

St Fergus Compression Strategy

Engagement Approach, 2022

The purpose of this log

This Approach is to set out what we are looking to achieve from the engagement and therefore who and how we will engage.

Background and objectives

A description of the topic

Background

The National Grid St Fergus gas terminal was commissioned in 1978 and handles between 25% and 50% of the UK's gas supplies, dependent on supply and demand patterns. The site has been in continuous operation since commissioning and is now moving beyond the design life of the original assets.

National Grid Gas plc (NGG) owns and operates the Beach Supply Terminal at St Fergus. St Fergus comprises three processing sub-terminals that deliver gas from offshore gas fields:

- Shell St Fergus - operated by Shell UK Limited (Shell);
- Ancala Midstream – operated by SAGE North Sea Limited (SNSL); and
- North Sea Midstream Partners (NSMP) - operated by pX Limited (pX). This is the former Total sub-terminal.

The site is now requiring significant investment in new compression to meet emissions legislation and in asset health to maintain the aging terminal. Given the uniqueness of the site serving a single customer, Ofgem has been questioning whether UK consumers should pay for this increased investment and take the risk of stranded assets, particularly as North Sea gas is forecast to decline. Alongside this Px have been requesting increased compressor reliability and a capability for lower flows.

1. Which stakeholder priorities does this align to?

To operate safely, reliably and flexibly	Y
To deliver sustainable value for customers and stakeholders	Y
To drive positive environmental and community impact	Y
To invest in our people, grow our capability and value everyone's contribution	N
To shape the gas market of the future	N

3. Does this relate to...?

A whole system approach	<input type="checkbox"/>	Supporting delivery of net-zero	<input type="checkbox" value="Y"/>
If so, please describe how:	Reduced emissions from compressors, reduced environmental impacts offshore as a result of unreliable compression. Consideration of hydrogen and carbon transportation needs are being looked at		

4. Is the Independent User Group involved in this topic? Yes

Yes

5. What specific outcome(s) are we trying to achieve?

There are three phases of engagement with specific overarching outcomes:

- Phase 0 2017 – 2022: What does the terminal need to do up until 2050? (Consult)
- Phase 1 Aug 21 – Nov 21: Most appropriate charging regime (Involve)
- **Phase 2 Summer 22: Options to deliver the level of entry capacity including outcome of commercial solutions (Collaborate)**

Any charging changes to be agreed prior to December 2022 reopener.

Ofgem to be satisfied we've done everything in our power to achieve this (if we can't).

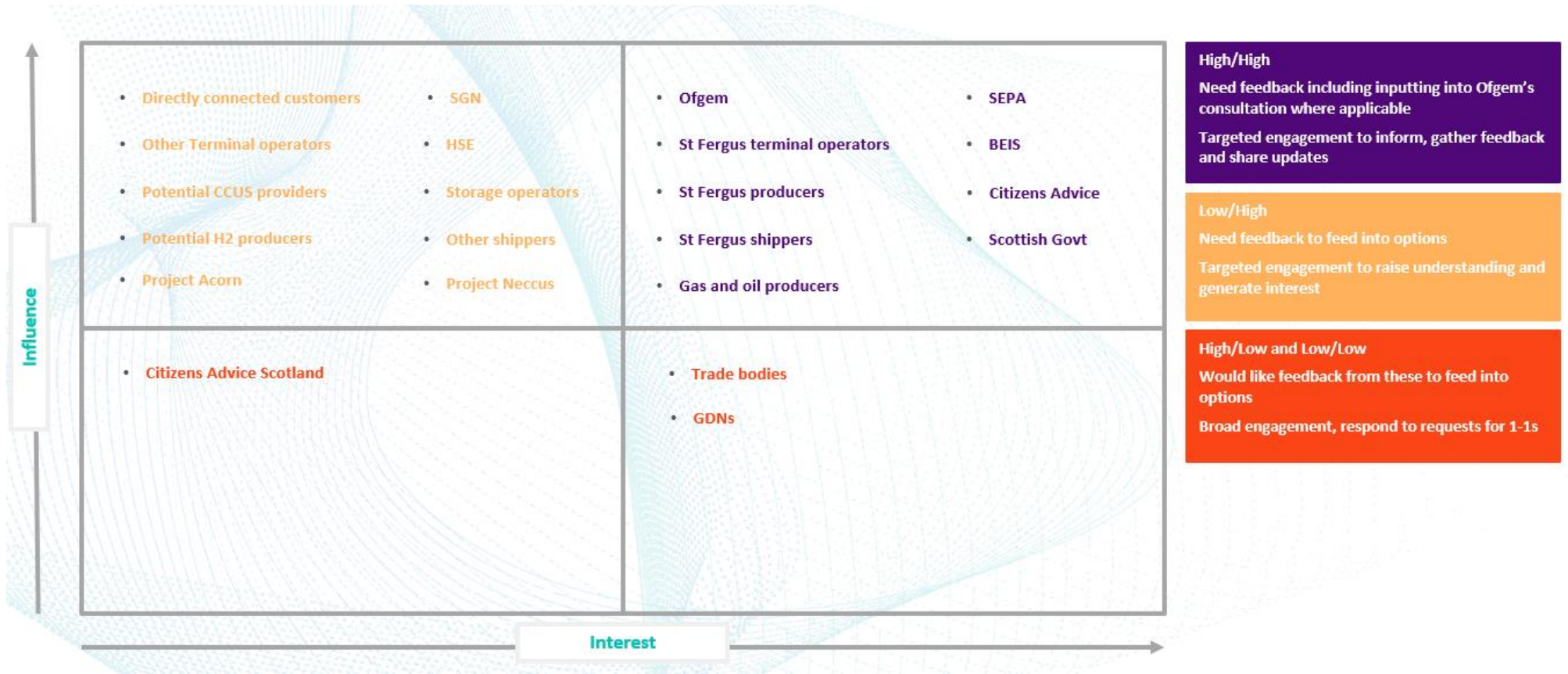
Stakeholders to have been engaged openly and transparently in the process.

