Workgroup 07 September 2021

Areas addressed

- Definitions
 - Interconnector
 - Storage Facility
- Licensing and Exemptions
 - Interconnector Licence
 - Gas Act Exemptions
- Level playing field with existing GB Storage Operators





Definitions



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Definitions of an Interconnector in current legislation



Gas Act Section 5(8)

“Gas Interconnector: any pipeline system as—

(a) is situated at a place within the jurisdiction of Great Britain; and

(b) subsists wholly or primarily for the purposes of the conveyance of gas (whether in both directions or in only one) between Great Britain and another country or territory”

Prevailing definition



Regulation 715/2009 as amended by UK SI 2018/1286 and 2019/530:

“interconnector”

(a) in relation to Great Britain, means a transmission line which crosses or spans a border between Great Britain and a member State, or between Great Britain and Northern Ireland, for the sole or main purpose of connecting the transmission systems of those countries or territories;

As retained EU law, the Gas Regulation is directly applicable meaning that the definition of ‘Interconnector’ in the Gas Regulation applies as a matter of English Law and therefore prevails over domestic legislation. This is addressed in Schedule 8, para 1 of the EU Withdrawal Act.

- Definition (in both the Gas Act and Gas Regulation) indicates that an Interconnector may provide services other than Transmission
- INT proposes to offer a secondary service to complement its main business of gas transportation



Definitions of a Storage Facility in current legislation



UNC Section R 1.2.1

(a)(ii) a Storage Facility is a facility 'whose principal purpose is the storage of gas'

Gas Directive Art. 2(9)

“‘storage facility’ means a facility used for the stocking of natural gas and owned and/or operated by a natural gas undertaking... and excluding facilities reserved exclusively for transmission system operators in carrying out their functions;”

Regulation 715/2009 as amended by UK SI 2018/1286 and 2019/530:

“storage facility” means a facility used for the stocking of natural gas and owned or operated by a natural gas undertaking, including the part of LNG facilities used for storage but excluding the portion used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions;

Prevailing definition

As per the previous slide, the definition of Storage Facility in the Gas Regulation applies as a matter of English Law and therefore prevails over domestic legislation.

The latter half of the definition (in italics) refers to Storage Facilities which are reserved for the sole use of a TSO to carry out balancing and system stability actions¹, meaning that the storage facility is not available for third party use. This is confirmed in the interpretive note published by the EC.²

¹ Interconnector does not require the exclusive use of the storage facility for carrying out its business, so can make it available to third parties

² https://ec.europa.eu/energy/sites/ener/files/documents/2010_01_21_third-party_access_to_storage_facilities.pdf





Licensing and Exemptions



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Interconnector Licence

Interconnector Licence Standard Condition 6:

“The licensee shall, in their internal accounting, keep separate accounts for each of their gas activities: interconnection; transmission (in the instance of an integrated transmission system, this will also include interconnection activities); distribution; storage;”



INT's Gas Interconnector Licence contemplates that Interconnectors may offer storage services. This is by virtue of SLC 6 which requires an Interconnector to keep separate accounts for the various activities we may undertake such as transmission and storage.

The INT Storage Services will be operated by Interconnector Limited, with clear separation between transportation and storage accounts, as well as separate contractual terms.



Exemption Regime under the Gas Act (i)

Gas Act 5. Prohibition on unlicensed activities

(1) Subject to section 6A below and Schedule 2A to this Act, a person who—

(a) **otherwise than by means of a gas interconnector** conveys gas through pipes to any premises, or **to a pipe-line system operated by a gas transporter**;

(aa) participates in the operation of a gas interconnector;

(b) supplies to any premises gas which has been conveyed to those premises through pipes;

(c) arranges with a gas transporter for gas to be introduced into, conveyed by means of or taken out of a pipe-line system operated by that transporter;....

...shall be guilty of an offence unless he is authorised to do so by a licence.

As per 5.1 (a) of the Gas Act, the conveyance of gas between an interconnector and a public gas transporter does not require a licence.

To summarise before moving to 5.2 of the Gas Act:

1. Participation in the operation of an interconnector is a licensable activity, for which INT holds a Licence under section 7ZA of the Gas Act.
2. The conveyance of gas into or out of an interconnector does not require a licence, as per 5.1 of the Gas Act.



