



Department
of Energy &
Climate Change

Bi-directional gas flow over interconnectors

EU Regulation 994/2010 Guidance

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1. Introduction

- 1.1 This document provides supporting guidance to companies involved in the operation of a gas interconnector between the UK and another EU Member State and who are subject to the requirement in Article 6(5) of EU Regulation 994/2010 (EU Security of Gas Supply).
- 1.2 The purpose of this document is to provide guidance to organisations within scope on how to implement the actions and processes contained in EU Regulation 994/2010 (“the Security of Supply Regulation”, hereafter the Regulation) in the UK. Article 6 (5) of the Regulation requires Transmission System Operators (within the meaning given by Directive 2009/73/EC) of gas interconnectors, to enable bi-directional flow over interconnectors between EU Member States unless they hold an exemption to this requirement.

2. Scope

- 2.1 Article 6 (5) of the Regulation only applies to Interconnectors with other EU Member States and therefore the scope of this guidance is for TSOs who operate such pipelines. The UK currently has four gas interconnectors with other Member States as follows:
 - Interconnector UK (IUK), which flows gas in both directions between Bacton and Belgium;
 - BBL, which currently flows gas from the Netherlands to Bacton;
 - Interconnector 1 and Interconnector 2 (IC1 and IC2), which are currently configured to flow gas from Moffat in Scotland to Republic of Ireland (also known as the Moffat Interconnector in the UK); and
 - South-North Pipeline (SNP), which is currently configured to flow gas from Republic of Ireland to Northern Ireland.Therefore the TSOs considered within scope are IUK, BBL, National Grid and BGE (UK).
- 2.2 Companies wishing to build an interconnector between the UK and another EU Member State should also be aware of this guidance.
- 2.3 Other parties with an interest in the UK’s gas interconnectors but are out of scope for the purposes of this guidance are expected to include:

- Ofgem;
 - Utility Regulator Northern Ireland (UREGNI);
 - Commission for Energy Regulation, Ireland (CER);
 - Office of Energy Regulations, Netherlands (MINEZ);
 - The EU Commission;
 - Those who hold capacity on/have an impacted contractual relationship with interconnectors touching the UK; and
 - Adjacent TSO's.
- 2.4 This guidance is not intended to replace the existing dialogue between the UK and other Member States, nor does it remove the necessity on the Department of Energy and Climate Change (DECC) to report to the EU Commission under Regulation 994/2010. This guidance is not intended to replace any processes in place in other countries or other jurisdictions. This guidance is designed for TSOs operating in the UK. It intends to give a clear process with regards to their interactions with the UK Competent Authority in relation to the requirements under Article 6 (5) of the Regulation.

3. Background

- 3.1 The Secretary of State for Energy and Climate Change is designated as the Competent Authority for the UK under the Regulation. The Regulation requires this role be held by a single entity for the whole Member State and therefore the role of Competent Authority applies to the whole of the UK. However, the devolution settlement has transferred energy matters to the Northern Ireland Assembly and energy policy in respect of Northern Ireland resides with the Department of Enterprise, Trade and Investment (DETI) Minister. The Regulation therefore allows for sections of the process to be considered regionally and as such, DECC as Competent Authority will consult with Ofgem before making any decisions which affect Great Britain, and consult with DETI and UREGNI before taking any decisions which affect Northern Ireland.
- 3.2 DECC first considered the requirement for bi-directional flow following applications received for exemptions in early 2012. Of the four interconnectors currently in operation, one (IUK) already had bi-directional gas flow at that time. The remaining TSOs concerned applied for exemptions to enabling bi-directional flow and on the basis of these applications, time-limited exemptions to the requirement were issued in time for the September 2012 deadline.
- 3.3 If the market requires bi-directional flow on an interconnector for commercial reasons, the market has the ability to provide that capacity. New interconnection may be built with bi-directional flow, or a holder of an exemption to bi-directional flow on an existing pipeline may at any time give up that exemption and commence the process to enable bi-directional flow over the interconnector concerned, if they consider it to be in their commercial interests to do so.

