

## Energy Traders Europe response to the Ofgem consultation on filtration at the Bacton NTS Exit Point

Brussels, 08 August 2024 - Energy Traders Europe thanks Ofgem for the opportunity to react to its consulted assessment of the National Gas proposal for filter investment on the feeders at NTS Bacton (exit) IP, in the aftermath of disruptions in cross-border flows from Great Britain to Belgium and downstream damage to IUK due to solids from National Gas Transmission (NGT).

### Key messages

1. Any final decision on the investment should not jeopardise the robustness of cross-border trade.
2. NGT must remain obligated to make good the sales of firm capacity to affected shippers.
3. Ofgem must ensure that the operators in discussion with each other are the sole parties responsible for system gas quality without penalties incurred for shippers.

### Detailed comments

#### **1. Network investments must preserve cross-border trade no matter the assumed flow scenarios**

We stress that our members have been subject to losses due to unplanned outages in the Interconnector in 2022 and 2023, when the pipeline was on a few occasions shut down owing to solids entering the filter system at a time of high export mode with LNG coming into the UK and then straight to the EU via both IUK and BBL. Whilst gas market

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fundamentals currently remain positive, it is possible that, in the years to come, there might be periods of particularly high exports on the Interconnectors. **For this reason, cross-border infrastructure and associated trading arrangements must be made more robust and less prone to outages where this can be achieved for a relatively modest investment<sup>1</sup>.**

## **2. NGT should remain incentivised to deliver on capacity commitments whether or not an emergency is declared**

We note that Ofgem is minded to reject the higher level of investment in filtration and instead approve a smaller investment for “incomer” filtration enhancement from upstream Bacton entry. This is on the grounds that the circumstances giving rise to previous curtailments in times of crisis are unlikely to be repeated, and adequate improvement should be achievable with a lesser investment.

**Nevertheless, there remains a possibility that capacity will be withdrawn, and shippers should not be the only ones bearing the full risk in case of future curtailments. Ofgem has also proposed through RIIO-3 to review as a whole the suite of tools NGT has at its disposal to manage constraints. Energy Traders Europe supports this.**

Shippers remain concerned given the level of losses incurred when firm capacity was previously removed. The withdrawal of firm capacity imposes costs on affected shippers who may be exposed to the costs of unwinding positions in both the GB and Belgian markets or facing dual cashout.

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<sup>1</sup> We point to the INT communication to shippers stating that the cost of filters at c£24m is a fraction of the avoided cost of market disruption. ~50% of the NTS Exit flow remains unfiltered and contaminated gas problems persist even after NG feeder cleaning; a further 183kg of contaminated material was delivered from the NTS and removed by INT in the November 2023 planned maintenance shutdown.

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**NGT must remain liable to deliver the capacity whether or not a crisis has been declared.** Where NGT has sold firm exit capacity and shippers have taken commercial positions on the basis of that availability, there should be a strong incentive on NGT to ensure that the capacity is available in all circumstances, and some means of compensation should be provided where they are unable to guarantee this.

**We ask Ofgem to reiterate clearly that NGT remains obligated to make good the sales of firm capacity, even at the lower level of investment, whether or not a crisis is declared.** To incentivise this, the level of penalties must be beyond the refund of capacity charges to capacity holders whose service is withdrawn. We would suggest a multiple of the capacity charge. NGT could seek to minimise such penalty through buying back capacity where possible. However, in the event of total curtailment, this may not be realistic, so it can only be a partial solution.

### **3. NGT and Fluxys must be the sole parties held responsible for gas quality**

Interconnector has already launched a consultation on the introduction of a penalty on shippers who choose to accept off-spec gas from NG. We understand that this measure has already been approved by Ofgem, although its approval by CREG is still pending. We also understand that, in case of future gas quality incidents, if shippers nominate and this causes damage to the INT equipment, a penalty of up to EUR5M can be imposed on them<sup>2</sup>.

**We ask that any Ofgem decision on the installation of filters at Bacton is accompanied by a thorough confirmation that shippers will not be exposed to the risk of penalisation in case of a future energy crisis-type situation like that of summer 2022.**

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<sup>2</sup> [2023 - Annual Review of INT Access Rules and Charging Methodology, par. 7.7, 8.12, 8.13](#)

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Moreover, Schedule 3 of the Gas Safety Management Regulations clearly identifies, amongst other gas quality specifications, that gas should not contain any solids or impurities<sup>3</sup>. We understand that this potentially raises a risk that if NGT has put forward a solution on enhanced filtration and has that turned down, it may be held liable for not complying with the Regulations. However, paragraph 3.2 of the Uniform Network Code indicates that the TSO cannot be held liable in case of failure to make gas available for offtake at a System Exit Point under specific circumstances only<sup>4</sup>.

**We hence stress that any responsibility on system gas quality should lie exclusively with the operators in discussion with each other and not placing liability on shippers, irrespective of whether network investments are approved, or not. We ask Ofgem to enable that.**

Finally, as the main impact of capacity withdrawal would be on Security of Supply in Belgium and markets downstream, when in forward flow, we assume that Fluxys has been given the opportunity to fund improvements as part of their own preventative action measures.

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<sup>3</sup> [Gas Safety \(Management\) Regulations 1996](#)

<sup>4</sup> [Uniform Network Code – Transportation Principal Document Section J – Exit Requirements](#)