

Gas Quality Blending Service Consultation Response Form



To provide written feedback, please complete this form and email it to box.gsoconsultations@nationalgrid.com, philip.hobbins@nationalgrid.com and rachel.hinsley1@nationalgrid.com no later than 13th November 2020. 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: Andrew Blair

Company: Interconnector (UK) Limited

Contact Details: andrew.blair@interconnector.com

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

Consultation Questions

Service Concept and Link to GS(M)R Review	Response
1. What are your thoughts on the service concept outlined in section 3?	Interconnector UK Ltd (IUK) supports the service concept. It enables additional gas to enter the market thereby benefiting both competition and consumers. It is consistent with the UK objective to Maximise the Economic Recovery from the North Sea. However, as NGG is only offering opportunistic blending using the existing gas inputs to blend on an interruptible basis, the service has limited application.
2. Do you foresee any positive or negative impacts of NGG offering such a service on your business? If so, please explain.	Allowing non-GS(M)R gas to enter the National Grid Bacton terminal however must not prevent National Grid from meeting all of its current regulatory and contractual commitments including those set out in the National Grid - IUK Interconnection Agreement. The provision of a blending service must not increase significantly the operational risk at the terminal, i.e. ensure continued HSE performance as well as continued availability and reliability of the terminal.

<p>3. Do you consider there to be any risks that may arise from such a service?</p>	<p>As above, NGG must continue to meet the agreed IUK entry specification to allow gas to flow through IUK's system and be accepted at Zeebrugge by Fluxys Belgium. A relaxation of the gas quality requirements for delivery to NGG's Bacton terminal effectively shifts operational risks downstream and closer to IUK. IUK expects NGG to install suitable monitoring equipment to measure real time gas quality parameters and ensure that operating procedures are amended so that there is no risk of off spec gas reaching any of the offtakes or feeders at Bacton. We would also expect NGG to ensure that the operator delivering off spec gas can demonstrate suitable quality monitoring and control equipment to assist NGG in the blending requirements.</p> <p>IUK is concerned because the transit time for gas delivered at the sub-terminals reaching the IUK offtake is only a few minutes, and even now there are instances of off spec gas still not being detected quick enough and causing operational difficulties within the NGG terminal and to IUK.</p> <p>We also note that the liability provisions between TSOs in the Interconnection Agreement provide limited protection to IUK or, by association, its shippers. This may need review in the event NGG assumes additional operational tasks and risks, including receiving remuneration from third parties.</p>
<p>4. Wobbe Index and Incomplete Combustion Factor are the parameters that stakeholders have so far indicated to us could be useful to have a relaxation on as a blending service. Do you see a need for this service to cover any other parameters and if so, which parameter(s) would you like to be considered and why?</p>	<p>IUK has no immediate need, but recognises that historically other parameters not set out in GS(M)R but limited by NGG have been the focus of modifications to NGG entry gas quality specifications – such as carbon dioxide, oxygen and inerts.</p> <p>NGG should, where practicable, offer the service to blend gases with other parameters that fall outside NGG's "standard" gas quality specification.</p>
<p>5. Do you consider that the GS(M)R Review negates the need for a gas quality blending service or should the topic continue to be explored?</p>	<p>As above, other parameters not specified in the GS(M)R specification (or any future replacement standard) but forming part of NGG's standard specification should be considered as part of the NGG blending service.</p>
<p>Applicable terminals</p>	
<p>6. Do you agree with our initial views on the categorisation of NTS entry points contained in section 4?</p>	<p>We defer to NGG's analysis and have no reason to disagree.</p>
<p>7. Teesside and Easington would require additional infrastructure and components to be able to offer a gas quality blending service, which would mean additional time and costs to implement. Would you support NGG further exploring this?</p>	<p>No comment</p>
<p>8.</p>	

