

UNC Workgroup 0761 Minutes
Arrangements for Interconnectors with additional Storage capability
Thursday 01 April 2021
via Microsoft Teams

| Attendees | | |
|---------------------------|-------|----------------------------------|
| Rebecca Hailes (Chair) | (RHa) | Joint Office |
| Helen Bennett (Secretary) | (HB) | Joint Office |
| Adam Bates | (AB) | South Hook Gas |
| Alex Nield | (AN) | Storengy |
| Andrew Pearce | (AP) | BP |
| Anna Shrigley | (ASh) | Eni Trading & Shipping |
| Anna Stankiewicz | (ASt) | National Grid |
| Ashley Adams | (AA) | National Grid |
| Chris Wright | (CW) | Exxon Mobil |
| Daniel Hisgett | (DHi) | National Grid |
| Debra Hawkin | (DHa) | TPA Solutions |
| Francesca Bell | (FB) | Oil & Gas UK |
| Hannah Reddy | (HR) | Corella on behalf of Xoserve |
| Henk Kreuze | (HK) | Vermillion |
| Jeff Chandler | (JCh) | SSE |
| Jennifer Randall | (JR) | National Grid |
| John Costa | (JCo) | EDF Energy |
| Lauren Jauss | (LJa) | RWE |
| Laurie Heyworth | (LH) | Cornwall Insight |
| Max Lambert | (ML) | Ofgem |
| Nick Wye | (NW) | Waters Wye Associates |
| Phil Hobbins | (PH) | National Grid |
| Phil Lucas | (PL) | National Grid |
| Richard Fairholme | (RF) | Uniper |
| Ritchard Hewitt | (RHe) | Hewitt Home and Energy Solutions |
| Samuel Dunn | (SD) | Interconnector |
| Shiv Singh | (SS) | Cadent |
| Terry Burke | (TB) | Equinor |

Copies of all papers are available at: www.gasgovernance.co.uk/0761/010421

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 September 2021.

1.0 Outline of Modification

Phil Lucas (PL) was invited to introduce the modification and explained National Grid has been informed by an Interconnector Operator that it intends to offer a short term storage service in addition to its existing transportation service. This would enable GB Shippers to offtake gas from the NTS, store it in its pipeline and subsequently deliver back to the NTS.

PL further explained that Uniform Network Code (UNC) sets out the commercial arrangements for Interconnection Points and Storage Connection Points but does not contemplate these

applying in respect of a single physical point. This Modification proposes changes to the UNC to incorporate additional commercial arrangements for the operation of Interconnectors with additional storage capability.

PL advised that when the modification was presented to UNC Panel on 18 March 2021, they determined:

- there were no cross code impacts
- the issue was sufficiently material so as to merit an Ofgem decision on the Proposal (i.e. not self-governance)
- the Proposal should be issued to a Workgroup for a period of six months (i.e. report back to September 2021 Panel)

PL highlighted that UNC Panel also asked the Workgroup to address a number of questions which are highlighted in agenda item 2.0.

PL advised Workgroup he has set out a Workgroup Plan and proceeded to talk through it with Workgroup as set out below:

| Meeting Number | Meeting Date | Topics for Discussion |
|-----------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 01 April 2021 | Introduction to topic Draft Workgroup Plan Consider any additional matters to address in Workgroup Plan |
| 2 | 06 May 2021 | Panel questions: <ul style="list-style-type: none"> • 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?) • consider whether short cycle line-pack can fulfil the role of a storage product and if so its scope where line pack exists elsewhere • consider whether there is any quantified evidence of any impact on consumers • consider offering a view as to compliance with EU Law Solution – capacity (I) |
| 3 | 03 June 2021 | Solution – capacity (II) Solution – all other elements <ul style="list-style-type: none"> • point definition • nominations • allocations • charging |
| 4 | 01 July 2021 | Contingency -outstanding solution questions Finalise majority of solution |
| 5 | 05 August 2021 | Discuss draft legal text and take comments Discuss relevant objectives Discuss draft Workgroup Report |

| | | |
|---|-------------------|--------------------------------------------|
| 6 | 02 September 2021 | Agree legal text Agree Workgroup Report |
|---|-------------------|--------------------------------------------|

Nick Wye (NW) asked if it is known what the definition of a Storage Facility is in EU Regulations. PL asked Sarah Cooper (SC) for her views on the Interconnector licence where it was clarified that it will be a Storage and Transportation Service where it will need to be ensured they are separate entities, there are no other restrictions.

