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| Modification proposal: | **Uniform Network Code ("UNC") 0814: Temporary access to the Enhanced Pressure Service and increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector ("UNC814")** | | |
| Decision: | The Authority[1] directs this modification be made[2] | | |
| Target audience: | UNC Panel, Parties to the UNC and other interested parties | | |
| Date of publication: | 6 March 2023 | Implementation date: | To be confirmed by the code administrator |

**Background**

Gas interconnectors connect gas transmission systems from other countries to the National Transmission System ("NTS") in Great Britain ("GB"), in order to convey gas between GB and the other country. There are currently two gas interconnectors between GB and continental Europe:

- Balgzand to Bacton Line ("BBL") to the Netherlands; and
- Interconnector Limited ("INT") to Belgium.

These are both bi-directional interconnectors, meaning they can import to and export from the NTS. The operators of these interconnectors are certified Transmission System Operators and holders of a gas interconnector licence.

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

Currently National Gas Transmission ("NGT")[3] provides BBL with an assured exit pressure of 45-55 bar at the Bacton Interconnection Point and a maximum NTS exit point offtake rate ("MNEPOR") of 184,780,632 kWh/d.

**The modification proposal**

On 22 July 2022, National Gas Transmission ("NGT", "the Proposer") raised UNC modification UNC814: 'Temporary access to the Enhanced Pressure Service and increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector'.[4] UNC814 is an enabling modification that seeks to allow an update to the Interconnection Agreement between NGT and BBL to temporarily provide an enhanced pressure service for BBL at the Bacton Exit Interconnection Point permitting BBL to request enhanced pressures between 55 bar and 68 bar when exporting gas at Bacton Interconnection Point and to increase its MNEPOR to 252,000,000 kWh/d. The proposed changes would be temporary and apply from the date of implementation of the modification, if approved, up to and including 30 September 2023.

We granted urgent status for UNC814 on 25 July 2022[5] and set out an urgent timetable to be followed for this modification, which included a 5-working day consultation period.

Following receipt of the final modification report ("FMR") on 3 August 2022, Ofgem engaged with the Proposer to identify additional data that could be made available to further understand the concerns over the delivery of gas containing contaminants[6] raised by some consultation respondents and further explored during Panel discussions. This engagement concluded on 15 August 2022 when the Proposer requested in writing that Ofgem delay the decision on this modification until further data could be provided to the Authority by NGT.

To ensure we conducted the necessary due diligence when making our decision for this modification proposal, Ofgem sought to gather further relevant information from key stakeholders, including the Proposer. This process involved multiple bi-lateral meetings with

[3] At the time the modification was raised National Gas Transmission ("NGT") was known by its previous name, National Grid Gas ("NGG"). In this decision letter we will refer to NGG by their current name, NGT.
[4] https://www.gasgovernance.co.uk/0814
[5] https://www.ofgem.gov.uk/publications/decision-urgency-uniform-network-code-modification-proposal-unc0814
[6] "Gas containing contaminants" in this document refers to gas delivered to Bacton Exit Interconnection Point that contains liquids or solids. In the FMR, Panel members and UNC consultation respondents have used the phrases "non-GSMR gas" and "off specification gas" when referencing the same phenomena.

key stakeholders as well as data submissions from the same stakeholders, which took place from 15 August 2022 onwards. The final data submission in this process was received by Ofgem on 10 January 2023.

We conducted this due diligence because the FMR did not contain adequate technical analysis on the impact this modification would have on the NTS to allow us to sufficiently consider the concerns raised by some consultation respondents. This lack of analysis was also noted by Panel Members who attributed this outcome to the modification having progressed under an urgent timetable.

