

**Gas  
Transmission**

# **0761: Arrangements for Interconnectors with additional Storage capability – Workgroup 2**

**6<sup>th</sup> May 2021**

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# Workgroup Plan – This Workgroup

Meeting Number	Meeting Date	Topics for Discussion
2	6 <sup>th</sup> May 2021	<p>Panel questions</p> <ul style="list-style-type: none"><li>• consider offering a view and seeking a view from Ofgem on whether licence implications of the Modification Proposal (can both roles be fulfilled at the same time?)</li><li>• consider whether short cycle line-pack can fulfil the role of a storage product and if so its scope where line pack exists elsewhere</li><li>• consider whether there is any quantified evidence of any impact on consumers</li><li>• consider offering a view as to compliance with EU Law</li></ul> <p>Solution – capacity (I)</p>

# Modification Panel Questions 1

- Consider seeking a view from Ofgem on whether licence implications of the Modification Proposal (can both roles of Transporter and storage operator be fulfilled at the same time?)
- 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;”
  - No restriction for both activities to be carried out other than separation of accounts. Separate contractual terms also being implemented by IO
  - Several other TSOs in the EU offer both storage services and transportation services eg Enagas (Spain), Fluxys (Belgium), Terega (France), Conexus (Latvia), Nordion Energi (Sweden)

# Modification Panel Questions 2

- Consider whether short cycle line-pack can fulfil the role of a storage product and if so its scope where line-pack exists elsewhere
  - The linepack of an Interconnector has the capability to store gas in the same manner as any other storage facility offering short term storage services. Classifying this as a storage service allows all market participants access. Additionally, it enables Interconnector Storage Users to be treated in a similar manner to other Storage Facilities offering the same service of injecting, parking and withdrawing gas over short periods.
  - Clarification provided at last workgroup that scope is limited to Interconnectors with capability for bi-directional *physical* flow
    - Applicability of UNC0761 provisions would be limited to Interconnection Points for Interconnectors that meet this requirement
    - Scope for the application of similar arrangements at points other than Interconnection Points would need to be considered separately
    - National Grid welcomes engagement with any party considering this

# Modification Panel Questions 3

- Consider whether there is any quantified evidence of any impacts on consumers including benefits.
  - Solution is expected to facilitate an increase the range of commercial storage service available to GB shippers leading to greater competition in the market
  - Whilst no direct impacts on consumers are foreseen, the increased optionality and efficient use of existing assets should help consumers indirectly through potentially reducing balancing costs and providing an additional buffer for short term price fluctuations, which should ultimately have an economic benefit for the consumer
    - Scale of impact depends on how, and to what extent, such benefits to Shippers are reflected in consumer charges

# Modification Panel Questions 4 - (1)

- Consider offering a view of compliance with *retained* EU Law
  - There are no known restrictions in the Gas Interconnector Licence or any EU retained law / UK law which prevents a company providing both transportation and storage services
  - The definition of an Interconnector does not require the exclusive use of an Interconnector for transportation, allowing for other economic activities to occur
  - “**Interconnector**” definition in Regulation 715/2009 as amended by UK SI 2018/1286 and 2019/530:
    - “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;”
  - “**Gas Interconnector**” definition in Gas Act section 5(8):
    - “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

# Modification Panel Questions 4 - (2)

- Consider offering a view of compliance with *retained* EU Law
  - “**Interconnection Point**” definition in Regulation 2017/459 (network code on capacity allocation mechanisms in gas transmission systems)
    - “*a physical or virtual point connecting adjacent entry-exit systems or connecting an entry-exit system with an interconnector, in so far as these points are subject to booking procedures by network users*”

## Modification Panel Questions 4 - (3)

- Consider offering a view of compliance with *retained* EU Law
  - “**Storage Facility**” definition in Regulation 715/2009 (conditions for access to the natural gas transmission networks)
    - “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”
  - This additional storage service will be available for Shippers who wish to utilise this facility (i.e. it is not reserved exclusively for use by TSOs)
  - As a “Storage Facility”, the discount afforded to capacity-based transmission tariffs described in Article 9(1) of Regulation 2017/460 at such facilities are applicable



## Modification Panel Questions 4 - (4)

- Consider offering a view of compliance with *retained* EU Law
  - Requirements related to the unbundling of activities is dealt with in various articles (9, 14, 15, 26 and 29) in Directive 2009/73/EC
  - As 2009/73/EC is a Directive, it is not directly applicable in UK law
  - Changes made to Section 8 of the Gas Act 1986 to reflect requirements of the Directive
    - unbundling in the Gas Act (8B – 8S) prevents a TSO or an owner of a Storage Facility from supplying or producing gas
    - no restrictions preventing a TSO from operating a Storage Facility.

