

**UNC Workgroup 0761 Minutes**  
**Arrangements for Interconnectors with additional Storage capability**  
**10:00 Thursday 06 May 2021**  
**via Microsoft Teams**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	South Hook Gas
Adaeze Okafor	(AO)	Equinor
Alex Nield	(AN)	Storengy
Ashley Adams	(AA)	National Grid
Andrew Blair	(AB)	Interconnector UK
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bethan Winter	(BW)	WWU
Carlos Aguirre	(CA)	Pavilion
Chris Wright	(CW)	Exxon Mobil
Daniel Hisgett	(DHi)	National Grid
Emma Buckton	(EB)	Northern Gas Networks
Eric Fowler	(EF)	Joint Office
Hannah Reddy	(HR)	Correla on behalf of Xoserve
Henk Kreuze	(HK)	Vermilion
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Julie Cox	(JC)	Energy UK
Kamila Nugumanova	(KM)	ESB
Kamla Rhodes	(KR)	ConocoPhillips
Lauren Jauss	(LJa)	RWE
Leyon Joseph	(LJ)	SGN
Lucy Manning	(LM)	Grain LNG
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnect UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy Solutions (on behalf of BBL)
Rudi Streuper	(RS)	BBL Company

Samuel Dunn	(SD)	Interconnector UK
Sarah Cooper	(SC)	Interconnector UK
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0761/060521>

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

## 1.0 Introduction and Status Review

Rebecca Hailes (RHa) welcomed all to the meeting.

### 1.1. Approval of minutes (01 April 2021)

Phil Lucas (PL) provided some suggested amendments to the minutes from the previous meeting. These were reviewed and approved for republication at:

<https://www.gasgovernance.co.uk/0761/010421>

### 1.2. Approval of Late Papers

RHa confirmed the provided presentation had been republished to include a missing page.

### 1.3. Review of outstanding actions

**0401:** Joint Office to amend the TOR in accordance with the proposer's comments and republish.

**Update:** Updated and republished on 07 April 2021. **Closed.**

**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.

**Update:** It was agreed due to the nature of the Modification that one Transporter was sufficient for quoracy. **Closed**

## 2.0 Amended Modification

PL advised that the main purpose of today's Workgroup meeting was to consider the Panel questions and discuss the high-level approach to capacity.

## 3.0 Development of Workgroup Report

The Workgroup considered the Panel questions as follows:

**Question 1 - 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?)**

PL confirmed Interconnector UK have looked at the Interconnector Licence Standard Condition 6 and confirmed that there is no limitation for a single entity undertaking this activity, noting other TSOs in the EU offer both storage and transportation services.

Richard Fairholme (RF) wished to note that storage is not a licensable activity, and although this comes under the Gas Act, he asked if National Grid had considered the Gas Storage definition. He suggested National Grid review the Gas Act in relation to this.

RHa invited a view from Ofgem. Max Lambert (ML) suggested the proposer should adequately explore the licence requirements.

<b>New Action 0501:</b> National Grid (PL) to evaluate the compliance with Gas Act Section 6A and consider the exceptions.
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**Question 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.**

PL confirmed that clarification had been provided at the previous meeting. The line-pack 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. The scope for the application at points other than Interconnection Points would need to be considered separately and National Grid welcomed engagement with any party considering this.

Richard Hewitt (RHe) asked about netting-off flows and if this service was only limited to a physical service in both directions. PL confirmed an update will be made to the Modification to clarify this is for physical bi-directional flows.

**New Action 0502:** National Grid (PL) to confirm why the scope of the Modification is limited to bi-directional physical flows.

Alex Nield (AN) enquired about the physical movement of storage gas, requests to amend nominations, and ability to meet physical flows if these are amended within day. AN suggested further exploration of this and consideration of short cycle services.

AN also enquired if the Interconnector are not able to flow capacity (i.e. physical flow to meet the nomination) what the back-up plan would be. PL explained that this issue currently exists with the current process and has not been introduced by this Modification.

