

Issues raised in UNC675S consultation



UNC Transmission Working Group

6 June 2019



Key points

- Bacton IUK exit is the largest GB offtake - significant volumes flow in Summer (up to 657GWh/d)
 - Material impact if flows disrupted
 - In the interest of all parties to ensure no disruption
- IUK's concerns in number of key areas, hampered by lack of transparency, remain
 - NG presentation & bilateral meeting 3rd June have/do not answer or address all issues
 - NG must demonstrate operational risks have been considered
- No technical studies have been shared despite many requests
 - Needed to inform and allow stakeholders views to be fully accounted
 - Necessary to inform WG report
- NG have acknowledged that changes necessary to IUK/NG IA to ensure consistency with these mod proposals
- This proposal is not a self governance modification - should be appropriately categorised by Mod Panel for Ofgem decision

Next steps

- NG share technical studies promptly with WG
- NG answer the concerns outlined by IUK
- WG discuss this at next transmission WG



Self governance and relevant objectives

This is not a self governance modification:

- NGG's duties under s. 9 GA 1986 include to ensure an efficient and economical pipeline system: the duty relates to NGG's system and IUK's status is not relevant in relation to this.
- The proposed modification does not ensure that NG's system is efficient or economical with a negative impact on UNC relevant objective (b) as it introduces more generous charging rules and flexibility for one party. The proposed modification introduces an asymmetric regime which is neither efficient nor economical.
- The proposals have a negative impact on UNC relevant objective (d) as they fail to further secure effective competition between relevant shippers using NTS capacity in combination with the respective interconnectors.
- Additionally, the proposed modification introduces greater risk of dusts and off spec gas leading to a greater likelihood of disruption to cross-border flows. This does not further facilitate cross border trade and therefore compliance with European Regulations under UNC relevant objective (g).
- This modification panel therefore needs to amend the status of this modification to "for Ofgem decision".



Risk of Dust and Liquids

- Material issue: Serious risk resulting in shut down of flows. IUK has experience of this in past (within day shut in for dust), complete shut down (months for liquids).
- IUK has worked with NG to put in place local protocols and operational mitigations to reduce the risk of ingress, utilising operational experience and flow modelling.
- Velocity protocols need to be reviewed and revised as a matter of urgency
- No technical information has been shared - why?
 - No clear answer from NG on how the risk changes and the robustness of the mitigation measures given IA measures do not account for another offake at Bacton
 - What are the velocity and pressure assumptions? Which scenarios have been modelled (if any)
 - IUK needs to see feasibility study / impact assessment – what really is confidential?
 - Previous precedents of technical information shared even for self-governance mods



Risk of Dust and Liquids - examples

- 2002 Liquids in pipe via NTS: shut IUK for 6 weeks. Clean up costs circa £620k and gas flows then had to be directed into GB against the market price differential to clean the system (cost borne by Shippers). In addition, the lost trading opportunities and contractual claims were £Millions, with Shipper to Shipper claims settled by confidential arbitration.
- Pyrophoric radioactive dust at Bacton: High volumes of dust have resulted in a number of challenges to IUK in meeting shipper nominations forcing a number of mitigating actions e.g reprofiling flows/ need to use OBAs.
- Examples in last 2 years where velocity protocols within IUK/NG IA could not be called upon resulting in 4 significant constraints
- In July 2017 (high flows) resulted in dust filter change (13 hours of constraints – could not meet nominations)



Gas Quality

- Offtake at IP subject to GMSR and gas specifications mirrored in arrangements with adjacent TSO.
- IUK is not aware of a GMSR exemption regime which might be available to NG at any offtakes.
- The proposed rules do not comply with GMSR and suggest offspec gas can be sent through Bacton ring main and BBL will have to put in reasonable endeavours to take it (can blend in GTS(?))
- Confirmation in discussions with NG that this gas would hit IUK too. IUK would not be able to flow the off-spec gas onto BE grid. IUK would need to shut in (with similar –albeit lesser - effect as liquids ingress: see earlier slide).
- Despite several requests from IUK there is no clarity from NGG as to how asymmetrical GMSR/non GMSR gas quality regime would work in practice and who would be contractually liable.
- Again technical studies need to be shared, so that proper risk mitigation actions may be taken.



Pressure and Flow/Ramp Rates

Pressure

- IUK has not had a clear answer from NG about the impact of the proposed arrangements on Bacton pressure and what another offtake means for Kings Lynn fuel costs. Again if technical study and cost benefit analysis can be shared would help understand this.
- Welcome Grid outlining ANOP of 45 bar can be provided to IUK also without charge and that this that can be done from BBL first gas date. IUK believes that IUK and BBL should have similar arrangements at the point the new offtake is commissioned.
- IUK questions whether the proposal to operationalise a change first and then reflect that in the IA “in due course”, is compliant with the legal and regulatory framework. Does Ofgem have a view on arrangements in side/comfort letters? We need further guidance on this.

Flow and Ramp Rates

- Welcome Grid agreeing to work to simplify rules.
- How do the flow rate rules work together, or do they lead to conflicts? Is this in the technical study?



Security of Supply Regulation

- One of the justifications given in relation to the new offtake is that it furthers compliance with SofS Regulation. UNC675s Mod Report specifically mentions Article 5 & Annex 3 of Regulation.
- Article 5.5 of the SofS Regulation states:

“A proposal for **enabling** or enhancing bi-directional capacity or a request for granting or prolongation of an exemption **shall include a cost-benefit analysis...** and shall be based on the following elements:

 - (a) **an assessment of market demand;**
 - (b) projections for demand and supply;
 - (c) **the possible economic impact on existing infrastructure;**
 - (d) **a feasibility study;**
 - (e) the costs of bi-directional capacity including the necessary reinforcement of the transmission system; and
 - (f) the benefits to the security of gas supply taking into account the possible contribution of bi-directional capacity to meeting the infrastructure standard set out in this Article.”
- NG does not have an exemption and must follow the procedure outlined above.
- IUK would like confirmation whether the above process has been followed. If it is included in the feasibility study IUK asks that it is shared with stakeholders



DISCLAIMER

These comments are provided without prejudice to IUK's position in relation to this or any further proposed consultation, or in relation to any amendments that are adopted as a result of the consultation.