9. Do you think that the service is more suited to UKCS terminals rather than interconnectors?	IUK would suggest that the service should be available to all parties who wish to input gas into the NGG system. Obviously as outlined in this section 4, not all locations will be suitable for such a service to be offered.
Regulatory Treatment	
10. In your view, which regulatory mechanism should NGG pursue to obtain regulatory approval for this service?	IUK recognises that NGG will be using its regulated assets so supports the service being part of its regulated activities and ensures that any service made available should be non-discriminatory, objective and transparent.
11. The DFO contract with NGG may need to be amended to offer the service, do you believe this should be changed via the NEA or a different contract put in place?	IUK does not see any reason why the blending service cannot be detailed in an annex to existing NEAs. However, if no NEA exists then obviously a specific contract will need to be put in place. Standard terms should be developed for all blending services.
12. What are your views on the suitability of UNC TPD Section I3.5 'Special Delivery Arrangements' to serve as UNC basis for NGG to offer the service? Are there additional changes you believe will be required within UNC?	This UNC section looks suitable to cover the delivery of gas that requires blending. However, we suggest that it is kept under review as the blending service contractual terms are developed between NGG and the DFO in case any additions or changes are required.
Charging	
13. Who should NGG's customers be – UNC shippers or DFOs, or potentially both?	IUK could think of a setup where the DFO and the UNC Shippers are customers – e.g. the DFO is charged for the work in setting up the blending service and having it made available by NGG, and then UNC shippers pay a usage fee based on the quantity of gas delivered through the affected delivery facility.
14. If the DFO, this would create a commercial relationship that is currently purely operational. Do you envisage any problems with this?	If the DFO is requesting the service then it should be prepared to enter into a contract to cover the commercial arrangements and the cost of NGG providing the service.
15. Do you agree that NGG should charge for this service?	Yes. Upstream producers or DFOs are avoiding what could be substantial capital investment costs by not installing processing equipment. This effectively pushes the cost downstream so should be a chargeable service.
16. What minimum and maximum service durations would be appropriate?	IUK would expect that the service would be required on a longer term basis, so for at least a year but more likely for a number of years at a time.
17. Please share your thoughts on whether DFOs / shippers delivering on-specification gas at a terminal where a blending service is in place should receive a share of the revenue that NGG receives from the DFO delivering off-spec gas for providing the service	By offering a blending service to third parties, NGG becomes a commercial and operational actor amongst upstream shippers and DFOs, whilst using assets that are part of its regulated asset base on the one hand, and, to some degree, making use of on-spec gas flows provided by third parties. One should therefore make sure that these services are offered on a non-discriminatory, objective and transparent basis. In relation to charging, we are requesting more visibility on the proposed charging structure (charges vs actual cost, which we assume to be

	<p>negligible, vs the cost of the next best alternative to blending for DFOs/upstream shippers), and the opportunity for other DFOs/shippers to receive a financial recognition for enabling this service commensurate to the value it provides to the requesting party.</p> <p>In addition, one needs to review how such blending service may affect the economic incentives and the potential behaviour of each of the parties. IUK is concerned that allowing off-spec gas in at a terminal for blending may lead to any of the involved terminals reducing their processing capabilities and delivering gas at the lower (or upper) end of the allowable range. This not only reduces the blending opportunity for NGG but could have operational and commercial knock on effects downstream.</p> <p>Also, given the interdependency but also the competition between the shippers and DFOs, referring to diagram 3 in the consultation, by entering into a blending service first, DFO A effectively constrains the other DFOs/shippers from being able to take advantage of a similar service at that terminal at a later date.</p>
18. What is the maximum lead-time that would be acceptable to you between signing up for the service and it becoming available?	<p>IUK suggests this needs to be considered on a case by case basis, dependent on the monitoring equipment needed and changes to operational and commercial arrangements.</p> <p>If a producer is considering developing a new gas supply that would require blending, then obviously the lead time will be a number of years. If a change to available upstream gas supplies is planned that affects delivery of on-spec gas, then the lead time could be months or up to around a year. Again, the implementation needs to be considered on a case by case basis, but the principle of early engagement with NGG is key.</p>
19. How should we make the service available?	We propose that the ability to blend gas should be reserved by the DFO for a specified period and daily requirements confirmed on an ongoing basis.
20. How do you anticipate the structure of the charging to work?	Please see our answer to Q13.
21. Do you consider that the service would be useful to terminal operators if it is only offered with NGG reserving the right to interrupt at short notice?	<p>NGG should ensure that the limits in blending are transparent, ie when they would not be able to offer the service due to lack of blending gas, so that the DFO can assess the risk of interruption to the blending service and the resultant financial effect on their business. They can always seek alternative arrangements.</p> <p>We do not think that NGG can offer anything other than an interruptible service without significant investment and changes to their business model.</p>
22. Do you believe that an NGG gas quality blending service would be likely to result in a benefit or detriment to security of GB gas supply? Please explain your answer.	We believe that blending would facilitate more sources of gas thereby promoting competition in the supply of gas. However, there are many sources of gas supply into the UK and so we would expect the market to continue to meet UK demand adequately even if no blending was offered.
23. If you wish to provide any other feedback on the issues raised in	We would like to understand to what extent the commercial and operational principles established in such blending services align

this consultation, please do so here.	with the principles for future H ₂ injection on the NGG, including blending, as currently being developed?
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