Max Lambert (ML) asked, in terms of the Licence, are National Grid offering this service to any parties with a storage connection agreement and interconnection agreement to sign with National Grid. PL advised National Grid are currently in discussion with legal colleagues.

ML asked if Unbundling would impact this service, in terms of unbundling of certain transportation services in relation to the Third Energy Package 2009. SC advised she has reviewed the Third Energy Package 2009 and as long as separation is maintained, it would be sufficient. PL noted he will add this to the Workgroup Plan for discussions.

Terms of Reference

PL highlighted to Joint Office that the TOR requires a small amendment, the purpose of the modification quoted in the published TOR does not appear to match that of Modification 0761.

New Action 0401: Joint Office to amend the TOR in accordance with the proposers comments and republish.

PL clarified he is in discussion with Ofgem regarding any changes to the National Grid Licence.

NW asked would Ofgem be willing to provide a view on this modification. ML advised that he is likely to have more questions and discussions offline and that it is the proposer's responsibility that the modification is compliant with EU law. NW asked for it to be minuted that he tried to get a view from Ofgem.

PL clarified he has not asked Ofgem if this modification is compliant with EU Law, he has asked Ofgem if there are any changes required to National Grid's licence in order to operate the proposed commercial arrangements, he added that National Grid believe this modification is compliant with EU law.

SC confirmed she has looked at their Licence and believe there are no questions regarding compliance.

When asked, RHa clarified the topic for discussion that is noted in the TOR that relates to consideration of potential performance assurance impacts is there for if a requires the Performance Assurance Committee (PAC) to monitor the impact of a modification, the Workgroup would need to consider how they will provide the reporting requirements, and provide necessary tools to do that.

PL noted that this modification is exclusively a transmission modification and questioned if it requires the need for two Transporter representatives in order to be quorate. PL suggested that the Workgroup should only need one transporter in order to be quorate and noted that this would not *exclude* other Transporters from discussion however it would allow the Workgroup to make decisions in the event that other Transporters have no interest and do not participate in the Workgroup.

New Action 0402: Joint Office (RHa) to check if TOR quoracy can be changed to reduce the Transporter quoracy requirement from two to one in order for this workgroup to be quorate.

When asked, Shiv Singh (SS) clarified that whereas there are currently no Offtakes that reverse flows on the NTS, the facility is there under the Offtake Arrangements Document.

Solution

PL summarised the various components of the solution and confirmed that physically, this will be a short cycle injection and withdrawal. SC clarified they will be looking at within day and day ahead timeframes.

PL highlighted that the definitions for Interconnector; Interconnection Point and Storage Facility are included in the EU Code Impacts section.

SC provided an example of a facility based in Germany where the storage facility sits on the border between two networks, this can be used as a storage service or used as an Interconnection Point. The setup is similar to this proposal, on the network storage capacity, on the day of utilisation a signal is sent to the storage facility to either nominate into storage or transport out.

SC clarified that its storage service is being offered to GB shippers only, the same volume of injection and withdrawal will need to be the same in order to qualify using the storage service, the transparency is there in terms of the nominations into storage.

HK asked if National Grid are aware of the physical flows, PL the data is provided at an aggregate level, what goes into the Interconnection Point goes out the other end at the Belgium point.

PL confirmed a rough Order of Magnitude (ROM) has been requested from Xoserve and he believes this should be received over the next week or two.

SC was invited to share her presentation for the IUK Storage Service which covered what the IUK Storage Service is; Benefits of the IUK Storage Service; Separation of Transportation and Storage Services and Regulatory considerations.

SC advised that IUK is looking to introduce a Storage Service which offers additional flexibility services to the GB market during periods of low utilisation of IUK transportation capacity.

The Storage Service will be a low volume, fast cycle service offered across short term time periods; Products will be offered in a similar structure to other storage facilities i.e. as Standard Bundle Units (SBUs); the volume offered will be limited and dependent on IUK's anticipated Transportation activity for a given day and the storage service will make use of the variable inventory capability of the IUK system and will be accessed at Bacton only.

