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Dear Rowan,

Approval of the Stranraer Interoperator Agreement between Premier Transport Limited (PTL) and Scottish Gas Networks (SGN) proposed by PTL pursuant to Standard Licence Condition (SLC) 3 of the gas interconnector licence

SLC3 states that the licensee shall enter into such bilateral agreements as may be reasonably required by any relevant gas transporter. Such agreements, and any amendments to these agreements, must be provided by the licensee to the Authority for its approval. PTL submitted, to the Authority, the Stranraer Interoperator Agreement (the Agreement) on 21 October 2020 for Approval.

This letter sets out our decision approving the Agreement on the basis that it has been agreed by both parties to put in place an enduring arrangement for Capacity booking at Moffat in Scotland. This enduring arrangement will permit SGN, as the Stranraer distribution network operators (DNO), to continue to move gas via the Northern Ireland (NI) transmission network, which connects to the NTS at Moffat.

Background

Gas flows from the national gas transmission system (NTS) in GB through the NTS exit point at Moffat and the SNIP (via the Gas Networks Ireland (GNI) (UK) network) to NI.

SGN owns and operates the Stranraer Distribution Network in Scotland. In order to reach the Stranraer Distribution Network, gas flows through Moffat to the Stranraer Exit Point on the PTL owned SNIP.

EU Regulation 2017/459 (CAM)¹ applies to all interconnection points, being a physical or virtual point connecting adjacent entry-exit systems or connecting an entry-exit system with an interconnector. The SNIP forms part of the NI entry-exit zone which is adjacent to both the GB and Republic of Ireland entry-exit zones.

The CAM regulations refer to the requirement for adjacent transmission system operator to use auctions to allocate IP capacity and require the NI IP Entry Capacity (which SGN needs to book) to be sold as part of a bundle² with GB IP Exit Capacity on PRISMA.

SGN do not have a requirement to book exit capacity at the Moffat Interconnection Point (IP Exit Capacity) as a result of specific arrangements implemented under the Unified Network Code in GB (UNC) at Section A1.4 of the European Interconnection Document.³ Such arrangements were introduced on 1 October 2015 to ensure compliance of the GB legal and regulatory framework with the provisions of CAM. For the purposes of the UNC, gas at the Moffat Offtake is therefore treated as flowing directly from the NTS onto the Stranraer Distribution Network and not as passing through an interconnection point.

The NI Network Gas Transmission Code (NI Code) covers the requirement to hold capacity (both entry and exit). SGN is a Shipper under the NI Code and is required under the current arrangements (in addition to its other obligations under the Code) to book entry capacity at the Moffat Interconnection Point (IP Entry Capacity) in order to flow gas onto the NI Network. SGN previously met this requirement under the NI Code by way of its initial IP Entry Capacity Allocation. SGN was allocated unbundled IP Entry Capacity in 2015 when the entry-exit regime was introduced for the first time.

SGN's previous unbundled IP Entry Capacity booking expired on 30 September 2020 and an interim arrangement has been in place since. The Agreement seeks to implement an enduring arrangement for capacity booking. IP Entry Capacity is required for entry to the NI Network and has to be sold as part of a bundle with IP Exit Capacity at the Moffat Interconnection Point. As explained above, under the current GB arrangements, SGN cannot book GB IP Exit Capacity; therefore, cannot book NI IP Entry Capacity.

The Agreement

This decision relates to the proposed Agreement intended to facilitate SGN booking capacity on the SNIP from Moffat, in order to flow gas to the Stranraer offtake. The Agreement is

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0459>

² 'Bundled capacity' means a standard capacity product offered on a firm basis which consists of corresponding entry and exit capacity at both sides of every interconnection point.

³ The European Interconnection Document can be found on the [website](#) of the Joint Office of Gas Transporters.

between PTL (as the operator of the SNIP) and SGN (as the operator of the Stranraer Distribution Network).

The Agreement regulates the relationship between the PTL and SGN in relation to the processes by which SGN shall be allocated entry capacity in the form of Non-IP Entry Capacity at the Non-IP Entry Point and certain other technical and operational matters.

Authority Decision

The Agreement is between PTL and SGN. PTL holds a gas interconnector licence. We recognise that the agreement relates to SGN's functions as a Shipper under NI Code, however, SGN owns and operates the Stranraer Distribution Network in Scotland, for which they hold a gas transporter licence. The interconnector licence and gas transporter licence were issued to PTL and SGN respectively by Ofgem.

SLC 3.1 requires that bilateral agreements, and any amendments to these agreements, must be submitted to the Authority for approval. The Authority has decided to approve the Agreement, in accordance with the provisions of SLC 3 of PTL's gas interconnector licence, having regard to the Authority's principal objective and statutory duties, on the basis that the Agreement has been agreed by both parties.

If you have any questions relating to this decision, please contact Kevin.Hughes@Ofgem.gov.uk.

Yours faithfully,

Tom Corcut

Deputy Director, Wholesale Markets & Commercial