

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

**4th Meeting – 18 May 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 two actions from the 3<sup>rd</sup> meeting:
  - 1.1. **Establish tariffs sub-group** – 16 participants have so far registered their interest in participating in a sub-group to discuss the detail behind the tariffs network code (NC). 1<sup>st</sup> meeting is proposed for Thursday 24 May.
  - 1.2. **Further discussion with IUK and BBL** over application of Capacity Allocation Mechanisms (CAM) to interconnectors – dialogue is ongoing between Ofgem and interconnectors.
2. **Congestion Management Procedures(CMP)**
  - 2.1. The final text for the CMP guidelines was agreed at the 2<sup>nd</sup> Comitology Meeting on 20 April. DECC noted that they and other Member States (MS) were happy with the outcome of the comitology process.
3. **Interoperability**
  - 3.1. There was some discussion of the forthcoming framework guideline (FG) on interoperability with questions raised as to how extensive the harmonisation would be. The Chair confirmed that the purpose of the guideline was not to enable TSOs to work together across borders without facing operational barriers.
  - 3.2. There were some concerns over the operational balancing arrangements (OBAs) and the role of TSOs in balancing. National Grid felt that in the UK these contractual arrangements for balancing weren't required and that the role of the TSO in balancing should remain as residual as possible. However, noted that OBAs could be useful as an interim measure in countries where the market is less developed.
  - 3.3. National Grid highlighted that the difference between the UK and other MS in Europe is that in the UK the TSO doesn't control flows out of the network and that this is the underlying reason why OBAs are not required in GB.
  - 3.4. The chair explained that OBAs were intended to correct small steering differences, not to balance large volumes. Interconnector suggested that there may be some benefit in OBAs for interconnectors. One shipper noted that OBAs may have benefits in allowing shippers to have firm nominations.

3.5. DECC also pointed to the political interest in this NC, highlighting that MS are likely to be more involved in earlier stages of the drafting of this NC compared to other codes.

#### 4. **Balancing NC**

4.1. National Grid gave an update on the progress of the NC, setting out the issues and key differences for GB regime chapter by chapter. National Grid's initial view is that the code is generally consistent with ACER's Framework Guidelines and broadly consistent with the GB regime but some differences have been identified.

4.1.1. On the issue of nominations, NG noted that the way nominations are defined in the network code is different from the current GB regime. It was noted that daily and hourly nominations could co-exist within two adjacent daily balancing regimes, but once bundled products are implemented each Interconnection Point will need to use single nomination rules anyway

4.1.2. NG noted that they are currently looking into how nomination rules interact with CAM.

4.1.3. One stakeholder also highlighted the importance of there being an end date for interim measures.

4.2. This was followed by a presentation setting out the stakeholder perspective of the NC. Suggested that stakeholder reaction to the ENTSOG NC was that it generally achieves the relevant objectives but that some issues remained<sup>[1]</sup>. Stakeholders urged to respond to the consultation questions both where they support a proposal and where they would like to see change.

4.3. Ofgem then gave a short update from a regulators' perspective. ACER will provide comments ("preliminary opinion") to ENTSOG at the end of June so they can feed into the network code before ENTSOG publish it on 5 November. ENTSOG encouraged ACER to develop their preliminary opinion sooner rather than later in order to keep the process moving.

4.4. Overall stakeholders felt that the presentations had largely reflected the debate Interconnector however highlighted some concerns about how interconnectors fitted with the balancing code, and in particular whether it would force interconnectors to take more balancing actions. Interconnector also queried whether it would be required to hold a shipper licence in adjacent markets to procure the gas. It also highlighted that daily balancing would reduce the ability of shippers to use Interconnector for storage services.

4.4.1. In general stakeholders felt they were not worried about nomination rules on non-interconnection points.

---

<sup>[1]</sup>Both presentations are available on the Ofgem website:[here](#).

4.5. Agreed that the balancing NC will require more changes in some countries than others (e.g. in Eastern Europe). However, it was reported at a stakeholder workshop in Vienna the existing regimes in Hungary and Poland for example were more in line than we were expecting.

4.6. Deadline for responses to the ENTSOG consultation 12<sup>th</sup> June.

## 5. **Capacity Allocation Mechanisms NC(CAM)**

5.1. Ofgem gave a short update on the CAM NC. ACER opinion to be published on 6 June.

5.2. For MS, sunset clause remains a key issue. Important that ENTSOG, NRAs and stakeholders underline the wider benefits which will justify making changes to existing contracts. GB stakeholders encouraged to feed-in to DECC.

5.3. More discussion on the CAM process and how it will be implemented in GB to be included in future meetings.

## 6. **Tariffs FG**

6.1. Formal process expected to be agreed before the summer. Still no confirmation as to whether FG/NC process will be used or whether it will go straight to comitology (though ENTSOG confident it is the former and are expecting a letter from the Commission).

## 7. **AOB**

7.1. Request for incremental capacity to be included in the agenda of the next meeting.

## 8. Attendees

<b>Name</b>	<b>Company</b>
Julie Cox	AEP UK <b>Dial in</b>
Neville Henderson	BBL
Mark Dalton	BG <b>Dial in</b>
Andrew Pearce	BP Gas Marketing
Helen Stack	Centrica
Tom Jesshop	ConocoPhillips
Sue Harrison	DECC
Richard Fairholme	E.ON Trading
Peter Bolitho	E.ON Trading/Gas Forum
Clare Cattle-Jones	Energy Networks Association
Nick Wye	Gas Forum
Brian Murphy	Gaslink <b>Dial in</b>
Richie Haley	Gaslink <b>Dial in</b>
Gaia Morleo	Gazprom
Pavanjit Dhesi	IUK
Chris Logue	National Grid
Matt Hatch	National Grid
Ritchard Hewitt	National Grid
Debra Hawkin	National Grid
Clara Ruiz Prada	Ofgem
KonradKeyserlingk	Ofgem
Pamela Taylor	Ofgem
Richard Miller	Ofgem <b>Dial in</b>
Stephen Rose	RWE
AmrikBal	Shell
Christiane Sykes	Statoil
Graeme Craig	UREG NI <b>Dial in</b>