Phil Hobbins (PL) confirmed that based on the prevailing Nomination, in both directions, there can be some netting off. Sarah Cooper (SC) clarified there would need to be a physical capability to flow in both directions but there would be a virtual netting off. Eric Fowler (EF) confirmed there would need to be a capability to flow in both directions but there would be a netting off with transportation flows.

Andrew Blair (AB) understood National Grid are not defining this as a short cycle service or planning to define short cycle services. ML confirmed that the short cycle storage facility exists within the licence. PL clarified that National Grid are not looking to replicate this in the UNC or limit the solution to short cycle services. PL recognised this is a definition in the Licence but this does not feature in the scope of this Modification.

Lauren Jauss (LJ) asked National Grid to consider if restricting the service to physical gas flows would possibly create some discrimination.

**New Action 0503:** National Grid (PL) to consider if restricting the service to physical gas flows would be discriminatory.

**Question 3 - Consider whether there is any quantified evidence of impact on consumers.**

PL expected the Modification to facilitate an increase in the range of commercial storage services available. Whilst there are no direct impacts on consumers the increased optionality should help customers indirectly by potentially reducing balancing costs.

Pavanjit Dhesi (PD) believed that the pipeline use, when not used for Transportation, increased efficiency of the existing infrastructure. He wished to note that National Grid may be able to benefit from additional allowed revenue to take gas in and out of the Interconnector storage and this would be an additional benefit. PL noted that National Grid's overall Allowed Revenue would not be altered by implementation of this Proposal and therefore overall amounts of Transportation costs would be recovered in line with the values permitted under the terms of its licence.

Phil Hobbins (PH) believed the Modification would provide additional flexibility for Shippers to adjust positions, and reduce National Grid's residual balancing actions, thus reducing portfolio and network balancing costs.

#### **Question 4 - Consider compliance with EU Law.**

PL provided a view on retained EU Law. PL explained that there are no known restrictions in the Gas Transporter Licence or any retained EU law which prevents a company providing transportation and storage services. As the Interconnector does not require sole use of an Interconnector for transportation, this allows for other activities to occur. PL also clarified the definition of the Interconnection Point within Regulation 715/2009 and confirmed that the definition would not change.

PL explained that as the proposed Storage function is not reserved exclusively for Transmission System Operators (the additional storage service is available to Shippers), it falls within the current definition of Storage Facility in Regulation 715/2009.

Nick Wye (NW) believed this may not be clear cut and may need a further challenge/review. NW suggested this is an interpretation which may well be valid but counter views may need to be captured in the Workgroup Report as to what is being described potentially not being 'a facility'.

PL referred to a question relating to the unbundling of activities.

RHe asked about relevant transporters and his understanding was that an IP is not a relevant Transporter under the Gas Act and questioned if this was relevant. RHe believed that the IP is licenced as an IP not as a Transporter under the Gas Act.

The Workgroup considered the exceptions order and whether an IP is a Transporter.

LJ enquired about the Directive 2009/73/EC and whether it was or was not directly applicable to UK law. PL explained that EU Directives were not directly applicable in UK law and changes were required to UK legislation in order to implement. The unbundling of services rules in this particular Directive were implemented by changes made to the Gas Act hence the UK is compliant with this Directive.

#### **Capacity – High Level Approach**

PL clarified that no separate storage capacity will be offered by National Grid; existing auctions and baselines will be used. Alternatively, for each day, an ex-post calculation will identify the quantity of a User's Capacity allocation and the Interconnection Point which is utilised for injecting or withdrawing gas from Storage.

AS enquired about the commercial arrangements for Nominations. PL explained that Users will be required to provide separate storage nominations, and this will be explained more next month.

NW asked if National Grid will be restricting/limiting capacity. PL explained the Storage Capacity Quantity (SCQ<sub>d</sub>) calculation and the capping of the discountable quantity, used for storage. This was detailed on page 13 of the presentation. PL confirmed it was not the intention to restrict the IPs storage services.

NW suggested the Workgroup may need to consider comparisons of a storage facilities to the IP storage service. NW explained his view of the differences between the facilities. NW suggested the volume of storage service could move up or down and that the cap is essentially set by the Interconnector and how much storage it has to sell. The amount of capacity would be a moving feast, the facility would not be finite, it is able to expand and contract determined by the IP capacity held at Bacton. NW suggested that the Workgroup may wish to consider if this is a storage service or a byproduct of the facility. He clarified there is no restriction, there is no pre-determined availability.