3. Background

- 3.4 As the Competent Authority, DECC must also be satisfied that bi-directional flow is not required for security of supply reasons. Consequently, in the role of Competent Authority, DECC is required to make an assessment of the security of gas supply every two years and to publish a risk assessment (hereafter the “Biennial Report”¹). Every EU Member State has to produce an assessment of this nature by the same date. The Biennial Report looks at specific criteria, as laid out in the Security of Supply Regulation. After 2014, the Biennial Reports will be required by the EU commission by 30 September, in even numbered years.
- 3.5 The exemptions issued thus far by DECC have been timed to expire at the same time as the Biennial Report is due to be published. This is in order to join up the process and to enable DECC to have a full view of security of supply. This full view enables DECC to assess whether bi-directional flow over the interconnectors would materially assist with security of gas supply in the UK and review whether the issuance of exemptions remains appropriate for both the UK and the other Member States affected.
- 3.6 Therefore the UK’s Biennial Report includes an assessment of whether bi-directional flow would assist with security of gas supply. During the drafting of the Biennial Report, account is also taken of other Member States’ risk assessments. This drafting process includes informal consultation as to other Member States’ opinions on their security of supply situation and whether enabling bi-directional flow would be necessary for UK or other Member States’ concerned security of supply.
- 3.7 It should be noted that even if the Biennial Report of the UK or another affected Member State finds that bi-directional flow would assist with security of supply, this does not necessarily equate to the revocation of an existing exemption or the refusal of a new application for an exemption by the UK. If that were the conclusion of the Biennial Report of either the UK or another affected Member State the TSO concerned would have the option to either commence with bi-directional flow enablement or to make an application for an exemption following the process laid out below, with regards to the UK. DECC would then make a decision as to whether to issue an exemption or not drawing on the evidence presented. All decisions will be made in conjunction with other affected Member States and in consultation with affected regulators.
- 3.8 As part of the planning process for new gas infrastructure relating to interconnectors, TSOs should consider whether the Regulation applies to them. Any new gas interconnector between the UK and another EU Member State will be within scope of the Security of Supply Regulation. Therefore, TSOs of such potential infrastructure should consider whether they will enable bi-directional flow at the planning stage of the new interconnectors and at the point of that infrastructure becoming operational (“first gas”), they should either have physical bi-directional flow in place or hold an exemption to the bi-directional flow requirement.

¹ The “biennial report” here is the Risk Assessment required under 994/2010. For the avoidance of confusion it is referred to as the biennial report throughout this guidance as DECC is required to publish several reports with similar titles.

4. Process for an initial application for an exemption

- 4.1 This process applies in respect of the TSOs where the Interconnector is not enabled for bi-directional flow, and no exemption is held to this requirement. It is expected that before “first gas” over any new interconnector, the TSO will either enable physical bi-directional flow or will have followed the process laid out below to ensure they have an exemption to the requirement in place.
- 4.2 Article 7 of the Regulation lays out the requirements for applying for an initial exemption. The applicant must address the following as part of their application;
- an assessment of market demand;
 - projections for demand and supply;
 - technical feasibility;
 - the costs of bi-directional flow capacity, including the consequent reinforcement of the transmission system; and
 - the benefits for security of supply

The applicant also needs to take into account the possible contribution of bi-directional flow capacity, along with other measures, to meeting the infrastructure standard as laid out in Article 6 of the Regulation.

- 4.3 When an application has been received by DECC, it will seek views on the application from: Ofgem in relation to decisions that affect Great Britain; DETI and UREGNI in relation to any decisions which affect Northern Ireland; Ofgem, DETI and UREGNI where decisions impact the whole of the UK; and the views of the relevant other Member State(s) concerned, including but not limited to other regulators, other Competent Authorities and the EU Commission². DECC may also choose to seek views from other companies which may have an interest in the decision, although commercially sensitive information will be protected, if that occurs. If the application is found to be inadequate, the applicant will be given the opportunity to rectify this.

Guidance for Application

- 4.4 When creating an application for exemption it is best practice for the application to include the following assessments as laid out below.
- The whole application:
 - should make use of the latest available evidence that takes into account recent developments in the market;
 - can make use of existing evidence and research providing it is relevant, robust and conducted by a reputable researcher; and

² If the application is in relation to Northern Ireland, any decision would be made in conjunction with DETI as energy is a devolved issue.

4. Process for an initial application for an exemption

- should annex the original consultations if any published in connection with the application.
- Market Demand Assessment³:
 - should include an open and notified, publicly available consultation period of no less than six weeks;
 - should include number and type of responses (eg. positive or negative), as well as the type of respondees (eg. shipper, member of the public) to consultation⁴;
 - should include the highlights of the consultation and any relevant comments received;
 - should include indicative costs which are transparent to market operators and likely to allow respondees to give a realistic estimate of their demand for such services; and
 - should include open questions as an alternative to the indicative costs.
- Projections for demand and supply:
 - should investigate the demand and supply scenarios for both Member States concerned including annual and peak periods;
 - should include both a near term outlook and a longer term outlook⁵; and
 - should include an outlook relating to the implementation of bi-directional flow timescales.⁶
- Technical Feasibility:
 - should relate to full capacity bi-directional flow (ie: fully bi-directional capacity, not partial);
 - include an option for partial capacity;
 - should include detail of any additional infrastructure needed;
 - should include outline plans and drawings if relevant;
 - should correlate with the costs of bi-directional flow;
 - should give an assessment of the time needed for implementation; and
 - should include an assessment of any planning implications.
- Costs of bi-directional flow:
 - should include a range if they are estimates;
 - should indicate the likely accuracy of any estimates;
 - should be transparent;
 - should include breakdowns, as well as totals; and