**UNC Panel[7] recommendation**

At the UNC Panel meeting on 3 August 2022, a majority of the UNC Panel (9 out of a possible 14 voting members) considered that UNC814 would better facilitate the UNC objectives and the Panel therefore recommended its approval. Of the members representing consumers, the Consumer Voting Member voted to recommend implementation, whereas the Non-domestic Consumer Voting Member did not cast a vote.[8]

**Our decision**

We have thoroughly considered the issues raised by the modification proposal and the FMR dated 3 August 2022. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR[9] plus additional information provided to us by key stakeholders during our due diligence. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;[10]

[7] The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.
[8] https://www.gasgovernance.co.uk/sites/default/files/ggf/2022-08/Determinations%20Record%2003%20August%202022%20_0.pdf
[9] UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk
[10] As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: https://epr.ofgem.gov.uk//Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf

- directing that the modification be made is consistent with our principal objective and statutory duties.[11]

**Reasons for our decision**

We consider this modification proposal will better facilitate UNC Relevant Code Objective ("RO") (d) and will have no impact on the other relevant objectives.

***(a) the efficient and economic operation of the pipe-line system to which this licence relates***

The Proposal would have no impact on RO (a).

The Proposer of the modification did not identify an impact on this objective. Some Panel Members considered that the modification would have a negative impact on this RO as the proposal may exacerbate an issue experienced by shippers at the Bacton Exit Interconnection Point relating to delivery of gas containing contaminants which has caused disruption, capacity curtailment and damaged INT equipment. Similar concerns were expressed by two respondents in the UNC consultation who considered this modification as increasing the probability of gas containing contaminants being delivered to Bacton Exit Interconnection Point through an increase in pressure. A consultation response quoted a letter from NGT dated 17 June 2022 entitled 'Shipper questions: Underlying cause for incidents', which stated that "*Unprecedented export flows at Bacton via Interconnector Ltd and BBL have resulted in high velocity, turbulent flows in the Network. These flow conditions are believed to be the root cause of legacy matter within the NTS being delivered into Interconnector's filters at Bacton*". Thereby, some UNC consultees and Panel members considered that an increase to the pressure and MNEPOR for BBL could increase the likelihood of gas containing contaminants being delivered, which could result in further capacity curtailments. These stakeholders viewed this outcome as being contrary to NGT's obligations of maintaining an efficient and economical pipeline system and subsequently viewed UNC814 as having a negative impact on RO (a).

[11] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

During the Panel discussion, in relation to the disruption caused by gas containing contaminants to INT equipment and the potential risk of other operational issues, NGT confirmed that there is no increased risk from the modification and operational risks surrounding gas containing contaminants will be managed separately. In the light of the assurance provided by NGT in the Panel meeting, some Panel members considered that the proposal would have no impact on the efficient and economic operation of the NTS.

We note the concerns raised by some Panel members and some respondents to the consultation about the risk of gas containing contaminants. In the light of these concerns, we conducted our own due diligence work, as mentioned previously in this letter, to fully understand the causes, impact and possible mitigation actions relating to the delivery of gas containing contaminants. This due diligence included obtaining data concerning operational actions taken by NGT since January 2022 specifically designed to reduce the risk of delivery of contaminated gas to INT. The data submitted to Ofgem from the key stakeholders revealed that between July 2022 and December 2022, minimal ingress of solids and liquids occurred at the filter bank immediately upstream of the INT compressors.

Alongside the data they submitted, a stakeholder commented that whilst the current mitigating measures have helped reduce ingress of contaminated gas, Ofgem should caution against assessing the latest data as suggesting the problem is no longer there. It may show less contaminated gas delivery in the past few months but as far as the stakeholder is aware the risk has not been addressed, reoccurrence is likely, and must be addressed. We see merit in the view that the risk has not been completely eliminated, but we do accept that the risk has been reduced and do not accept, in the current operational configuration, that reoccurrence is "likely".

The questions of safety and efficiency that have arisen in the UNC consultation and Panel discussions are pertinent. We have closely considered operational information presented by NGT, including steps it has taken to minimise the delivery of gas containing contaminants at the Bacton Interconnection Point. We also note NGT's responses to questions they received at the Panel discussion in August 2022. NGT confirmed that this modification is only concerned with the contractual change and that safety aspects, including delivery of gas containing contaminants, are covered by normal operational activities. We accept that UNC814 is an 'enabling modification' seeking to enable the proposed contractual change between NGT and

BBL to allow BBL access to the enhanced pressure service. We note NGT's assurances[12] that safety aspects, including the risk of delivery of gas contaminated with solid material, are covered by NGT's normal operational activities and that NGT will continue to monitor and manage the situation. If a situation were to arise where granting access to the enhanced pressure service would likely jeopardise the safety of the NTS, we expect NGT to act accordingly and curtail services as they deem necessary to safeguard all their customers. However, as this modification only seeks to permit a contractual change allowing BBL to request access to the enhanced pressure service, we consider the modification would have no impact on RO (a).

