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for energy consumers

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Email: Gas.TransmissionResponse@ofgem.gov.uk

Date: 15 September 2021

Dear Brian and Gurpal,

Approval of the proposed Transportation Agreement between GNI (UK) and PTL at the Moffat Interconnection Point

On 13 August 2021, a Transportation Agreement ('the TA') between GNI (UK) Limited ('GNI (UK)') and Premier Transmission Limited ('PTL') was submitted to the Authority for approval in accordance with Standard Licence Condition (SLC) 3 of the Gas Interconnector Licence¹ ('the Licence') – 'Compliance with bilateral agreements'.

This condition states that the licensee shall enter into such bilateral agreements as may be reasonably required by any relevant gas transporter.

This letter sets out our decision to approve the TA on the basis that its contents have been agreed by both parties following expert determination.

Background

In 1993, the Natural Gas Treaty² between the United Kingdom of Great Britain ('GB') and Northern Ireland ('NI') and the Republic of Ireland ('RoI') was signed. This contains a requirement for the Irish Government to ensure that a proportion of the capacity of the gas

¹ [Licences and licence conditions | Ofgem](#)

² [Agreement between the UK and Ireland relating to the transmission of natural gas - GOV.UK \(www.gov.uk\)](#)

pipeline between Moffat and Twynholm in Scotland is made available to the authorities of NI on “fair commercial terms”.

Following this, in 1996, PTL and GNI (UK) ('the Parties') entered a related agreement. PTL own the Scotland-NI Pipeline (SNIP) and GNI (UK) own the land pipeline between Moffat and Twynholm ('the Pipeline').

The terms of this agreement are captured in the TA which enables PTL to contract GNI (UK) to transport gas capacity directly between Moffat and NI, therefore making gas capacity between Moffat and NI directly available to NI Shippers. Moffat, the Interconnection Point between the National Transmission System ('NTS') in GB and the RoI/NI entry exit system, provides NI Shippers direct access to the National Balancing Point ('NBP') in GB.

The existing TA is due to expire on 30 September 2021. The Parties have been in discussions to extend the TA since 2018. However, unable to agree terms, they referred the issue to an independent expert. The determination by the expert as to what constitutes fair commercial terms is binding on the Parties.

The Agreement

This agreement is an extension, amendment and restatement of the Original Transportation Agreement and also expressly takes account of variations made, including (i) an Amendment and Supplemental Arrangements Agreement dated 29 September 2015; and (ii) a Deed of Amendment dated 27 January 2015.

Operating Provision (Schedule 2)

The joint letter from GNI (UK) and PTL states that Schedule 2 to the TA contains 'Operating Provisions' and that the Parties are continuing to discuss the terms of these Operating Provisions, with an ability to refer any matters which cannot be agreed to a separate expert determination process, if necessary.

The Parties have asked for the approval to enter into a new TA to also include a prospective approval of the replacement of Schedule 2. If the prospective approval is not feasible, it is likely that the Parties will need to seek a separate approval to the replacement of Schedule 2 at the relevant time.

Authority Decision

Under SLC 3 of the Licence, any bilateral agreements must be submitted to the Authority for approval. We have received a joint letter from GNI (UK) and PTL seeking approval of the amended TA and confirming that all components have been agreed through discussion amongst the parties or following expert determination.

After careful consideration of the documents submitted to Ofgem on 13 August 2021, having regard to the Authority's principal objective and statutory duties, the Authority has decided to approve the TA in accordance with the provisions of SLC 3 of the Licence on the basis that its contents have been agreed by both parties following expert determination.

The Authority has decided not to provide prospective approval of the replacement of Schedule 2 as the agreement, and any amendments to these agreements, must be provided by the licensee to the Authority for its approval, in accordance with SLC 3 of the Licence at the relevant time.

If you have any questions relating to this decision, please contact Joseph Glews at Gas.TransmissionResponse@ofgem.gov.uk.

David O'Neill

Head of Gas Markets and Systems, ESMS

Signed on behalf of the Authority and authorised for that purpose