

DECC-OFGEM STAKEHOLDER GROUP FOR GAS

**3rd Meeting – 13 April 2012, 14:00 – 16:30
Ofgem, 9 Millbank, London, SW1P 3GE**

MINUTES OF THE MEETING

1. The Chair opened the meeting and welcomed attendees. There were no outstanding actions to be followed up from the 2nd DECC-Ofgem Gas SG meeting.
2. **Congestion Management Procedures Guidelines (CMP)**
 - 2.1. 2nd Comitology meeting to be held on Friday 20 April. Noted that DECC are not anticipating a 3rd Comitology meeting as they are hoping to finalise the guidelines and to vote on the agreed text in the meeting on the 20th. Any final comments from DECC-Ofgem Gas SG to be sent to Sue Harrison by Monday 23 April.
 - 2.2. Discussion then followed as to whether there were perceived to be any significant issues still to be addressed in the CMP guidelines:
 - 2.2.1. Concern over long-term Use-It-Or-Lose-It (UIOLI) arrangements (80% rule) and how these fit with Capacity Allocation Mechanism (CAM) Network Code (NC). The CAM NC sets out that an annual product must be offered, however, stakeholders raised concerns that if you primarily want to use capacity during winter months but are forced to buy an annual product, it is likely that your usage will be less than 80% and you will therefore be liable for the long-term UIOLI provision under CMP. Suggested that the 80% should be reduced. Agreed that this point would be raised in the comitology meeting on the 20th.
 - 2.2.2. CMP to enter into force in October 2013 with CAM expected for 2015/16, concerns were raised as to how capacity should be treated in the interim period before CAM enters into force. Chair stated that until CAM auctions are implemented CMP provisions will apply to existing capacity released through the mechanisms which are currently available.
 - 2.2.3. Comments were also raised on the use of Secondary Markets to relieve contractual congestion. However, noted that one of the reasons the CMP NC has been demanded is because the Secondary Market mechanism has proved to be insufficient.
 - 2.2.4. One stakeholder also commented on the fact that CAM doesn't provide the mechanism for buy-back that CMP demands. However, it was noted that this requirement to facilitate buy-back is covered in the CMP guidelines and therefore does not also need to be included in CAM.
 - 2.2.5. Questions were raised around the application of CMP to third country's exit points provision – noted that a number of stakeholders would prefer the reference to be removed from the text.
3. **Network Code on Capacity Allocation Management**
 - 3.1. NC was submitted to ACER by ENTSO-G on 6 March. ACER now has 3 months to give their reasoned opinion on 6 June.
 - 3.2. *Presentations on CAM and tariffs given together then opened for discussion.*
 - 3.3. Discussion on CAM

- 3.3.1. National Grid were surprised that the 90% rule is being challenged given that it was included in the Framework Guideline (FG) and has been shown to work in GB. 90% rule sets out that up to 90% of capacity can be offered in one long-term auction up to 15 years ahead. The remaining 10% (as a minimum) will then be held back for Quarterly products, with no further reservation possible for Monthly or Daily. The Chair explained that as this was the first time cross-border auctions would be conducted at the same time across Europe, NRAs were concerned that by offering such a significant quantity in one auction, there was a significant risk that if something went wrong we'd be stuck with the result.' So it was important to have several auctions of capacity. It was also important to bear in mind that capacity hoarding is a problem in other Member States so it is important to get this right. A number of stakeholders agreed that this was a risk.
- 3.3.2. Some stakeholders felt that the debate on tariffs was beyond the scope of the CAM NC and should be addressed in tariffs NC instead. Suggested that references to tariffs should therefore be removed from the CAM NC. However, others were content to leave the text as it is on the basis that it could be amended or removed depending on the outcome of the Tariff NC.
- 3.3.3. Stakeholders considered that the issue of unbundled capacity in the event of a technical mismatch is unavoidable and will remain. The rationale being that there will always be instances where capacity at both sides of the interconnection point cannot be matched and so any unmatched capacity will need to be sold as unbundled.
- 3.3.4. Regarding incremental capacity – not addressed in CAM therefore should be included in tariffs. A paper addressing the issue is currently being developed at the moment. Noted that Roundtable on Incremental Capacity is being held on 25 April in Brussels.
- 3.4. Agreed to return to this issue of how CAM will apply to interconnectors at a future meeting following further bilateral discussion with the interconnectors.