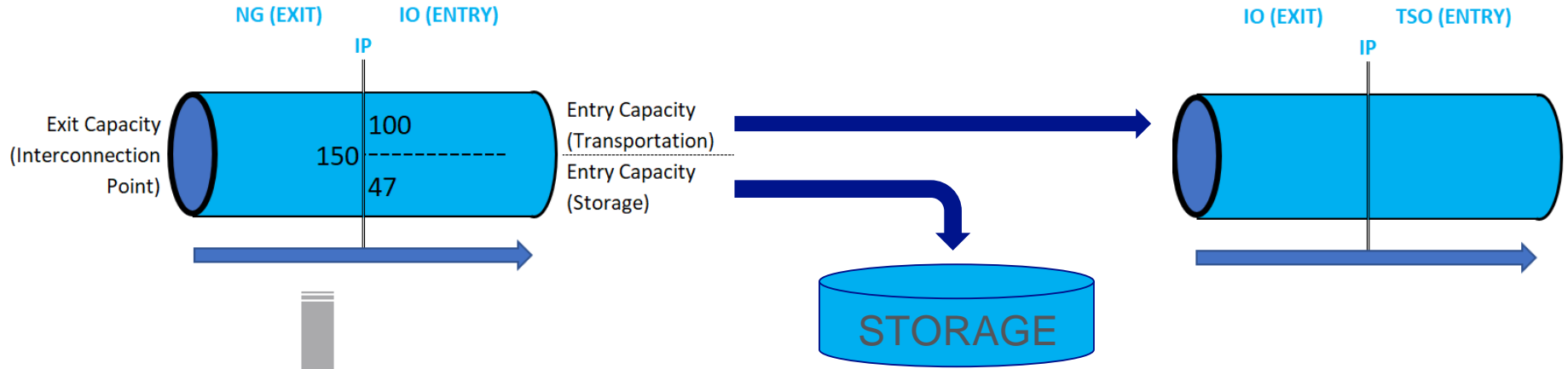
## Solution - Capacity

- High Level Approach
- Discountable Quantity
- Utilisation (exclusions, payable price)
- Overruns

# Capacity – High Level Approach

- No separate ‘storage’ capacity will be offered by National Grid – existing auctions and baseline will be used
- Alternatively, for each day, an *ex-post* calculation will identify the quantity of a User’s Capacity allocation at the Interconnection Point which is utilised for injecting gas into, or withdrawing gas from, Storage
  - This quantity is subject to the relevant Transmission Services Specific Capacity Discount for Storage; and
  - The difference between the User’s Capacity allocation at the IP and the quantity determined as being used for storage will not be subject to the relevant Transmission Services Specific Capacity Discount for Storage

# Capacity – High Level Approach



*Storage Capacity Quantity ( $SCQ_d$ ) calculated to determine what proportion of the 150 units of IP Exit Capacity on the NTS is subject to the Transmission Services Specific Capacity Discount for Storage*

# Capacity – Storage Capacity Quantity (SCQ<sub>d</sub>)

$$SCQ_d = \text{Min} (IPOC_d, IPRC_d, IPA_d)$$

- For each day, the SCQ<sub>d</sub> (i.e. the discountable quantity) is the lower of:
  - **IPOC<sub>d</sub>**: the quantity of capacity that the Interconnector Operator (IO) advises has been booked for storage use
    - **Purpose:** caps the discounted quantity to the equivalent storage capacity quantity held on the IO's system at the IP
  - **IPRC<sub>d</sub>**: the User's Registered Capacity at the IP
    - **Purpose:** caps the discounted quantity to the capacity held by the User on the NTS at the IP. 'Registered' Capacity captures capacity for which the User has the payment obligation (i.e. excludes any Capacity Transfers where the Transferor retains the payment obligation)
  - **IPA<sub>d</sub>**: the User's Storage Allocation at the IP (provided by IO as Allocation Agent)
    - **Purpose:** caps the discounted quantity to the capacity which is utilised for storage. Prevents inappropriate application of discount to capacity available for non-storage purposes.

# Capacity – Ensuring correct allocation of Discount

- The proposed formula ensures that the Specific Capacity Discount for Storage is only applied to flows directed towards the IO Storage Service.
- Inclusion of a storage allocation cap mitigates the risk that a User may procure IO Storage Capacity without the intent of use if the combined cost of;
  - the IO Storage capacity; and
  - the discounted National Grid capacityare less than the costs of the undiscounted National Grid capacity.
- As such, the discountable capacity charge is limited to capacity *utilised* for storage (i.e. the storage allocation), removing this risk.
- This approach is consistent with transportation being the primary service on an Interconnector.

# Workgroup Plan – Next Workgroup

Meeting Number	Meeting Date	Topics for Discussion
3	3 <sup>rd</sup> June 2021	<p>Solution – capacity (II)</p> <p>Solution – all other elements</p> <ul style="list-style-type: none"><li>• point definition</li><li>• nominations</li><li>• allocations</li><li>• charging</li></ul>