Exemption Regime under the Gas Act (ii)

Gas Act 5.2

The exceptions to subsection (1) above which are contained in Schedule 2A to this Act shall have effect

Class and named exemptions from section 5(1) are available and, according to government guidance issued at the time the exemption regime was introduced¹ ([published here](#)), are granted where the requirement to hold a licence would be excessive or onerous.

This Government guidance specifically states that interconnector operators do not need a licence exemption to be able to convey gas into the NTS:

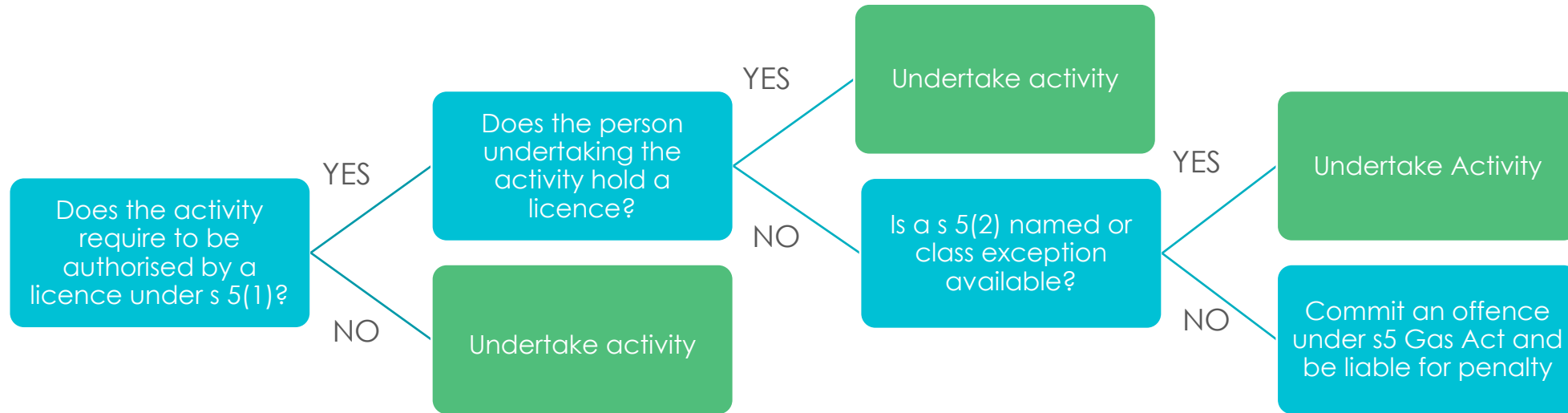
*“Facilities covered by a named exemption include the IUK interconnector...We propose not to renew the exemption for Interconnector (UK) Limited (IUK) to convey gas from the interconnector to a gas pipeline operated by a licensed gas transporter, as it is no longer required. The exemption was granted prior to the licensing of gas interconnectors...**[which enables] an interconnector operator to convey gas into the gas network without the need for a licence exemption.**”*

Conveyance of gas into the NTS from an interconnector does not require a license under section 5(1), INT therefore does not need an exemption from section 5(1) and section 5(2) is therefore not relevant.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/42564/571-notice-6a-gas-act.pdf



Exemption Regime under the Gas Act – Summary (iii)



1. Participation in the operation of an interconnector is a licensable activity, for which INT holds a Licence under section 7ZA of the Gas Act.
2. The conveyance of gas into or out of an interconnector does not require a licence, as per 5.1 of the Gas Act.
3. Storage has a class exemption, otherwise operators would need a gas transporter licence which could be unduly onerous or impossible given many operators also hold Shipping licences (see The Gas (Exemptions) Order 2011).
4. There is Government Guidance specifically stating that as INT is licensed **it does not require an exemption from section 5(1) to convey gas to or from National Grid's system.**





Level playing field with other GB Storage



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Level playing field with other GB Storage

There are two elements to achieving a level playing field:

1. Shippers can utilise storage within interconnectors on the same terms as other GB storage facilities – of key importance to interconnector operators
2. Interconnectors follow the same guidance for offering their storage services as other GB storage operators – of key importance to existing storage operators

Both of these elements can be satisfied through;

- Mod 0761
- Separate INT Storage Services Agreement
- The Storage Connection Agreement between INT and NGG



Level playing field: Market Access

Interconnector is an independent operator and will offer all capacity made available under its Storage Service to the market.