SC highlighted the benefits for Shippers and for the GB Market:

Shippers

- Capture time spreads on NBP, not only NBP Continent locational spreads.
- Additional flexibility and optionality to accommodate temporary fluctuations
 - (linked to e.g. LNG deliveries, storing gas ahead of use in CCGTs, balancing intermittent renewable energy).

GB Market

- An alternative source of short-term flexibility to assist with balancing, line pack and diurnal grid adjustments.
- Use of existing infrastructure means investment in new capacity or physical asset is not required.
- Improved regional flexibility helps with grid configurations or local constraints, providing savings to National Grid and consumers.

The Regulatory considerations are seen to be:

The IUK Storage Facility will be operated by Interconnector (UK) Ltd;

- Clear separation between transportation and storage
- Separate Contractual Terms

- All in line with Standard Condition 6 of IUK's Gas Interconnector Licence.

Gas Storage is not a licensable activity under the Gas Act 1986;

- IUK does not require any additional licensing from Ofgem in relation to the proposed Storage Service.

IUK's current business model is negotiated third party access (nTPA)

- IUK will not seek an exemption and so the Storage Service will also be nTPA
- Adheres to section 19B of the Gas Act 1986, Section 17D of the Petroleum Act 1998 and conforms with the Third Gas Directive.

HK asked what would happen if BBL would ask the same, but for BBL there is no IP at Julianadorp, while for Belgium there is an IP at Zeebrugge.

PL advised there is no longer an interconnection point at the end of the BBL pipeline, HK asked how is the assurance received, will it be a 'what goes in, comes out' principle. PL advised the UNC would not be creating that requirement it would be in the bi-lateral terms.

Ritchard Hewitt (RH) was asked whether BBL was intending to offer an equivalent storage service.

RHe asked if it is correct that if a Shipper has an IP service and a storage service with IUK, they would not be able to use both services at the same time. PL clarified that the Shipper would be allowed to utilise both services at the same time but separate nominations and allocations would be required and confirmed there would be no separate capacity product offered for sale.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

- 2.1.1. **Q1.** Consider offering a compliance view and seeking a view from Ofgem on whether there are licence implications of the Modification Proposal (can both roles be fulfilled at the same time?)

This question will be addressed at the May 2021 Workgroup.

- 2.1.2. **Q2.** Consider whether short cycle line-pack can fulfil the role of a storage product and if so, its scope were line pack exists elsewhere.

This question will be addressed at the May 2021 Workgroup

- 2.1.3. **Q3** Consider whether there is any quantified evidence of impact on consumers.

This question will be addressed at the May 2021 Workgroup

- 2.1.4. **Q4.** Consider compliance with EU Law.

This question will be addressed at the May 2021 Workgroup.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at www.gasgovernance.co.uk/0761/.

3.0 Next Steps

RHa confirmed that Workgroup will work toward the Workgroup Plan provided by the proposer.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

| Time / Date | Venue | Workgroup Programme |
|-------------------------------------|-----------------|-------------------------------------------|
| 10:00 Thursday 06 May 2021 | Microsoft Teams | Standard Transmission Workgroup Agenda |
| 10:00 Thursday 03 June 2021 | Microsoft Teams | Standard Transmission Workgroup Agenda |
| 10:00 Thursday 01 July 2021 | Microsoft Teams | Standard Transmission Workgroup Agenda |
| 10:00 Thursday 05 August 2021 | Microsoft Teams | Standard Transmission Workgroup Agenda |
| 10:00 Thursday 02 September 2021 | Microsoft Teams | Standard Transmission Workgroup Agenda |

Action Table (as at 01 April 2021)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------|--------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------|
| 0401 | 01/04/21 | 1.0 | Joint Office to amend the TOR in accordance with the proposers comments and republish. | Joint Office (HB) | Pending |
| 0402 | 01/04/21 | 1.0 | Joint Office (RHa) to check if TOR quoracy can be changed to reduce the Transporter quoracy requirement from two to one in order for this workgroup to be quorate. | Joint Office (RHa) | Pending |