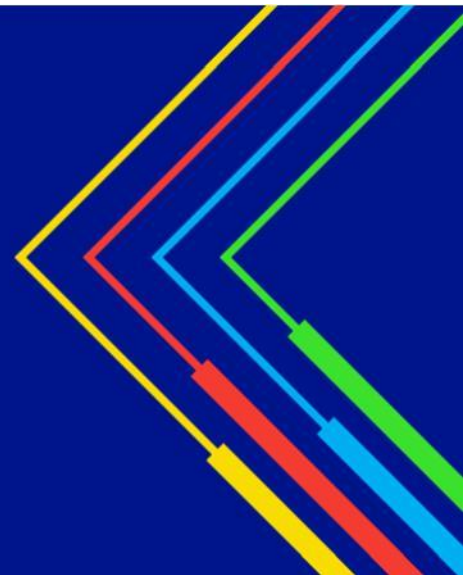


Gas Quality Blending Service Consultation Response Form



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: Ross Davidson

Company: Spirit Energy

Contact Details: ross.davidson@spirit-energy.com; 07557 617098

Do you wish National Grid to keep any of the details of your response confidential? N/A

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?	Spirit Energy is very positive and supportive of the concept outlined by NGG. We believe National Grid is very well positioned to play an important role through the timely provision of such a service which can benefit indigenous UK production, security of supply and the energy transition.
2. Do you foresee any positive or negative impacts of NGG offering such a service on your business? If so, please explain.	We would anticipate a positive impact on our business, particularly for the Cygnus field where we have a 62% equity interest. Gas from Cygnus – which is transported to Bacton – is just 1% outside the allowable GS(M)R limits and so requires blending before entering the NTS. Agreements which create further opportunities for Cygnus gas to be blended with other sources would be positive and increase uptime for the field.
3. Do you consider there to be any risks that may arise from such a service?	No. For the service to be offered, the requisite technical and safety reviews and approvals will be completed and in place.

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?	No further parameters beyond those which have already been outlined, in particular the Wobbe Index. National Grid should focus on those parameters which stakeholders have indicated would be beneficial.
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>We believe the topic should continue to be explored, both for the time between now and any change as a result of the GS(M)R Review and to provide even greater flexibility thereafter.</p> <p>Research completed in 2020 by IHS Markit has indicated that 28% of remaining recoverable gas volumes in the Southern North Sea are out-with the current GS(M)R Wobbe Index limits. The proposed changes would be beneficial in enabling a proportion of these gas fields to flow unblended, however many, developed and undeveloped fields, would remain out-with the new limits. NGG blending could unlock the economic recovery of some of these fields, helping to offset some of the UK's domestic supply decline. There are many and varied benefits to consumers and UK plc from this, including much reduced carbon intensity associated with producing indigenous off-spec gas versus other gas sources such as LNG (carbon intensity of a typical SNS asset is less than imported LNG by ~30 kgCO₂/boe).</p>
Applicable terminals	
6. Do you agree with our initial views on the categorisation of NTS entry points contained in section 4?	Yes
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?	Only if there is benefit and interest from stakeholders in these areas.
8.	

9. Do you think that the service is more suited to UKCS terminals rather than interconnectors?	The service could potentially be beneficial for interconnectors, if higher Wobbe Index gas is able to enter Bacton, generally during winter months, reducing requirements for nitrogen ballasting on the continent and therefore emissions and cost.
Regulatory Treatment	
10. In your view, which regulatory mechanism should NGG pursue to obtain regulatory approval for this service?	The mechanism for obtaining regulatory approval for this service is a matter for NGG and Ofgem, however consented or licenced appear to be the most appropriate of those presented. As the service requirements are likely to vary from location to location, it may be beneficial to enable specific commercial terms to be arranged – in which case, consented may be more appropriate.
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?	A specific contract
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?	
Charging	
13. Who should NGG's customers be – UNC shippers or DFOs, or potentially both?	DFOs only
14. If the DFO, this would create a commercial relationship that is currently purely operational. Do you envisage any problems with this?	No. The commercial relationship would exist between the two organisations and should not impact the operational relationship between sites.
15. Do you agree that NGG should charge for this service?	Yes. NGG infrastructure, processes and resources will be utilised in order to provide the service.
16. What minimum and maximum service durations would be appropriate?	Minimum could be 6 months or annual and maximum could be flexible to ensure any NGG costs are recovered.
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	DFOs/shippers delivering on-spec gas should not receive a share of the revenue. There is no guarantee of supply and these parties will not do anything different as a result of this service being provided. Requiring payment (a windfall) to those who have on-spec gas would just reduce the viability of the service and would result in gas being left in the ground.

	<p>The risk lies with NGG and the DFO/producers entering into agreement for such a blending service and therefore it is appropriate that NGG are the party being compensated. It would be inappropriate for the DFOs to accept payment, due to the fortuitous composition of the gas flowing through their terminals, and ownership has transferred to shippers by the blending point. Any arrangement to pass revenue on to shippers would be incredibly complex due to the number of parties involved. As a potential user of blending services, Neptune and its Joint Venture partners would wish to utilise equity gas from neighbouring terminals and/or gas from our particular shippers for blending before paying additional cost to others.</p>
18. What is the maximum lead-time that would be acceptable to you between signing up for the service and it becoming available?	As short a period as possible in order to begin to benefit from the service.
19. How should we make the service available?	<p>Stakeholders with gas quality challenges are likely to have indicated an interest in an NGG blending service either in advance of, or during, this consultation. Given the immediate benefit of such a service to these parties and the likelihood of only two terminals currently being suitable, NGG should endeavour to focus on means to efficiently make a service available for them. Thereafter, the approach should be flexible enough that new parties interested in the service can approach NGG at any time and, if able to accommodate, their blending needs can be met at the earliest opportunity. Each service will be different and being tied by set application windows will only result in opportunities being lost.</p>
20. How do you anticipate the structure of the charging to work?	<p>A single charge for the service period would appear optimal. The charge may vary depending on duration of service. NGG should determine cost/risk for each service and apply the appropriate fees in the agreement reached with the parties requiring the service.</p>
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?	Yes, it would still be useful even if interruptible. The level of interruption is likely to be less than would be experienced without the service being available.
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.	<p>We believe this service could only benefit GB security of supply, for several reasons. An additional route for blending gas from Southern North Sea fields would make currently undeveloped fields in the region more economic, while fields currently in production would have an additional route for blending – fields which require blending currently have lower uptime than those which do not. Taken together, this would increase UK's domestic supply at a time when demand does and will continue to outstrip supply.</p>
23. If you wish to provide any other feedback on the issues raised in this consultation, please do so here.	We agree with the potential for NGG blending to also be of benefit in the energy transition.