³ Refers to an assessment of the market appetite for bi-directional flow

⁴ Where respondees ask companies for anonymity, they should be made aware that their response will be released in full to DECC but that DECC will be informed of their wish to remain anonymous. DECC will take steps to protect respondees where appropriate.

⁵ The near term outlook should be for the next two years or until the next Biennial Report, the longer term outlook should be for the next fifteen years.

⁶ This outlook should relate to the timescale for implementation related in the feasibility assessment. For example if your feasibility assessment finds that it would take five years to build bi-directional flow capacity, your projections for demand and supply should relate to two years, five years and fifteen years.

- where the costs of re-reinforcement to the adjacent transmission systems are included, these costs should be clearly marked as such.
- Benefits to security of supply:
 - should consider both Member States;
 - should include N-1 calculations⁷ of both Member States⁸; and
 - should include wider security of supply benefits for the rest of the EU.

4.5 It is up to the applicant to decide how long they spend on the application but they should be aware that the minimum period their application can take from opening of consultation to decision is 24 full working weeks. The indicative 24 weeks refers to an application where DECC does not require any more information following receipt of the application. The applicant should note the indicative timetable below and be aware that if their application is found to be inadequate or more information is required during the process it can be returned by DECC to the applicant for further work. If the assessments in the application become older than twelve months by the time that DECC receives an adequate application, those assessments will need to be re-done. Applicants should note that “first gas” cannot flow over a new interconnector until either physical bi-directional flow has been enabled or an exemption to the requirement for this has been issued.

4.6 No interim exemptions will be issued before completion of a satisfactory application. All exemptions are subject to scrutiny by the EU Commission and are issued subject to their approval. DECC will inform the Commission of a decision at Step 6 and the EU Commission has four months to comment on or reject an exemption request, and can request an exemption be revoked. On-going approval of the EU Commission forms one of the conditions of all exemptions issued by the UK.

Timetable for Application process		
Step 1	Applicant Opens Consultation for their Market Demand Assessment	Minimum 6 Weeks
Step 2	Concurrently the applicant can pull together the remainder of their application	-
Step 3	Full application should be submitted to DECC within one month of the consultation closing date	-
Step 4	Upon receipt of application DECC will provide copies to Ofgem/UREGNI/DETI and the Regulators in other Member States concerned	Regulators/competent authorities will have 6 weeks to comment on and provide an opinion to DECC as to whether to require further information or whether to issue an Exemption
Step	If more information required, DECC will	Up to 12 weeks for changes to the

⁷ The definition of N-1 as defined in Article 9 of the EU Gas Security of Supply Regulation 994/2010.

⁸ These can be the N-1 calculations published in the most recent Biennial Report of each Member State concerned providing they are not more than 12 months old at the time of application. If they are older than twelve months, a new N-1 calculation will need to be undertaken for the application.

5. Process for those who already hold an exemption from the requirement for bi-directional flow

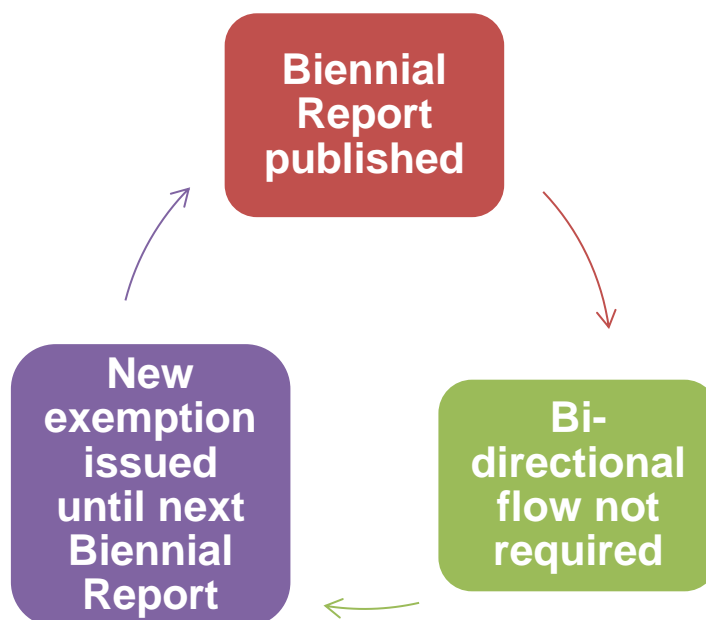
5	refer the application back to the applicant	application, to include a new consultation period
Step 6	Upon receiving the final application, DECC will make a decision, and either issue an exemption or inform Ofgem/UREGNI/DETI that an exemption is not held in relation to that interconnector	Up to 12 weeks, to include any further consultation DECC needs to make in deciding the application. However, if the application is still inadequate, it may still be returned to Step 5 for further amendments
	Total Application period (range of min – max)	24 weeks to a year

