

## **DECC-OFGEM STAKEHOLDER GROUP FOR GAS**

MINUTES of 2nd Meeting – 3 February 2012, 14:30 – 17:00

Ofgem, 9 Millbank, London, SW1P 3GE

Chair: Pamela Taylor

### **1. Follow up to 1st meeting: review of actions**

See Annex 1 for list of participants. All actions from first meeting had been completed. NI updated the group on proposals for a NI subgroup - first subgroup meeting to be held on 14 February.

### **2. Update from other groups**

Transmission WG update – nothing new on latest codes.

### **3. Congestion Management Procedures Guidelines**

DECC provided an update following the CMP comitology meeting held on 26 January. 23 Member States (MS) attended. Overall MS were happy with the structure of the guidelines. There was a line-by-line discussion of the Annex but no discussion of the recitals. Commission have taken a pragmatic approach and are happy to receive suggestions on wording before the next formal text is tabled at the second comitology meeting on 20 April. If agreement is reached at that meeting, it should be possible to publish the Guidelines in September.

#### Key points

- Date for implementation provisionally agreed for 1 October 2013.
- Agreement that CMP procedures should apply wherever possible. ENTSO-G to investigate as to whether it is feasible to apply procedures on one side of the border for entry-exit points with third countries.
- Lack of clarity over definition of 'supply only networks'. To be addressed at the next meeting.
- Unclear as to how/if CMP guidelines will apply to Moffat and Twynholm. UREGNI and Ofgem are to provide some additional wording to the Commission with rationale for why they should not apply at Twynholm.
- Commission wants the Firm UIOLI to automatically kick-in if overselling and buy-back does not resolve the issue of contractual congestion. UK noted that NRAs should be involved in approving the details of the Firm UIOLI scheme
- Commission noted the potential problems with the definitions of contractual congestion and additional capacity made available as a result of overselling. Commission invited text suggestions.

#### Actions

3.1 Suggestions for changes to proposal to be sent to Sue by Thursday 9 February at the latest.

### **4. Capacity auctions in the Network Code on Capacity Allocation Mechanisms (CAM)**

NG provided an update to the group on ENTSO-G's development of the CAM Network Code (NC). Of key importance for GB are the proposals for auctions as these are very different to those in GB. Strong desire by the group for the NC to allow quarterly products – concerns that annual products will result in congestion and reduce flexibility. Noted that the Prime Movers Group and other European trade associations also prefer the quarterly approach. Stakeholders also raised concerns that changes to the timing of the day-ahead auctions could jeopardise the market for gas (UIOLI arrangements set out in CMP must be considered).

It was suggested that any concerns should be raised in responses to the ENTSO-G proposal and that stakeholders should co-ordinate their actions at a European level through associations like Eurogas and EFET. Sue Harrison also asked to be informed of the different positions of MS as this will be useful going in to comitology. Please send comments to [Sue.Harrison@decc.gsi.gov.uk](mailto:Sue.Harrison@decc.gsi.gov.uk) and copy in [Richard.Miller@ofgem.gov.uk](mailto:Richard.Miller@ofgem.gov.uk) and [Clara.RuizPrada@ofgem.gov.uk](mailto:Clara.RuizPrada@ofgem.gov.uk).

#### **5. Incremental capacity mechanism (follow-up from gas target model)**

The objective of any incremental capacity mechanism should be to ensure that if shippers demonstrate that there is a demand for increased capacity TSOs should be able to provide it. Currently there is no such mechanism in Europe to allocate long-term variable capacity; instead there is a rationing mechanism which leads to prices increases. EFET proposed a number of principles for bids for incremental capacity that should be applied to interconnection points. In the UK if demand exceeds supply National Grid will make an investment at reserve price. However, it is noted that while the mechanism will trigger an investment, it won't necessarily lead to physical investment as TSOs could make the capacity available through oversubscription.

ACER are drafting a consultation document on incremental capacity to be published in April. This process is being led by Ofgem, BNetzA and CRE.

#### **6. AOB – item brought forward in agenda.**

Ofgem highlighted the forthcoming work on interoperability. Noted that Commission has sent its letter to ACER for it to start the Framework Guideline (FG) this week. Meeting with Interoperability TF on 8 February. FG expected to include gas quality, data units, TSO-TSO arrangements.

Urged stakeholders to engage in the process early on in order to have an influence.

#### **7. Tariff structures scoping consultation**

Tariffs scoping document to be published imminently. ACER workshop organised for 20 February in Ljubljana to discuss. Ofgem presented the key elements of the tariff scoping document (presentation will be circulated). Regulators are keen to hear stakeholder views and to understand what they want a tariffs FG to achieve. Stakeholders raised the idea of locational signals in the tariff proposal.

Stakeholders also highlighted how the ENTSO-G process for developing the CAM NC had been very consultative and are keen for a similar approach to be used for tariffs even if the FG goes straight from ACER to comitology. Also noted that ACER are to recruit a consultant to provide an impact assessment.

#### **8. Actions for next meeting**

- Comments on CMP proposal to be sent to [Sue.Harrison@decc.gsi.gov.uk](mailto:Sue.Harrison@decc.gsi.gov.uk) (cc. [Richard.Miller@ofgem.gov.uk](mailto:Richard.Miller@ofgem.gov.uk)) by Thursday 9 February
- Sue Harrison to circulate new formal draft of CMP proposal once published (expected end March/April)
- Next meeting to follow CMP meeting on 20 April. Possibly have a sub-group meeting beforehand if there is sufficient interest.
- Stakeholders urged to respond to ENTSO-G consultation on CAM NC and to coordinate their positions through European associations.
- Interoperability consultation expected March/April – stakeholders encouraged to get involved.

- ACER expected to launch 5 week consultation on tariffs in the next few months. Reminder that they are holding a workshop on 20 February. Agreed to have a more detailed discussion on tariffs at the next SG meeting. Grid agreed to present on the results of their report on tariffs at the next meeting.

## 9. Participants

<b>Name</b>	<b>Company</b>
Alex Barnes	Gazprom
Andrew Pearce	BP Gas Marketing
Bogdan Kowalewicz	Ofgem
Celine Hayes	Gaslink
Chris Logue	National Grid
Clare Cantle-Jones	Energy Networks Association
Clémence Marcelis	Ofgem
Colin Lyle	EFET
Darren Reeve	IUK
David Cox	Gas Forum MD
David Mooney	Scottish Power
David Odling	Oil and Gas UK
Donal Kissane	BGE(NI) – <i>dialled in</i>
Felicity Bush	ESBI Investments
Helen Stack	Centrica
Ian Trickle	ExxonMobil
Julie Cox	AEP UK
Konrad Keyserlingk	Ofgem
Mark Dalton	BG
Mary Palomino	EDF Trading
Matt Hatch	National Grid
Pamela Taylor	Ofgem
Peter Bolitho	E.ON Trading
Ritchard Hewitt	National Grid
Richard Miller	Ofgem – <i>dialled in</i>
Robert Sale	IUK
Roisin McLaughlin	UREGNI
Stephen Rose	RWE
Sue Harrison	DECC
<b>Guests</b>	
Denis Cagney	CER
Keelin O'Brien	CER