PL noted that in order to remain aligned with the definitions of 'Interconnector' in Regulation 715/2009 and the Gas Act, the interconnection function will need to remain the primary/main purpose of the facility.

Sarah Cooper (SC) explained there is a cap associated with Line-Pack, there was not an intention to ring-fence a set amount of capacity.

PD believed there will be a technical capability and what is available to the market would be capped by what is available.

RF wished to refer back to his earlier enquiry about the action about IP being a licensed Transporter under the Gas Action Section 7ZA.

ASh commented if a Shipper purchases storage capacity from the Interconnector Operator, they will have an expectation for the equivalent quantity of National Grid capacity to attract the storage discount instead of this discountable quantity being capped, potentially at the quantity of the storage allocation. ASh asked if National Grid could produce this in a diagram. ASh also suggested further clarity on the use of capacity and how it will be treated.

ASh compared this service to purchasing storage elsewhere and Shippers would look for equivalent arrangements.

PL noted that the rationale for capping the discountable storage quantity at the three values specified was detailed in the Proposal. Specifically, the proposed capping at the Storage allocation quantity was included in order to address the risk that additional storage capacity is procured from the Interconnector Operator by the User for the sole purpose of obtaining a discount on the National Grid capacity (but with no intention to actually *utilise* that Storage Capacity).

**New Action 0504:** National Grid (PL) to consider the justification for capping SCQ<sub>d</sub> (discounted storage capacity quantity) at the storage allocation as this is different treatment of capacity at 'stand-alone' storage points.

ASh asked about the flexibility and restrictions of the service and if it would be attractive enough, challenging that it would not be used if too restrictive. PL asked if there was a risk / commercial incentive for Shippers to buy storage capacity which it doesn't intend to utilise.

RHa enquired about the different arrangements and if these would be discriminatory. It was suggested that this should be considered further. RHe suggested the Workgroup may wish to consider how much existing storage is sold day ahead / within day, and if the difference in treatment is justified.

It was agreed this would need to be considered further next month.

#### 4.0 Next Steps

RHa confirmed that Workgroup will work toward the Workgroup Plan provided by the proposer. This has been captured below within the Diary Planning table.

#### 5.0 Any Other Business

None.

#### 6.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time / Date	Venue	Workgroup Programme
10:00 Thursday 03 June 2021	Microsoft Teams	Solution – capacity (II) Solution – all other elements <ul style="list-style-type: none"> <li>• point definition</li> <li>• nominations</li> <li>• allocations</li> <li>• charging</li> </ul>

10:00 Thursday 01 July 2021	Microsoft Teams	Contingency – consider outstanding solution questions Finalise Solution
10:00 Thursday 05 August 2021	Microsoft Teams	Discuss draft legal text Discuss relevant objectives Consider draft Workgroup Report
10:00 Thursday 02 September 2021	Microsoft Teams	Review Legal Text Finalise Workgroup Report

**Action Table (as at 06 May 2021)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0401</b>	01/04/21	1.0	Joint Office to amend the TOR in accordance with the proposers comments and republish.	Joint Office (HB)	<b>Closed</b>
<b>0402</b>	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)	<b>Closed</b>
<b>0501</b>	06/05/21	3.0	National Grid (PL) to evaluate the compliance with Gas Act Section 6A and consider the exceptions.	National Grid (PL)	<b>Pending</b>
<b>0502</b>	06/05/21	3.0	National Grid (PL) to confirm why the scope of the Modification is limited to bi-directional physical flows.	National Grid (PL)	<b>Pending</b>
<b>0503</b>	06/05/21	3.0	National Grid (PL) to consider if restricting the service to physical gas flows would be discriminatory.	National Grid (PL)	<b>Pending</b>
<b>0504</b>	06/05/21	3.0	National Grid (PL) to consider the justification for capping SCQd (discounted storage capacity quantity) at the storage allocation as this is different treatment of capacity at 'stand-alone' storage points.	National Grid (PL)	<b>Pending</b>