5. Process for those who already hold an exemption from the requirement for bi-directional flow

- 5.1 This section of the guidance applies to any TSO which already holds an exemption to the requirement for bi-directional flow, issued by DECC. Exemptions are time limited, with expiry to coincide with the publication of the new Biennial Report unless otherwise explicitly specified.
- 5.2 If the TSO already holds an exemption to the requirement for bi-directional flow the process begins as follows:
- In all cases the Biennial Report will consider whether bi-directional flow is required across the relevant interconnector for the UK to continue to have secure supplies.
 - The Biennial Report will initially assess the impact on UK security of supply
 - If the conclusion of the Biennial Report is that bi-directional flow is not required for UK security of supply, DECC will examine the impact on affected neighbouring Member States' security of supply in the light of the neighbouring Member State's own Biennial Report⁹.
 - If the conclusion is that bi-directional flow is not required for UK or the other EU Member States' security of supply, a further exemption will be issued to the concerned party, which will be issued at the same time as the Biennial Report. This exemption will be time limited to the next Biennial Report, at which point this process will repeat.

⁹ This will be done through an informal information sharing process between the drafters of the Biennial Reports of each Member State. It could also be done through discussion at the UK/Ireland Emergency Planning Group as appropriate/relevant.

- Every exemption issued is subject to approval from the EU Commission. The Commission has four months to comment on or reject an exemption and can request an exemption be revoked. This forms one of the conditions of all exemptions issued under this regulation, by the UK.
- In this instance DECC requires no action by the exemption holder¹⁰.



Process where DECC finds it does not have enough information to issue a further exemption

- 5.3 If the TSO holds an exemption and DECC is unable to confirm in the Biennial Report that bi-directional flow is not required, then upon publication of the Biennial Report, DECC will issue the exemption holder with an interim exemption for a period of one year. During that time the holder of the interim exemption will be expected to make an application for a further exemption supported by sufficient evidence, or to start work to enable bi-directional flow over the interconnector concerned.
- 5.4 If the interim exemption holder prefers to make an application for a further exemption, that application should correspond with the following:
- The whole application:
 - should make use of the latest available evidence that takes into account recent developments in the market;
 - can make use of existing evidence and research providing it is relevant, robust and conducted by a reputable researcher; and
 - should annex the original consultations if any published in connection with the application.
 - Market Demand Assessment¹¹:

¹⁰ Specifically, DECC does not require to submission of a Market test/assessment by TSOs on a biennial basis. If DECC finds it does not have enough information to renew an exemption, the process under section 5.3 onwards should be followed.

¹¹ Refers to an assessment of the market appetite for bi-directional flow

5. Process for those who already hold an exemption from the requirement for bi-directional flow

- should include an open and notified, publicly available consultation period of no less than six weeks;
 - should include number and type of responses (eg. positive or negative), as well as the type of respondees (eg. shipper, member of the public) to consultation;
 - should include the highlights of the consultation and any relevant comments received;
 - should include indicative costs which are transparent to market operators and likely to allow respondees to give a realistic estimate of their demand for such services; and
 - should include open questions as an alternative to the indicative costs.
- Projections for demand and supply:
 - should investigate the demand and supply scenarios for both Member States concerned including annual and peak periods;
 - should include both a near term outlook and a longer term outlook¹²; and
 - should include an outlook relating to the implementation of bi-directional flow timescales.¹³
 - Costs of bi-directional flow:
 - should include a range if they are estimates;
 - should indicate the likely accuracy of any estimates;
 - should be transparent; and
 - should include breakdowns, as well as totals.
 - Benefits to security of supply:
 - should consider both Member States;
 - should include N-1 calculations¹⁴ of both Member States¹⁵; and
 - should include wider security of supply benefits for the rest of the EU.