4. Framework Guidelines on Tariffs

4.1. Process and next steps:

Feb/Mar 2012 - ACER consulted on FG scope
 Apr to Jun – ACER developing FG for consultation
 – Consultants –assessing options Apr -Jun
 – Expert Group –2 Apr, 4 May and 30 May
 – ACER GWG
 – ACER Board –approval of FG consultation
 Summer 2012 - ACER consulting on FG and IA
 December 2012 – ACER submits FG to Commission
 2013 – ENTSOG develops NC
 2014 – Commission makes NC on tariffs law

- 4.2. Presentation summarised some of the discussion from the ACER Expert Group meeting on 2 April. Mixed reports over how much was agreed at the Export Group meeting, nonetheless a number of issues have been identified to be addressed in the FG.
- 4.3. Agreed that a sub-group from the DECC-Ofgem Gas SG should be established to focus on tariffs. Those interested in participating to contact Harriet.Williams@ofgem.gov.uk by 2 May 2012.
- 4.4. Concern that the timelines for the development of the tariffs FG are too ambitious.

5. Framework Guidelines on Interoperability

- 5.1. Public Consultation - Closes 16 May; Stakeholder workshop– 23 April, Ljubljana.
- 5.2. Question raised on the renomination process (do you re-nominate energy/capacity/joint). Suggested that there is a lack of consistency on the renomination process across NC.

5.3. Concern over the scope of the FG – noted that a number of the proposed issues to be included in the interoperability FG have been/will be addressed in other FG. Agreed that FG is likely to be more relevant for smaller players and for Eastern European countries.

6. AOB

- 6.1. Short update on Balancing NC: ENTSO-G are in the process of developing draft NC and has informally engaged with ACER on this process. ENTSO-G have published the draft NC for consultation, the deadline for responses is 12 June 2012.
- 6.2. Two workshops are also to be held on Balancing:
 - 6.2.1. 18 April, Vienna – to discuss theoretical elements of NC
 - 6.2.2. 9 May, Brussels – focus on more general issues.
- 6.3. Stakeholders encouraged to get involved in these early stages in order to avoid voicing our criticisms too late.
- 6.4. Next meeting – presentation from ENTSO-G on progress of Balancing NC.

7. Participants

Name	Company
Amrik Bal	Shell
Andrew Pearce	BP Gas Marketing
Bogdan Kowalewicz	Ofgem
Chris Logue	National Grid
Clémence Marcelis	Ofgem
Darren Reeve	IUK
David Cox	Gas Forum MD
David Mooney	Scottish Power – <i>Dialled in</i>
David Odling	Oil and Gas UK
Debra Hawkin	National Grid
Donal Kissane	BGE(NI) – <i>Dialled in</i>
Felicity Bush	ESBI Investments
Gaia Morleo	Gazprom
Gareth Davies	IFIEC - Chemical Industries Association
Graeme Craig	UREG NI – <i>Dialled in</i>
Helen Stack	Centrica
Ian Trickle	ExxonMobil - <i>Dialled in</i>
James Thompson	Ofgem - <i>Dialled in</i>
John Costa	EDF Energy
Lewis Hodgart	Ofgem – <i>Dialled in</i>
Mark Dalton	BG
Mary Palomino	EDF Trading
Matt Hatch	National Grid
Michael Jenner	Ofgem
Neville Henderson	BBL
Pamela Taylor	Ofgem
Paul Gallagher	National Grid
Pavanjit Dhesi	IUK
Richard Fairholme	E.ON Trading

Richard Miller
Ritchard Hewitt
Roisin McLaughlin
Stephen Rose
Sue Harrison

Ofgem
National Grid
UREG NI – *Dialled in*
RWE
DECC