6. What is our engagement approach for this topic?

We have mapped our stakeholders and identified their interests to achieve the outcomes identified above.

Stakeholders

The following is a list of key stakeholders and their interests at St Fergus:



Phase 0 2017 – 2022: What does the terminal need to do up until 2050?

Outcome	Measure	Stakeholder group
Awareness and understanding of reopener process	Anecdotal feedback, polls	All stakeholders identified below
Stakeholders' requirements of the terminal up until 2050	Polls, qual insight	Terminal operators, Gas and oil producers, SGN, Shippers, directly connected customers, potential H2 producers, CCUS, SEPA, Scottish Govt, BEIS, Local authorities
Awareness and understanding of programme progress	Qual insight	Ofgem, HSE, IUG

- Delivered broadly as part of business plan engagement
- Continual validation of requirements with stakeholders via 1-1s
- Working closely with Hydrogen producers and CCUS providers to understand implications and needs for the terminal

Phase 1 Aug 21 – Nov 21: Most appropriate charging regime

Outcome	Measure	Stakeholder group
Aware and informed of the principles, options, and impacts of targeted charging	Anecdotal feedback, polls, stakeholders engage in the discussions, responses to consultation	Shippers, Storage operators, GDNs, Directly connected customers, Trade bodies, Citizens Advice (Assumption: domestic consumers will be represented by Citizens Advice, GDNs, Shippers and OFGEMs impact assessment)
Understand how customers pass on charges to their customers	Qual	Shippers, GDNs

Stakeholders understand the options available	Anecdotal feedback, stakeholders engage in the discussions	Terminal operators, Gas and Oil Producers, SGN, impacted and unimpacted Shippers, directly connected customers, Citizens Advice, Scotland Citizens Advice
Have a robust view of stakeholders preferred option in regards to who pays and where the risk sits in relation to future inability to ship gas due to under/late investment	Qual, Quant, responses to consultation	
Stakeholders understand the regulatory timescales and the impacts on their business	Anecdotal feedback	
Stakeholders feel like they've had their voices heard	Polls, qual	
Awareness and understanding of progress of programme	Anecdotal feedback	BEIS, Ofgem, Scottish Govt, IUG

- Delivered through targeted engagement with impacted parties involving 1-1s, industry working groups, formal consultations and webinars

Phase 2 September 22: Options to deliver the level of entry capacity

Outcome	Measure	Stakeholder group
Stakeholders understand the issues and approach to establishing who pays for compression at the terminal	Anecdotal feedback, polls, stakeholders engage in the discussions, responses to consultation	Terminal operators, Gas and Oil Producers, SGN, Shippers, directly connected customers, SEPA, Scottish Govt, BEIS
Have a robust view of stakeholders' preferred option in regards to compression challenges	Polls, qual insight	Terminal operators, Gas and Oil Producers, SGN, Shippers, directly connected customers, potential H2 producers, CCUS, SEPA, Scottish Govt, BEIS

Stakeholders feel they've had their voices heard

Polls

Terminal operators, Gas and Oil Producers, SGN, Shippers, directly connected customers, SEPA, Scottish Govt, BEIS

- Utilising existing relationships built on previous engagement, we will be aware of most impacted and interested stakeholders and will target these through sector specific working groups, partnerships, 1-1's, surveys and webinars
- This will be supported by broad engagement activities to raise awareness of the topic across the industry