

Terms of Reference for the DECC-Ofgem **EU Gas Stakeholder Group**

Context

As part of the EU's Third Package, the EU is developing Framework Guidelines and Network Codes, which could have far reaching implications for the GB system. The development of these Codes is still at an early stage, but they will mean changes for the GB market.

The detail of these Codes is yet to be developed, but several Framework Guidelines have already been finalised, and the Gas Target Model has been consulted on and published. The latter requires NRAs to assess further measures to improve liquidity and efficiency in integrating with neighbouring markets.

DECC and Ofgem recognise that many stakeholders have already engaged with these issues at a European level. We are also increasingly aware of the need to consolidate these efforts and develop a UK position that shows leadership on these network code issues.

Other fora also exist where updates on European gas policy are provided. However, it is our understanding that these groups are either focused on the technical detail of the Codes or may not be representative of the whole industry. It is our goal to consider a more strategic approach that will help us develop a UK negotiating position. This group may establish sub-task forces to consider issues of detail arising from the framework guidelines, network codes or comitology proposals, as necessary.

The EU Network Codes Stakeholder Group has been set up with the aim of drawing together stakeholder views, informing the UK negotiating position, taking a proactive stance on the development of a gas target model, thus developing an influencing strategy to help deliver our objectives.

Scope and objectives

The purpose of the group is twofold:

- 1. To influence the development of the EU Network Codes and other comitology guidelines in the interests of the UK.** The best outcome will involve maximising the benefits as well as minimising potential costs. The group's purpose is to inform the UK position, drawing on member's views both on substance and on the position of other parties within the relevant European associations, including CEFIC, ENTSOG, EFET, Eurelectric, Eurogas, IFIEC, etc. The group will also contribute to accurate problem identification and potentially help deliver that position

where mutually agreed. To achieve this it will be necessary for information to flow both from DECC/Ofgem to stakeholders and vice versa.

2. To consider how the UK gas market may adapt to accommodate the changes that European network codes and comitology guidelines will bring.

The UK gas market is the most advanced and liquid in Europe but more can still be done to integrate with neighbouring markets. This puts the UK in a good position to proactively trial or pilot some of the changes needed to develop a single European market. This is why we intend to adopt an *open, forward-thinking* approach to influence the debate on forthcoming network codes and target model more generally.

It will take a “light touch” approach, seeking primarily to understand stakeholders’ views through regular meetings. A note will be produced of the discussions of each meeting, and these will be used to inform Ofgem / DECC policy and negotiating positions. At times we may ask relevant members of the group to undertake analysis to support policy positions, especially if there are major disagreements— although it will ultimately be for DECC to make any final policy decisions in Comitology, and for Ofgem in the Framework Guideline and ACER processes.

The Group will need to prioritise issues (for example identifying the two or three most important for each meeting). As required, DECC and Ofgem will produce a “strategy note”, drawing out the key messages from the meetings, and setting out the direction of travel. There will also be a standing agenda item covering feedback from other bodies involved in these issues.

It should be noted that the group will not have any decision-making responsibilities. Ofgem and DECC will not be bound to follow any advice from the group, neither will group members. However both co-chairs and all members should endeavour to provide appropriate resources and to engage both within the group and in the broader European debate on these topics.

The group will run from December 2011 for as long as it is deemed useful or until the end of the Network Code comitology process.

The scope of the group will be limited to gas matters. A similar group focusing on electricity has been set up.

Invitations for Membership

A key priority of this group is to be comprehensive and encourage the engagement of all major stakeholders in the EU process, in order to get the best the outcome for GB as a whole.

The group will be co-chaired by DECC and Ofgem (with chairmanship alternating and with the secretariat provided jointly by DECC and Ofgem). Other members will potentially include:

- Transmission System Operators
- Gas producers, Shippers and Suppliers
- Energy Traders
- Energy Intensive Users
- Consumer Focus

Frequency of meetings

The meetings should take place when needed. The first meeting was hosted by Ofgem – the venue for further meetings may change.