National Grid Gas Quality Consultation Response Template

To provide written feedback, please complete this form and by email it to .box.gas.market.devel@nationalgrid.com and philip.hobbins@nationalgrid.com no later than Friday 17th November 2017. Alternatively, if you wish to provide feedback verbally, please use the contact details above to make arrangements for a meeting / conference call / video conference.

Name: ……Julie Cox……..

Company:……Energy UK…….

Do you wish National Grid to keep the details of your response confidential?.....No.....

Questions for Consultation

Existing NTS Entry Connections

1. Do you expect the number of requests by existing NTS entry parties to amend gas quality limits in their Network Entry Agreements (NEAs) that are within GS(M)R but outside GTYS limits to increase in the coming years? Please provide your rationale.

   Energy UK has no specific information on this, but we observe recent requests as Mod 498, 502 and 607 would seem to suggest there may be an increase in coming years.

2. Do you believe that National Grid's current method of assessment for individual NEA parameter changes is appropriate? If not, how could our approach be improved?

   The current method has provided for a thorough and open assessment of the issues and consequences, albeit this has been rather time consuming. Workgroup discussions have been protracted but there has been good engagement of stakeholders and issues often arise requiring further analysis during the workgroup processes.

   Overall this process has worked reasonably well.

   We do not support the blanket approach of putting the revised parameter in the UNC, so that this may then be available subject to agreement between the operator and National Grid, without further engagement of other stakeholders. This move would also require a much greater level of analysis by all parties, of the possible penetration of such gas into the NTS and therefore customers affected under a range of supply demand scenarios. This analysis would be difficult in the absence of knowledge of potential volumes being delivered at entry points if the assessment was not tied to a 'real-life' requirement. This blanket approach could in turn limit changes at an entry point where it may have been

approved if it were considered in isolation. This could lead to gas being locked out of the GB market which would not be a good outcome for competition nor customers.

3. Which of the NEA change options detailed in section 7.0 for individual limit parameters do you prefer and why? Are there other options that should be considered?

   Energy UK considers that option 2 has merits. The window approach was developed as part of the PARCA process to address a first-come-first-served approach and the potential for this to lead to discrimination. This was approved by Ofgem, and would seem a reasonable way forward in this context. A window should not be open too long, to avoid delays to the consideration of the original request.

   Option 1 has worked reasonably well and we note that when mod 498 was raised, mod 502 followed a short time after so that both were considered in parallel. This had effectively the same outcome as a 'window' may have done. We are not entirely convinced about the compromise solution reached for mod 607 as this creates regulatory uncertainty which is not desirable.

   Option 2 – see comments under Question 2

New NTS Entry Connections

4. Do you believe that the process of agreeing gas quality limit parameters for new NTS entry connections requires reform? If so, what changes do you suggest?

   Energy UK is not entirely clear on what this process is, so it is difficult to comment. Albeit there may be a disconnect between the NEA, an operational agreement with the delivery facility operator and gas quality parameters in gas purchase agreements, which could give rise to commercial consequences for the shipper concerned.

   In addition it is not clear why the gas quality specification in the Ten Year Statement differs from that in GS(M)R ? nor how the parameters in the Ten Year Statement that are not in GS(M)R are established.

   Clearly if parameters are being considered that are outside of the Ten Year Statement parameters then some level of engagement with stakeholders could be beneficial.

   Transparency of the gas quality parameters may also be helpful

5. Do you consider that the demand for new NTS entry connections to deviate from GTYS gas quality limits will grow in the future? If so, please provide your rationale.

   Energy UK has no specific information here, BEIS and the OGA would be better placed to comment on this.

However requests for deviations from GTYS quality parameters may increase due to the changing nature of gas supply to GB, including increased imports especially LNG and the development of low carbon supplies; biomethane or hydrogen blend and potentially the development of shale gas resources. It may also be the case that marginal fields that were previously uneconomic due to quality concerns or other issues may now be developed as UKCS declines and in order to maximise economic recovery.

Generic Questions

6. Where National Grid's ability to agree to higher gas quality limits is limited, e.g. a higher limit could be agreed at one NTS entry point but not more widely due to an impact at NTS exit point(s), how should National Grid manage and allocate the available flexibility?

   We do not support a blanket approach as per option 2.

   If this scenario were to arise from a 'window' type approach then the parties may be able to agree a compromise or consideration would need to be given to the impact on NTS exit points and a value assessment undertaken to determine the best approach, for encouraging gas flow into GB.

7. Do you support further consideration of National Grid providing gas quality services to process and/or blend at NTS entry points in the RIIO-2 period or do you believe that the responsibility to deliver compliant gas should continue to rest with upstream parties? Are there specific projects / locations where this type of service could be valuable?

   Energy UK does not object in principle to NG providing gas quality services that are chargeable (on a cost reflective basis) to those parties that utilise them, this may be more efficient than each stream being processed individually particularly where NG is better able to take a view of the requirements of the whole system. Any such projects should be subject to an economic assessment with the aim of delivering such services to provide best value to customers.

   Where fortuitous commingling occurs within a terminal, as was extensively discussed during mod 607 workgroups, National Grid should be able to work with the parties and NEAs involved to seek a contractual solution that delivers gas into the NTS within required parameters.

8. If your business is adversely affected by variations in gas quality, how could National Grid help you to manage those issues? (Note: at this stage we are not proposing to publish real-time gas quality data measured at entry points to the NTS).

   Energy UK members operate many NTS connected gas – generation plant which can be affected by fluctuations in gas quality particularly where this occurs rapidly with no warning.

As a first step it would be helpful if NG were to alert parties that have registered their sensitivity to certain gas quality parameters, when a change in these parameters is foreseen.

Beyond this it would be helpful if National Grid were to consider the provision of real time and forecast gas quality information akin to the real time flow information that is currently published. This would enable parties to prepare for any fluctuations that may affect the operation of its plant, and help to avoid the risk of plant excursions or trips.

It is also the case that only very limited information on gas quality is available after the day so perhaps this too should be reviewed to help parties understand the changing nature of supplies.

9. Is there a case to treat smaller connections that Project CLoCC seeks to facilitate differently to larger coastal terminals in respect of gas quality arrangements?

   Energy UK is not convinced that it would be appropriate for there to be different arrangements depending on connection size but would be open minded to any proposals in this regard, so long as safety standards are upheld and commercial and operational consequences are fully explored, including CV shrinkage. Consideration would also need to be given to the potential for clusters of CLoCC entry points, which individually could be small but in aggregate could be far more significant. The 'window' approach may be useful here.

10. The GTYS limit for oxygen is 200 times more stringent than that required by GS(M)R (10ppm compared to 2000ppm). Do you anticipate any adverse consequences if the GTYS limit were to be increased?

    As a starting point it would be helpful to understand why the GTYS limit is different from the GS(M)R limit, whilst we also understand that customers will receive gas compliant with the GS(M)R specification. From a gas generation perspective it is preferable for oxygen content to be a low as possible, whilst for gas storage the impact of a higher oxygen content may be more significant. Clearly further exploration of the issues and consequences is needed.