***(c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence***

The Proposal would have no impact on RO (c).

The Proposer and Panel members did not have any views regarding the impact on this objective. Two respondents to the consultation identified this proposal as having a negative impact on RO (c) as NGT are proposing this modification without addressing the current issues with gas containing contaminants on the NTS and without carrying out an impact assessment of the proposal whilst considering this issue.

In the Panel discussion, NGT confirmed that this modification is only concerned with the contractual change of updating the Interconnection Agreement between NGT and BBL. Therefore, if implemented, the modification would not result in any breach of its licence obligations.

Following our review of the data obtained from our due diligence process, we have concluded that the risk of delivery of contaminated gas has been reduced. Therefore, we do not view

[12] The assurances we refer to are those made by NGT during the UNC Modification Panel meeting held on 3 August 2022. A summary of this meeting can be found on pages 9-14 in the FMR linked above, or in the UNC Modification Panel meeting minutes published on the Joint Office website: https://www.gasgovernance.co.uk/sites/default/files/ggf/2022-08/Minutes%20Panel%20293%2003Aug22%20v1.0_0.pdf

NGT as knowingly or recklessly pursuing a course of conduct that would jeopardise the safe and efficient operation of the NTS, which it is prohibited to do under the terms of its licence.[13]

As this modification only seeks to permit a contractual change allowing BBL to request access to the enhanced pressure service, we have seen no evidence suggesting that NGT would breach its licence obligations if this modification is implemented. It is the responsibility of NGT, as the System Operator, to make a risk-based decision on whether or not it is appropriate to provide BBL with the enhanced pressure service and assess what consequences this may have for other customers at the time of each request and based on the operational information available to NGT at that time. We expect NGT to continue to comply with its licence obligations and act in a reasonable and prudent manner in the operation of the pipe-line system to which this licence relates, and, in so far as such operation may affect the operation of the pipe-line system of any other relevant gas transporter.

We have subsequently identified no impact on RO (c).

***(d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:***
***(i) between relevant shippers;***
***(ii) between relevant suppliers; and/or***
***(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers***

The Proposal would have a positive impact on RO (d).

The Proposer considers that UNC814 better facilitates RO (d) because the proposed changes would lead to increased competition between the active shippers at Bacton Interconnection Point who export gas from GB to continental Europe. The Proposer states that providing BBL shippers access to the enhanced pressure service and an increase to the MNEPOR will enable shippers to export larger quantities of gas through the BBL pipeline. The Proposer also believes this could mean that more shippers are able to export more gas leading to greater levels of competition for the available capacity.

[13] Standard Special Condition A17: General obligations in respect of gas transporters' pipe-line systems.

Some respondents to the UNC consultation supported the Proposer in their assessment of RO (d). A consultation respondent asserted that the proposal would increase flexibility in the market through enhancing transportation capability. The respondent also stated that the proposal would allow BBL to access the same enhanced pressures currently available to INT, thereby facilitating competition between the two interconnectors and their users on an equivalent basis. Some Panel Members agreed that implementation would have a positive impact by providing BBL with enhanced gas transportation capability, which would increase market flexibility and thereby further facilitate competition. A Panel member and NGT also noted that GB consumers could benefit from cheaper capacity at Bacton, assuming that auctions become more competitive, and the capacity price is subsequently driven down. Furthermore, it was commented that GB consumers could also benefit from the cheaper capacity if any cost savings associated with a lowering of the auction price are passed on.

