

**Gas System
Operator**

UNC 0675S: Enabling changes to the BBL Interconnection Agreement to facilitate physical reverse flow

**National Grid NTS views on issues
raised in representations**

6th June 2019

nationalgrid



UNC Modification 0675S

	Issue	National Grid NTS Response
Self-governance	IUK consider that the Modification should not be subject to self-governance because it will have an adverse effect on competition related to the transportation of gas and on the operation of one or more pipeline systems.	<p>No adverse impact on competition as a result of this Modification. Rather, competition in the transportation of gas between GB and European markets will be enhanced.</p> <p>Interconnector owners are not a “relevant gas transporter” under the Gas Act; therefore “one or more pipeline systems” relates to the NTS and the GDN networks, not to interconnectors.</p>

UNC Modification 0675S

	Issue	National Grid NTS Response
	<p>IUK consider that the Modification will result in a discriminatory impact on services agreed in the NG/IUK IA and therefore believe that its IA should be amended before the BBL reverse flow provisions are implemented.</p>	<p>We do not consider that making the proposed amendments to the BBL IA before appropriate amendments are made to the IUK IA will unduly discriminate against IUK for the reasons set out below.</p> <p>We agree that the IUK IA requires amendment and have commenced discussions with IUK to achieve this.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Undue Discrimination</p>	<p>The BBL reverse flow project will affect the operation of Kings Lynn compressors and hence increase the costs that IUK will be required to pay. IUK assert that NG has confirmed to IUK that BBL would benefit from a higher pressure if this was requested, yet IUK would be the only party paying for this service</p> <p>NG proposes to provide a 45 bar ANOP for BBL whereas IUK is liable to contribute to costs of achieving a 45 bar ANOP and any higher pressures.</p>	<p>The IUK pressure service was agreed many years ago between IUK and NG NTS. Should another party request such a service we would seek to satisfy that request on a non-discriminatory basis given what is already in place for IUK. However, we are not able to compel any party (in this case BBL) to do so.</p> <p>If IUK request a higher pressure for their exit point, we would expect BBL to be able to offtake more gas than would otherwise be the case. However BBL would have no knowledge about when the service had been requested and therefore may experience more variable pressures, resulting in greater uncertainty about the quantity of gas that BBL may be able to offtake. Furthermore, IUK shippers have access to firm NTS exit capacity whereas as things stand, we expect that - initially at least - BBL shippers NTS exit flows will be interruptible, hence we would prioritise NTS offtake capability at Bacton to meet IUK requirements over BBL's.</p> <p>Whenever IUK trigger the pressure service, other offtakes in the south-east may also experience higher pressures than would otherwise have been the case. This may, similarly, either be to their benefit or detriment. We do not believe it would be appropriate to delay first gas for any new exit connection pending amendment of terms with another party who claims to be adversely impacted until and unless that party's concerns have been resolved to its satisfaction.</p> <p>We do however accept that an ANOP of 45 bar should be provided to both parties without charge and we have offered to amend the IUK IA in due course to reflect this and to operate on this basis from the BBL first gas date. Although IUK have been charged to meet this pressure historically, this has been relatively infrequently. IUK would remain able to request a higher pressure but we do not expect any other party to pay for a service that only IUK requires.</p>
	<p>The flow and ramp rate restrictions are more detailed and restrictive in the IUK IA compared to the BBL IA</p>	<p>We acknowledge that there are differences between the flow and ramp rate restrictions in the two IAs and accept that the IUK provisions are more detailed and restrictive than those proposed for BBL. The IUK provisions were negotiated many years ago and some of them may no longer be applicable; we are therefore willing to work with IUK – as we would with any other party that wished to amend its offtake terms - to achieve the alignment that is sought.</p>

UNC Modification 0675S

	Issue	National Grid NTS Response
IUK IA Inoperability	IUK consider that the BBL exit connection will increase its operational risks.	Enabling BBL reverse flow will not in our view render any part of the IUK IA inoperable. We recognise our obligations to deliver gas of a requisite quality to IUK and do not consider that the BBL connection will have a bearing on our ability to meet these obligations.
Relevant Objectives	IUK consider that the efficient and economic operation of NG's pipeline system and that of other gas transporters would not be better facilitated.	Interconnector owners are not a "relevant gas transporter" under the Gas Act. The relevant objective referred to relates to achieving economic and efficient operation of the pipeline systems of NG and GDNs as "relevant gas transporters", not interconnectors.
Gas Quality	IUK consider that the proposed gas quality rules for BBL do not appear to be consistent with EU Regulations	We would welcome clarity from IUK about which EU Regulations are being referred to. This may relate to the EU Interoperability Code, Article 15 of which obliges TSOs to cooperate to avoid restrictions to cross border trade due to gas quality differences and if TSOs cannot agree a solution then NRAs can instigate a formal process. In our view, this Article is not relevant in this case because NG and BBL have been able to agree how to manage the limited potential for off-spec UKCS gas to enter the BBL pipeline as stated in the terms proposed. This may arise because, due to the configuration of the Bacton terminal, if there is a gas quality excursion from a UKCS upstream party, NG may be unable to avoid a small amount of that gas being off taken by BBL prior to issuing a Transportation Flow Advice to the relevant terminal operator. The potential for this situation to arise is dealt with similarly in the IUK IA, albeit in relation to specific components.
	IUK consider that proposed rules generate uncertainty for NG shippers on their obligations and liability for gas quality at the BBL exit point.	We agree with IUK that responsibility and liability for delivering in-spec gas quality is with the shipper, however, for NTS exit, NG has the obligation and liability to make gas available for offtake in accordance with the relevant Network Exit Provisions. Therefore we do not agree that the proposed arrangements will lead to contractual uncertainty as between shippers and operators.

UNC Modification 0675S

	Issue	National Grid NTS Response
Engagement & Transparency	<p>IUK consider that there has been a NG lack of transparency on proposals.</p> <p>Gazprom Marketing and Trading sought assurance from National Grid that there will be no discrimination between shippers at Bacton, i.e. ensuring other Bacton shippers will not face additional costs or operational issues as a result of the newly proposed provisions within the BBL IA.</p>	<p>NG co-operated with IUK to the fullest extent possible, whilst respecting the confidential nature of the BBL/NG IA throughout its negotiation. NG met IUK 3 days after the proposed amendments to the BBL IA were published to discuss its impact.</p> <p>For the reasons stated earlier, we do not believe that that making the proposed amendments to the BBL IA before appropriate amendments are made to the IUK IA will unduly discriminate against IUK, nor that it will increase the potential for operational issues at Bacton. The extent to which IUK may wish to submit requests for pressures above 45 bar – and the extent to which the costs of doing so may be passed on to IUK shippers – is a matter for IUK.</p>
SOS Reg	Security of Supply Regulation Compliance	This Regulation requires that interconnectors be physically bi-directional unless an exemption is in place, hence our view that relevant objective (g) is better facilitated by this Modification.
Maintenance	Gazprom Marketing and Trading sought assurances from NG that Bacton maintenance will continued to be arranged in coordination with all Bacton operators once BBL reverse flow commences.	We confirm that this will continue to be the case.