5.5 It should be noted that this process differs to that of the initial application process in that it does not include the need for a further technical feasibility study. However, all applications should include a technical feasibility study. The applicant may rely on a technical feasibility study for the enablement of bi-directional flow which has been used in a previous application providing that the study has not been found inadequate previously and is not more than ten years old at the time of application. If the technical feasibility study accompanying the application is older than ten years, a new technical feasibility study will need to be undertaken and included with the application, as laid out in the process for new applicants.

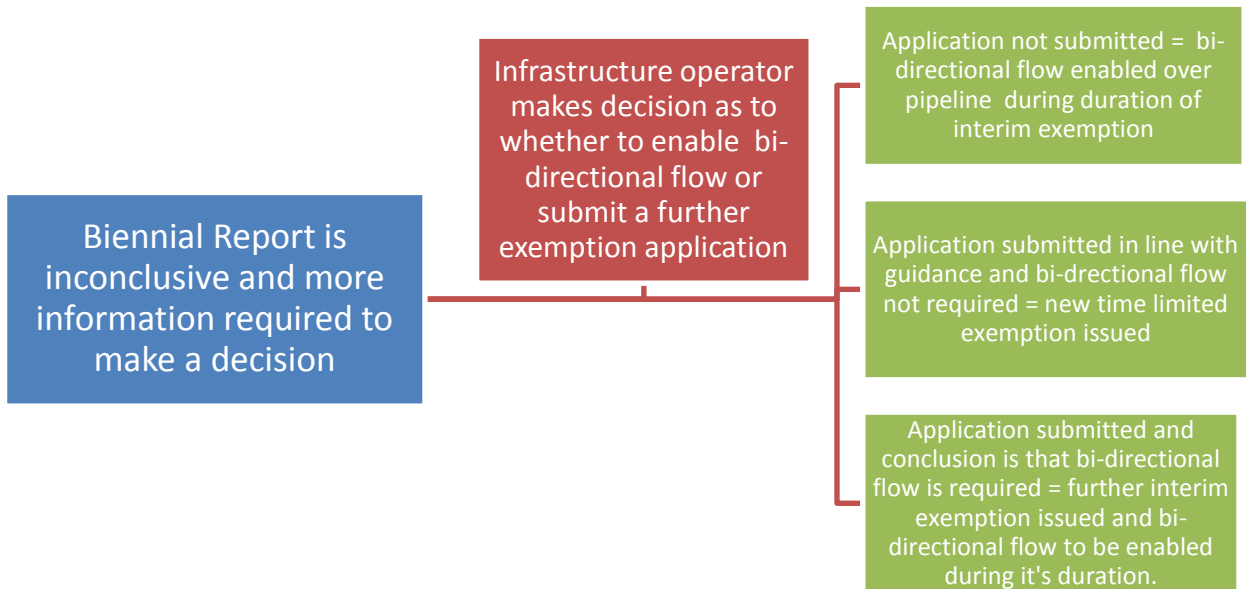
¹² The near term outlook should be for the next two years or until the next Biennial Report, the longer term outlook should be for the next fifteen years.

¹³ This outlook should relate to the timescale for implementation related in the feasibility assessment. For example if your feasibility assessment finds that it would take five years to build bi-directional flow capacity, your projections for demand and supply should relate to two years, five years and fifteen years.

¹⁴ The definition of N-1 as defined in Article 9 of the EU Gas Security of Supply Regulation 994/2010.

¹⁵ These can be the N-1 calculations published in the most recent Biennial Report of each Member State concerned providing they are not more than 12 months old at the time of application. If they are older than twelve months, you will need to undertake a new N-1 calculation for your application.

- 5.6 The timetable for applications will be the same as the timetable laid out above. The interim exemption issued for the purposes of enabling a TSO to make a further application will be for the duration of one year. During that year, it is for the applicant to decide how long their application process will take. Applicants should bear in mind that DECC will require a full eighteen working weeks to make a decision on an application, to include six weeks of consultation with Ofgem/UREGNI/DETI and other affected Member States' Regulators. If the application is found to be inadequate the application will be returned as per the timetable. No extra time will be allowed via a further interim exemption if the application is found inadequate; the applicant is expected to allow for any issues of this nature. However, if for any reason the application process is delayed by DECC, DECC will issue an extension to the exemption to cover their delay.
- 5.7 Following receipt of the new application, DECC will make a decision as to whether to grant a further exemption. Any new exemption will be time limited to the next Biennial Report. If DECC refuses the exemption application, the TSO will be issued with a further interim exemption while it enables bi-directional flow. Any costs associated with enablement of bi-directional flow would be decided on a case by case basis and in line with Article 6 (8) of the Regulation.



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