However, some Panel Members and respondents to the consultation considered that the proposal would have a negative impact on RO (d). They argue that the modification may exacerbate an issue already being experienced by shippers at the Bacton Exit Interconnection Point relating to gas containing contaminants, which has damaged INT equipment and led to a curtailment of export flows. Some consultation respondents commented that capacity curtailments would increase costs for shippers who are no longer able to fully use the contracted capacity, which would be ultimately detrimental to competition and GB consumers. Some Panel Members also considered the risk of constraints as further negatively impacting competition as constraints would reduce cross-border flows and market efficiency. We have considered the risk of delivery of gas containing contaminants as a result of this modification proposal in our assessment of RO (a). We concluded that as this modification only permits a contractual change between NGT and BBL, it remains NGT's responsibility to grant access to the enhanced pressure service only when they consider that it will not impact the safe and efficient operation of all pipelines at Bacton. As a result, we do not consider that the concerns over the delivery of gas containing contaminants will have a negative impact on RO (d).

Additionally, we support the arguments made by the Proposer, some Panel Members, and some respondents to the consultation that increased pressure and MNEPOR at BBL would benefit competition. We see this positive impact on competition primarily taking place through the creation of a level-playing field between BBL and INT regarding access to services offered

by NGT. INT already have access to an enhanced pressure service at Bacton Exit Interconnection Point whilst BBL does not. Therefore, by granting BBL access to the same service, this modification is ensuring equal treatment of both interconnectors as well as facilitating a level-playing field between them and their users. This would positively impact competition and RO (d). We also agree in principle with the argument made by the Proposer that the enhanced pressure service and increase to the MNEPOR will enable shippers to export larger quantities of gas, which could lead to increased competition between shippers for the available capacity. Similarly, we agree with the UNC consultation respondent who stated that this modification would grant shippers greater flexibility, allowing them to manage their portfolios and meet the needs of their customers more effectively.

For these reasons, we consider that UNC814 would have a positive impact on RO (d).

***(g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators***

The Proposal would have no impact on RO (g).

The Proposer of the modification did not identify an impact on this objective. However, two consultation respondents identified the proposal as having a negative impact on RO (g). Both stated that The Gas Safety (Management) Regulations 1996 ("GS(M)R 1996") require that gas transported in the NTS should not contain material that may interfere with the integrity or operation of the pipelines, and that NGT have a legal obligation to operate in accordance with GS(M)R 1996. According to these stakeholders, in the period from January to June 2022 the receipt of what one respondent termed "off specification gas" had damaged INT equipment and led to a curtailment of export flows and this modification, therefore, has a negative impact on RO (g) by increasing disruption risk rather than facilitating cross border flows and market efficiency.

When assessing this proposal, Panel Members noted that GS(M)R 1996 is not related to RO (g). Therefore, they did not identify an impact from this proposal on this objective. We agree with Panel Members and do not identify any connection between GS(M)R 1996 and RO (g), as

RO (g) relates specifically to Regulation 2009/715/EC[14] and other legally binding decisions of the European Commission or the Agency for the Co-operation of Energy Regulators, which continue to apply as Retained EU law.[15] We do not see this modification having any interaction with primary EU legislation concerning gas transportation arrangements.

For these reasons, we consider that UNC814 would have no impact on RO (g).

**Our principal objective and statutory duties**

The Authority's principal objective is to protect the interests of existing and future consumers, which includes promoting effective competition.

The proposed solution will ensure a level-playing field between BBL and INT by granting BBL access to an enhanced pressure service that INT already has access to. This will subsequently ensure fair and equal treatment of both interconnectors as well as facilitating a level-playing field between them and their users, which will promote competition.

For these reasons, we consider that approving UNC814 is consistent with our principal objective to protect the interest of GB consumers by promoting effective competition.

**Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters licence, the Authority hereby directs that modification proposal UNC 0814: *'Temporary access to the Enhanced Pressure Service and increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector'* be made.

**Dr Adrian Richardson**
**Head of Energy Security of Supply**
Signed on behalf of the Authority and authorised for that purpose

[14] EC 715/2009 as amended by Electricity and Gas (Powers to Make Subordinate Legislation) (Amendment) (EU Exit) Regulations 2018 SI no.1286.
[15] "Retained EU Law": Retained EU Law has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.