- INT's Storage Service will adhere to the requirements of Regulation EC 715/2009¹, Gas Act Section 19B and follow the guidance published by Ofgem for Storage Operators.²
- This framework ensures that the INT Storage Service will be offered by objective, non-discriminatory and transparent mechanisms.
- This will be done through a Storage Services Agreement (SSA); only Storage Users who sign up to this SSA will be eligible to access the INT Storage Services.
- INT will hold a one-month stakeholder consultation on its Storage Services Agreement.
- This ensures that INT Storage Users will be accessing a Storage Service offered under the same regulatory framework as other GB Storage Facilities³.

¹As amended by UK SI 2018/1286 and 2019/530

²<https://www.ofgem.gov.uk/publications/guidance-regulatory-regime-gas-storage-facilities-great-britain-version-2>

³ INT will not be seeking a minor facility exemption from Gas Act Section 19B as other Storage Operators have



Level playing field: Market Access (Discounts)

Mechanism proposed in Mod 0761 ensures that only capacity which is used against storage is eligible for the discount.

- NGG will apply a lesser of rule against booked capacity vs storage allocation.
- This is to ensure that capacity purchased for the intent of transportation is not erroneously discounted.
- Existing Contracts on the NTS which have been booked as transportation capacity are not able to be utilised for storage at an IP as they were procured for the sole purpose of transportation.
- INT will utilise separate User Accounts for Storage and Transportation. This provides an ex-ante indication of the intended use of system.

Therefore Mod 0761 and the INT Storage Services Agreement have terms and conditions in place to ensure that transportation nominations do not erroneously receive a discount on the NTS.



Level playing field: Fair competition with existing assets

For Context, the Storage Service proposed by INT is for a maximum of 100GWh/ 8.7mcm/d on a DA/WD basis.

When compared with the existing GB Storage Facilities, the INT storage service is a fraction of the size:

Facility	Estimated working gas volume (mcm)	Approx max production rate (mcm/d)	Approx max injection rate (mcm/d)	Withdrawal duration from full assuming max rate (days)	Start Date	Owner
Facilities operating under negotiated Third Party Access (nTPA) rules						
Hornsea (Atwick)	285	12	3	20	1979	SSE Hornsea Limited
Interconnector	8.7	8.7	8.7	1	2021/2	Interconnector Limited
nTPA exempt facilities that are currently operational¹						
Hatfield Moor	70	2	2	60	2000	Scottish Power
Humbly Grove	243	7	8	34	2005	Humbly Grove Energy
Alborough	205	31	29	6	2009	SSE Hornsea Limited/ Equinor
Holford	237	22	26	19	2011	Uniper UK Ltd
Hill Top Farm	59	13	13	5	2011	EDF Energy
Stublach	400	30	30	13	2014	Storengy

Note:

1. Companies that have been granted an exemption from the application of Gas Act Section 19B



Level playing field: Fair competition with existing assets

INT will offer its Storage Service in line with;

- The commercial access regime as set out in section 19B of the Gas Act;
- Section 17D of the Petroleum Act 1998;
- Regulation EC 715/2009 as amended by UK SI 2018/1286 and 2019/530;
- The guidance provided by Ofgem to GB Storage Operators.

This ensures that, in its capacity as a Storage Operator, INT will be subject to the same regulatory framework as other GB Storage Facilities and will therefore be operating on a level playing field.

Note: One area where this is not possible is INT's participation in the Safety Monitor as a Storage Facility. This is because INT is **already providing a role in times of gas supply emergencies** in its capacity as an Interconnector.

Therefore, in the interest of Security of Supply for the GB market it is more beneficial for the Safety Monitor to access the full technical capacity of the INT pipeline than a restricted portion that falls under the Storage Service.



Summary

- ✓ Interconnector Definition allows additional activities to be carried out
- ✓ Interconnector Licence allows additional activities to be carried out
- ✓ INT holds a Licence to operate an Interconnector
- ✓ The conveyance of gas into or out of an Interconnector does not require a licence as per Section 5.1 of the Gas Act
- ✓ INT therefore does not require an exemption from Section 5.1 of the Gas Act
- ✓ INT will offer its Storage Services under transparent, objective and non-discriminatory Access Terms
 - ✓ Level playing field with other Storage Operators
 - ✓ Level playing field for INT Storage Users to other GB Storage Users

= the current set of legislation allows for Interconnectors to offer Storage Services which would be to the benefit of the GB market and GB Consumer



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